

Press Release

Jayawant Shikshan Prasarak Mandal



February 21, 2022

Rating Downgraded

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|-------------------------------------------|------------------|-----------------------|-------------------|
| Bank Loan Ratings | 65.00 | ACUITE C Downgraded | - |
| Bank Loan Ratings | 80.00 | ACUITE D Downgraded | - |
| Total Outstanding Quantum (Rs. Cr) | 145.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE BBB**' (**read as ACUITE triple B**) on the Rs.80.00 Cr. bank facilities of Jayawant Shikshan Prasarak Mandal (JSPM).

Further, Acuité has also downgraded the long-term rating to '**ACUITE C**' (**read as ACUITE C**) from '**ACUITE BBB**' (**read as ACUITE triple B**) on the Rs.65.00 Cr. bank facilities of Jayawant Shikshan Prasarak Mandal (JSPM).

Rationale for revision of ratings

The revision of ratings takes into account the delay in repayment of the long-term loan bank facilities for the month of Jan 2022 as informed by the banker. The rating also factors in constraints faced in the form of delays in realisation of fees resulting in weak liquidity position.

About the Company

JSPM is a Pune-based trust incorporated in 1998 and 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

Acuité 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. Acuité believes that JSPM will maintain a stable business risk profile based on

the promoters vast experience and the trust established track record of operations.

Weaknesses

Delays in servicing of bank facilities availed

JSPM avails bank facilities from multiple banks including Yes Bank and Indusind Bank. While JSPM has been able to service bank facilities of Indusind bank on time as informed by the banker, the bank facilities of Yes bank: Term loan and Overdraft facilities are riddled with delays in the past 3 months, further the account is also classified as SMA-0 as informed by the banker.

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.

Rating Sensitivities

- Significant improvement in scale of operations, while maintaining its profitability margins.

Material covenants

None

Liquidity Position: Weak

JSPM has a weak liquidity position as profile due to its inability to service its bank facilities on time. While the NCA (Net cash accruals) stood at Rs.76.12 Cr. as on March 31, 2021, the realization of cash accruals is delayed marked by debtors collection period of 415 days in FY2021 (Provisional) as against 198 days in FY2020 and 135 days in FY2019. The average utilization of working capital limits stands at near 100 percent for 6-months period ended December 31, 2021.

Outlook

Not Applicable

Key Financials

| Particulars | Unit | FY 21 (Provisional) | FY 20 (Actual) |
|-------------------------------|-------------|----------------------------|-----------------------|
| Operating Income | Rs. Cr. | 246.92 | 257.69 |
| PAT | Rs. Cr. | 34.60 | 13.97 |
| PAT Margin | (%) | 14.01 | 5.42 |
| Total Debt/Tangible Net Worth | Times | 0.90 | 0.95 |
| PBDIT/Interest | Times | 4.28 | 3.44 |

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|-----------|-----------------|----------------------------------------------------------|
| 27 Feb 2020 | Secured Overdraft | Long Term | 13.00 | ACUITE BBB Stable (Reaffirmed) |
| | Term Loan | Long Term | 67.00 | ACUITE BBB Stable (Reaffirmed) |
| | Term Loan | Long Term | 65.00 | ACUITE BBB Stable (Reaffirmed) |
| 04 Mar 2019 | Term Loan | Long Term | 65.00 | ACUITE BBB (Issuer not co-operating*) |
| | Term Loan | Long Term | 67.00 | ACUITE BBB (Issuer not co-operating*) |
| | Secured Overdraft | Long Term | 13.00 | ACUITE BBB (Issuer not co-operating*) |
| 27 Dec 2017 | Term Loan | Long Term | 65.00 | ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable) |
| | Term Loan | Long Term | 67.00 | ACUITE BBB Stable (Assigned) |
| | Secured Overdraft | Long Term | 13.00 | ACUITE BBB Stable (Assigned) |
| 16 Feb 2017 | Term Loan | Long Term | 65.00 | ACUITE BBB- Stable (Assigned) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Rating |
|-------------------|----------------|----------------------------------|------------------|----------------|----------------|-------------------|-------------------------------------------|
| Yes Bank Ltd | Not Applicable | Dropline Overdraft | Not Applicable | Not Applicable | Not Applicable | 13.00 | ACUITE D Downgraded (from ACUITE BBB) |
| Not Applicable | Not Applicable | Proposed Long Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | 44.64 | ACUITE C Downgraded (from ACUITE BBB) |
| Indusind Bank Ltd | Not Applicable | Term Loan | Not available | Not available | Not available | 20.36 | ACUITE C Downgraded (from ACUITE BBB) |
| Yes Bank Ltd | Not Applicable | Term Loan | Not available | Not available | Not available | 67.00 | ACUITE D Downgraded (from ACUITE BBB) |

Contacts

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About Acuité Ratings & Research

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