

Press Release

Jayawant Shikshan Prasarak Mandal (JSPM)

February 16, 2017

Total Bank Facilities Rated*	Rs.65.00 Cr
Long Term Rating	SMERA BBB-/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) on the above mentioned Rs. 65.00 cr bank facilities of Jayawant Shikshan Prasarak Mandal (JSPM). The outlook is '**Stable**'.

JSPM is a Pune-based trust promoted by Prof. Tanaji Jaywant Sawant, Founder Secretary. The trust runs educational institutions that offer courses in engineering, management, pharmacy among others.

List of key rating drivers and their detailed description

Strengths

Established track record of operations and experienced management: JSPM was incorporated in 1998. The founders, Prof. Tanaji Sawant and Mr. Shivaji Sawant President, have more than two decades of experience in the education sector.

Healthy financial risk profile: The financial risk profile is healthy marked by net worth of Rs.131.98 cr as on 31 March, 2016 as compared to Rs.105.30 cr in the previous year. The interest coverage ratio (ICR) has been moderate at 4.37 times for FY2015-16. The gearing stood at 1.57 times as on 31 March, 2016.

Waterfall mechanism in Escrow account and debt-service reserve account (DSRA): The trust has escrow account with waterfall mechanism. All proceeds/advances/internal accruals received by the school/college/institute from the Hadapsar campus is deposited into a designated Escrow account with the bank. As per the waterfall mechanism, funds in the escrow account can be used to pay off statutory dues and taxes followed by arrears of interest or principal in respect of the facility, interest and other payment charges, maintenance of Debt Service Reserve Account (DSRA). The surplus is to be released to the Trust. The Trust maintains DSRA equivalent to the interest and the principal payment for one quarter of debt obligation in the form of fixed deposit with the lender.

Healthy occupancy ratio: The trust has a healthy occupancy ratio of around 92 per cent for academic year 2016-17 as against 87 per cent for 2015-16. Further, cumulative numbers of students have increased during the period under study (academic year 2014-15 to 2016-17) at a CAGR of 7.19 per cent.

Weaknesses

Intense competition and limited growth in scale of operations: The institutes face intense competition from other private institutions offering similar courses. Given the competition, the ability of the institutes to attract requisite students in tune with its sanctioned intake would be a challenge.

Geographic concentration: All four campuses of JSPM - Wagholi, Narhe, Hadapsar, Tathwade are located at Pune, leading to geographic concentration risk.

Stringent regulatory framework for educational sector in India: The trust is subject to the stringent regulatory framework for the educational sector in India.

Applicable Criteria

- Services Sector: <https://www.smerra.in/criteria-services.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that JSPM will maintain a stable outlook over the medium term owing to its long standing presence in Pune. The outlook may be revised to 'Positive' if its scale of operations increases on the back of further increase in fee receipts, while maintaining its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if the trust fails to achieve the scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded capital expansions.

About the Rated Entity

JSPM, Pune, a public charitable educational trust, established in 1998 runs AICTE-approved institutes recognised by the Government of Maharashtra and affiliated to the University of Pune. The trust was founded by Prof. Tanaji Jaywant Sawant.

For FY2015-16, the trust reported profit after tax (PAT) of Rs.26.47 cr on operating income of Rs. 293.95 cr, as compared with PAT of Rs. 24.99 cr on operating income of Rs. 265.61 cr in FY2014-15. The net worth stood at Rs 131.98 cr as on March 31, 2016 against Rs. 105.30 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Cr)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	LT	65.00	SMERA BBB-/Stable (Assigned)	-	-	-	-	-	-

Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Rating/Outlook
Term Loan	N.A	N.A	December 2022	65.00	SMERA BBB-/Stable (Assigned)

Note on complexity levels of the rated instrument: <https://www.smerra.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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