

Press Release

P P Savani Knowledge City (PPSKC)

11 May, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.25.00 Cr
Long Term Rating	SMERA B/Stable

*Refer Annexure for details

Rating Rationale

SMERA has assigned a long term rating of '**SMERA B** (read as SMERA single B) to the Rs.25.00 cr bank facility of P. P. Savani Knowledge City (PPSKC). The outlook is '**Stable**'.

PPSKC established in the year 2016 is a part of P P Savani Education Trust which was established in the year 1987 by Mr. Vallabhbhai P. Savani. P P Savani Education Trust operates 10 schools having total student strength of around 45,000. PPSKC is led by Dr. Sanghani (CEO) and offers courses such as Physiotherapy, Interior Designing and Bio technology. The courses provided by the institute are affiliated to Veer Narmad South University, Gujarat.

List of key rating drivers and their detailed description:

Strengths:

Experienced Management: PPSKC is headed by Dr. Sanghani, CEO who has more than two decades of experience in the education industry.

Moderate Occupancy Ratio: PPSKC commenced its first academic year in 2016-17. The institute has moderate occupancy ratio of around 65 per cent for the academic year 2016-17.

Weaknesses

Nascent stage of operations: PPSKC is established in the year 2016 and 2016-17 was its first academic year. It is in its initial stage of operations and yet to demonstrate its performance.

Below average financial risk profile: PPSKC's financial risk profile is below average marked by low net worth of Rs.8.32 cr as against debt of Rs.24.11 cr as on February, 2017. The institute incurred losses due to its initial stage of operations. Going ahead, PPSKC's ability to generate sufficient cash accruals to service its debt obligations would be a key rating sensitivity.

Intense competition: PPSKC faces intense competition from established and upcoming educational institutions offering similar courses. Given the competition, the ability of the institute to attract requisite students in tune with its sanctioned intake would be a challenge.

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

Analytical approach: SMERA has considered the standalone business and financial risk profile of PPSKC to arrive at the rating.

Outlook - Stable

SMERA believes that PPSKC will benefit over the medium term from the promoters experience in running educational institutions. The outlook may be revised to 'Positive' if the institute's scale of operations increases substantially resulting in improved accruals. Conversely, the outlook may be revised to 'Negative' if the institute fails to achieve the expected revenue or undertakes significant debt funded capex further deteriorating the financial risk profile.

About the Rated Entity

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Applicable Criteria

- Service Sector Entities- <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>

Note on complexity levels of the rated instrument:

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

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating History (Upto last three years):

Not applicable

*Annexure – Details of instruments rated:

Name of the Facility	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Rating/Outlook
Term Loan	N.A.	N.A.	March 2026	25.00	SMERA B/ Stable (Assigned)

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ABOUT SMERA

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