

Press Release

Jayawant Shikshan Prasarak Mandal

December 09, 2022

Rating Upgraded



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|-------------------------------|-------------------|
| Bank Loan Ratings | 145.00 | ACUITE B+ Stable Upgraded | - |
| Total Outstanding Quantum (Rs. Cr) | 145.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has upgraded the long-term rating to **'ACUITE B+' (read as ACUITE B plus)** from **'ACUITE D' (read as ACUITE D)** on Rs.80.00 Cr bank facilities of Jayawant Shikshan Prasarak Mandal (JSPM).

Further, Acuite has upgraded the long-term rating to **'ACUITE B+' (read as ACUITE B plus)** from **'ACUITE C' (read as ACUITE C)** on Rs.65.00 Cr bank facilities of Jayawant Shikshan Prasarak Mandal (JSPM).
The outlook is **'Stable'**.

Rationale for upgrade

The rating upgrade reflects the partial improvement in JSPM's liquidity position and the timely servicing of its debt obligations. The rating also factors the established and long track record of operations of the trust and its stable operating performance. However, the rating is constrained by its moderate financial risk profile and the nature of its operations which leads to mismatches in cash flows.

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

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

Incorporated in 1998, JSPM is founded by Prof. Tanaji Jaywant Sawant and Mr. Shivaji Sawant (President) who have more than two decades of experience in the education sector. The trust provides over 13 courses ranging from Pre-primary to technical courses like MBA, MCA Engineering, Pharmacy among others and has a total of 51 institutes at its five campuses in Pune. JSPM has developed a healthy track record of operations reflected by its stable operating income over the years. Total operating income of the trust stood at Rs.265.78 crore in FY22 as against Rs. 228.64 crore in FY21 and Rs.257.69 crore in FY20. Further, the occupancy levels have remained healthy at 86.25 percent in FY22 as against 89.88 percent in FY21 and 87.65 percent in FY20

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

Moderate financial risk profile

Financial risk profile of the trust is moderate with a moderate trust corpus fund, low gearing and healthy debt protection metrics. Corpus fund of the trust stood at Rs. 297.82 crores as on 31st March 2022 as against Rs. 260.63 crore as on 31st March 2021. Increase in the fund is on account of accretion surplus to the fund. Gearing of the trust has improved from its peak gearing at 0.97 times as on 31st March 2020 and stood at 0.56 times as on 31st March 2022 as against 0.87 times as on 31st March 2021. Such improvement is on account of repayment of existing loans. Total outside liabilities to total corpus fund stood at 0.88 times as on 31st March 2022 as against 1.25 times as on 31st March 2021. Net cash accruals to Total Debt (NCA/TD) stood at 0.43 times as on 31st March 2022 as against 0.17 times as on 31st March 2021. Debt protection metrics of the company is comfortable with DSCR at 1.40 times in FY22 as against 1.02 times in FY21. Interest coverage ratio stood at 4.18 times in FY22 as against 2.50 times in FY21.

Acuité believes that the operations of the company to remain working capital intensive on account of elongated receivable days

Elongated receivable days

JSPM is a charitable trust and 50% of the fee income of the students are received in the form of government subsidy. Due to the covid induced lockdown the company faced delays in receipt of fees from students. Subsidy fee from government is received in 2 half yearly installments. Due to the delayed admission process such receipts from government have also slowed down. Debtor collection period of the company stood at 310 days in FY22 as against 360 days in FY21.

Acuité believes that the operations of the company to remain working capital intensive on account of high inventory levels maintained by the company for regular supply of power.

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

- Sustained growth in scale of operations and profitability
- Stretch in working capital and deterioration in liquidity position

Material covenants

None

Liquidity: Stretched

Liquidity of the company is stretched on account of the trust's fully utilized fund based working capital limits. Average bank limits remained fully utilized for 6 months ended October, 2022. The trust is however generating sufficient net cash accruals as against the debt repayment obligation. Net cash accruals of the company stood at Rs. 72.47 crore in FY22 as against repayment obligation of Rs. 45.03 crore. Net cash accruals of the company are expected to remain sufficient in the range of Rs.96-120 crores as against debt repayment obligation of Rs. 37-33 crores. The trust maintains a cash balance of Rs.21.62 crores as on 31st March 2022.

Acuité believes that the liquidity of the company is likely to remain stretched over the medium term on account of intensive working capital operations and elongated receivable days of the trust.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 22 (Actual) | FY 21 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 265.78 | 228.64 |
| PAT | Rs. Cr. | 37.19 | (3.57) |
| PAT Margin | (%) | 13.99 | (1.56) |
| Total Debt/Tangible Net Worth | Times | 0.56 | 0.87 |
| PBDIT/Interest | Times | 4.18 | 2.50 |

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

None

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is

different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|-----------|-----------------|--|
| 21 Feb 2022 | Proposed Bank Facility | Long Term | 44.64 | ACUITE C (Downgraded from ACUITE BBB Stable) |
| | Secured Overdraft | Long Term | 13.00 | ACUITE D (Downgraded from ACUITE BBB Stable) |
| | Term Loan | Long Term | 67.00 | ACUITE D (Downgraded from ACUITE BBB Stable) |
| | Term Loan | Long Term | 20.36 | ACUITE C (Downgraded from ACUITE BBB Stable) |
| 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*) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|-------------------|----------------|----------------------------------|------------------|----------------|----------------|------------------|-------------------|-------------------------------------|
| Yes Bank Ltd | Not Applicable | Dropline Overdraft | Not Applicable | Not Applicable | Not Applicable | Simple | 13.00 | ACUITE B+ Stable Upgraded |
| Not Applicable | Not Applicable | Proposed Long Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | Simple | 44.64 | ACUITE B+ Stable Upgraded |
| Indusind Bank Ltd | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 20.36 | ACUITE B+ Stable Upgraded |
| Yes Bank Ltd | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 67.00 | ACUITE B+ Stable Upgraded |

Contacts

| Analytical | Rating Desk |
|---|--|
| Deepti Bhandarkar Analyst-Rating Operations Tel: 022-49294065 deepti.bhandarkar@acuute.in | Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuute.in |

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuute.in) for the latest information on any instrument rated by Acuité.