

## Press Release

### Jayawant Shikshan Prasarak Mandal (JSPM)

February 27, 2020

### Rating Reaffirmed



|                                     |                                   |
|-------------------------------------|-----------------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 145.00 Cr. #                  |
| <b>Long Term Rating</b>             | ACUITE BBB/Stable<br>(Reaffirmed) |

# Refer Annexure for details

#### Rating rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 145.00 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.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profile of JSPM to arrive at the rating.

#### 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. The trust has over the years developed a healthy track record of operations. The trust offers a wide variety of courses in Engineers, Pharmacy, Management Computer applications Philosophy, etc.

Acuite believes that JSPM will maintain a stable business risk profile based on the promoters vast experience and the trust established track record of operations.

##### Healthy occupancy ratio

The operating income of the trust for FY2019 stood at Rs.314.11 crore as against Rs.312.86 crore for FY2018. The continuous increase in operating income is on account of trust's healthy occupancy ratio of around 90 per cent for academic year 2019-20 as against 85 per cent for 2018-19. Further, the cumulative number of students has increased during the period under study (academic year 2018-19 to 2019-20) at 2.6 per cent.

##### Weakness

##### Dependence on Scholarships; stringent regulatory framework

A majority of the admissions in the institute are based on scholarships from the government which results in delays in revenue recognition. 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. The Indian education industry is highly regulated and consequently subject to the stringent regulatory framework, which is to be followed by trust operated institutes. Any major change in regulatory framework by Government of India or change in policy by various affiliated boards will have major impact on the revenue, financial and operating performance of the trust.

Acuite believes that JSPM's ability to scale up its operations while maintaining profitability will be a key rating monitorable.

##### Rating Sensitivity:

- Elongation of working capital cycle

### Liquidity: Adequate

JSPM has an adequate liquidity profile. The collection days stood at 135 days as on March 31, 2019 mainly due to delay in collection of subsidy from government organisations. The trust had healthy accruals of Rs. 76 Cr. against debt obligations of ~Rs. 32 Cr. for FY2019. The average utilization of working capital limits was above 95% for past six months ended December 31, 2019.

### Outlook

Acuite believes that JSPM will maintain a 'Stable' outlook over the medium term on the back of its experienced track record of operations. The outlook may be revised to 'Positive' in case the trust registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the trust registers lower-than-expected growth in revenues and profitability or in case of deterioration in the trust's financial risk profile or significant elongation in working capital cycle.

### Applicable Criteria

- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios and Adjustments – <https://www.acuite.in/view-rating-criteria-20.htm>

### About the Rated Entity - Key Financials

|                               | Unit    | FY19 (Actual) | FY18 (Actual) | FY17 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 314.11        | 312.86        | 310.08        |
| EBITDA                        | Rs. Cr. | 100.52        | 95.67         | 89.95         |
| PAT                           | Rs. Cr. | 34.18         | 31.30         | 31.09         |
| EBITDA Margin                 | (%)     | 32.00         | 30.58         | 29.01         |
| PAT Margin                    | (%)     | 10.88         | 10.01         | 10.03         |
| ROCE (%)                      | (%)     | 12.35         | 12.93         | 14.08         |
| Total Debt/Tangible Net Worth | Times   | 1.20          | 1.38          | 1.44          |
| PBDIT/Interest                | Times   | 4.00          | 4.00          | 4.52          |
| Total Debt/PBDIT              | Times   | 2.70          | 2.76          | 2.54          |
| Gross Current Assets (Days)   | Days    | 180           | 145           | 76            |

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

None

### Any other information

Not applicable

### Rating History (Upto last three years)

| Date        | Name of Instrument / Facilities | Term      | Amount (Rs. Cr.) | Ratings/Outlook                       |
|-------------|---------------------------------|-----------|------------------|---------------------------------------|
| 04-Mar-2019 | Term Loan                       | Long Term | 65.00            | ACUITE BBB<br>Issuer not co-operating |
|             | Term Loan                       | Long Term | 67.00            | ACUITE BBB<br>Issuer not co-operating |
|             | Secured Overdraft               | Long Term | 13.00            | ACUITE BBB<br>Issuer not co-operating |
| 27-Dec-2017 | Term Loan                       | Long Term | 65.00            | ACUITE BBB / Stable<br>(Upgraded)     |
|             | Term Loan                       | Long Term | 67.00            | ACUITE BBB / Stable<br>(Assigned)     |
|             | Secured Overdraft               | Long Term | 13.00            | ACUITE BBB / Stable<br>(Assigned)     |
| 16-Feb-2017 | Term Loan                       | Long Term | 65.00            | ACUITE BBB-/Stable<br>(Assigned)      |

### #Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate    | Maturity Date  | Size of the Issue (Rs. Cr.) | Ratings                        |
|------------------------|------------------|----------------|----------------|-----------------------------|--------------------------------|
| Term Loan              | Not Applicable   | Not Applicable | Not Applicable | 65.00                       | ACUITE BBB/Stable (Reaffirmed) |
| Term Loan              | Not Applicable   | Not Applicable | Not Applicable | 67.00                       | ACUITE BBB/Stable (Reaffirmed) |
| Secured Overdraft      | Not Applicable   | Not Applicable | Not Applicable | 13.00                       | ACUITE BBB/Stable (Reaffirmed) |

### Contacts

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|---|--|
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### About Acuité Ratings & Research:

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