

## Press Release

### Savitri Education Foundation (SEF)

May 09, 2018

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 40.50 Cr.
<b>Long Term Rating</b>	SMERA BBB-/ Outlook: Stable
<b>Short Term Rating</b>	SMERA A3

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-** (read as SMERA triple B minus) and short term rating of '**SMERA A3**' (read as SMERA A three) on the Rs. 40.50 crore bank facilities of Savitri Education Foundation. The outlook is '**Stable**'.

#### Analytical Approach

SMERA has taken a consolidated the business and financial risk profiles of Savitri Education Foundation (SEF) with Balajee Education Private Limited (BEPL) on account of same management, significant financial linkages in the form of unsecured loans given by BEPL to SEF and corporate guarantee extended by BEPL to SEF. The consolidated entities have been referred to as 'Savitri group' herein.

SEF was formed by Mr. Sanjay Kumar Khemka and Mr. Sunil Agarwal in 2015 to provide primary education in Kolkata. The trust operates 'The Newtown School', affiliated to CBSE Board with students of more than 2500 currently from nursery till tenth standard.

BEPL, the flagship entity of the group was founded by Mr. Sanjay Kumar Khemka and Mr. Sunil Agarwal in the year of 2005. The entity is engaged in operating tutorial and coaching centers for engineering and medical entrance exams under the franchise of Aakash Educational Services (P) Ltd, New Delhi. BEPL currently has 7 centers in West Bengal and 3 in Patna with a student base of more than 12,000.

#### Key Rating Drivers

##### Strengths

- Experienced management

The promoters of the Savitri group, Mr. Sanjay Kumar Khemka and Mr. Sunil Agarwal have long standing experience of more than a decade in the education sector. The founders along with a strong team of qualified faculty members have been imparting quality education to their students.

##### • State of the art infrastructure and improving occupancy

The school is the first green school in India under the new school category and the campus of "The Newtown School" spans across 3 acres and it has hi-tech laboratories such as 3D lab, I-Pad Lab, Mac Lab, Digital Lab, Robotics Lab and etc. Apart from this, they also have library, canteen, and playgrounds in which training is given for squash, table tennis, football, volleyball, basketball, shooting range and other sports. They also have certain clubs where they used to give the learning of Martial Arts, Kung fu, Vedic Maths and etc. With a total of around 2662 students in academic year 2018-19, occupancy has increased significantly from 2154 students in previous year; the trend is expected to continue in the coming fiscal considering that new admissions are already more than is going on. The total capacity of seats for the existing unit is 3200.

- **Comfortable financial risk profile**

The financial risk profile of the group is marked by healthy net worth, moderate gearing and healthy debt protection measures. The Savitri group has a healthy net worth of Rs 37.37 crs as on 31st March'2017 as compared to Rs.29.82 crore in FY2016. The gearing of the group stood moderate at 1.63 times in FY2017 as compare to 2.43 times in the previous year. The total debt of Rs 61.10 crs consists mainly of term loan from the bank. The debt protection measures of the group stood healthy with interest coverage of 2.64 times in FY'17 as compared to 2.41 times in FY'16. Debt service coverage ratio (DSCR) stood comfortable at 1.50 times in FY2017 as against of 1.29 times in previous year. The NCA/TD levels of the group stood at 0.22 times in FY'17 as against 0.12 times in the previous year. Going forward SMERA believes the group will maintain comfortable financial risk profile on account of improvement in profitability in Savitri Education Foundation.

- **Healthy liquidity position**

The group's healthy liquidity position is marked by adequate cash accrual of Rs. 13.16 crore in FY2017 as against debt repayment obligations of around Rs.6.40 crore during the same period. The group also had unencumbered cash balances of about Rs. 3.24 crore as on March 31, 2017 which enhances the liquidity position.

### Weaknesses

- **Significant debt funded capex plan**

The Savitri group has capex plans of about Rs.36.07 crore spread in FY'2019 to increase its current student capacity from the existing 3200 to 5200 in The Newtown School. The said capex is expected to be funded by debt of Rs. 20.00 crore and the balance from fresh equity infusion by the promoters. The completion of the project within the stipulated timelines at the envisaged cost would be a key credit monitorable. Moreover, BEPL has capex plans of around Rs. 15.00 crore over the medium term for addition of new centres across West Bengal and Patna.

- **Intense competition**

The group faces intense competition from other private 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.

### Outlook: Stable

SMERA believes Savitri group will continue to benefit over the medium term from the extensive experience of its promoters in the education sector. The outlook may be revised to 'Positive' if there is a substantial increase in the trust's operating income while maintaining its profitability leading to better accruals and leverage ratios. Conversely, the outlook may be revised to 'Negative' in case of time or cost overruns in the ongoing projects leading to deterioration in the financial risk profile and liquidity.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	130.98	98.96	65.01
EBITDA	Rs. Cr.	23.15	18.01	7.62
PAT	Rs. Cr.	1.37	(2.00)	3.29
EBITDA Margin	(%)	17.80	18.20	11.71
PAT Margin	(%)	1.06	(2.02)	5.06
ROCE	(%)	14.06	10.60	15.78
Total Debt/Tangible Net Worth	Times	1.63	2.43	2.42
PBDIT/Interest	Times	2.64	2.14	5.19
Total Debt/PBDIT	Times	2.36	3.49	6.19
Gross Current Assets (Days)	Days	28	27	25

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

NA

### Any other information

NA

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.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 (Upto last three years)

Not Applicable

### \*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	40.00	SMERA BBB-/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A3

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