

Press Release

December 27, 2017

Jayawant Shikshan Prasarak Mandal (JSPM)

Rating Upgraded and Assigned



Total Bank Facilities Rated *	Rs. 145.00 cr
Long Term Rating	SMERA BBB/ Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating of '**SMERA BBB**' (read as **SMERA triple B**) from '**SMERA BBB-**' (**SMERA triple B minus**) on the Rs.65.00 crore bank facility and assigned long term rating of '**SMERA BBB**' (read as **SMERA triple B**) on the Rs.80.00 crore 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, and pharmacy among others.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

JSPM was incorporated in 1998. The founders, Prof. Tanaji Jaywant Sawant and Mr. Shivaji Sawant (President), have more than two decades of experience in the education sector.

Improvement in financial risk profile

The financial risk profile of JSPM is healthy marked by net worth of Rs.163.27 crore as on 31 March, 2016 as compared to Rs. 131.98 crore in the previous year. Gearing (debt-equity) stood at 1.44 times as on 31 March, 2017 as against 1.53 times as on 31 March, 2016. The total debt of Rs.234.31 crore as on 31 March, 2017 comprises of term loans of Rs.224.25 crore, unsecured loans from trustees of Rs.54.89 crore and working capital facility of Rs.10.07 crore. The interest coverage ratio (ICR) stood at 4.52 times for FY2017 as compared to 4.37 times for FY2016. Debt-EBIDTA stood at 2.60 times for FY2017. Further, SMERA expects the financial risk profile to remain healthy backed by healthy cushion between net cash accruals and Current Portion of Long Term Debt (CPLTD).

Maintenance of Debt-service reserve account (DSRA):

The trust has an agreement with the bank to maintain an escrow account. All proceeds/advances/internal accruals receivables are to be deposited in the escrow account and utilised firstly for debt servicing before release of surplus cash flows. Further, the company has maintained Debt Servicing Reserve Account (DSRA) of three months for the loan, thus providing a cushion to absorb short term mismatches.

Healthy occupancy ratio

The operating income of the trust for FY2017 stood at Rs.310.08 crore as against Rs.293.95 crore for FY2016. The continuous increase in operating income is on account of trust's healthy occupancy ratio of around 93 per cent for academic year 2017-18 as against 92 per cent for 2016-17. Further, the cumulative number of students has increased during the period under study (academic year 2015-16 to 2017-18) at a CAGR of 3.51 per cent.

Weaknesses

Dependence on Scholarships

A majority of the admissions in the institute are based on scholarships from the government which results in delays in revenue recognition.

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.

Stringent regulatory framework for educational sector in India

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

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of JSPM to arrive at the rating.

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 capitalexpanions.

About the Rated Entity - Key Financials

	Unit	FY17 (Actuals)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	310.08	293.25	265.61
EBITDA	Rs. Cr.	89.95	85.12	74.14
PAT	Rs. Cr.	31.09	26.47	24.99
EBITDA Margin	(%)	29.01	28.96	27.91
PAT Margin	(%)	10.03	9.01	9.41
ROCE	(%)	14.08	13.68	15.08
Total Debt/Tangible Net Worth	Times	1.44	1.53	2.27
PBDIT/Interest	Times	4.52	4.37	3.38
Total Debt/PBDIT	Times	2.60	2.37	3.22
Gross Current Assets (Days)	Days	76	99	153

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Service Entity - <https://www.smera.in/criteria-service.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History

Date	Name of Instrument/Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
16 Feb, 2017	Term Loan	Long Term	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. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	65.00	SMERA BBB / Stable (Upgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	67.00	SMERA BBB / Stable (Assigned)
Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	13.00	SMERA BBB / Stable (Assigned)

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ABOUT SMERA

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