

Press Release

Savitri Education Foundation

September 06, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 40.50 Cr.
Long Term Rating	ACUITE BBB-/Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

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 3165 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 21650.

Analytical Approach:

Acuité has taken a consolidated view of 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.

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

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 training in Martial Arts, Kung fu, Vedic Maths among others with a total of around 3165 students in academic year 2019-20.

• Healthy financial risk profile

The healthy financial risk profile of the group is marked by healthy net worth, comfortable gearing and healthy debt protection metrics. The net worth of the group stands healthy at Rs.70.15 crore in FY2019 (Prov.) as compared to Rs.51.87 crore in FY2018. This improvement's in Networth mainly due to retention of current year profit. The gearing of the group stands comfortable at 0.63 times as on March 31, 2019 (Prov.) when compared to 1.00 times as on March 31, 2018. The total debt of Rs.43.87 crore in FY2019 (Prov.) consist of only long term debt from bank. Interest coverage ratio (ICR) is comfortable and stood at 8.59 times in FY2019 (Prov.) as against 5.09 times in FY2018. The debt service coverage ratio also stands comfortable at 3.28 times in FY2019 (Prov.) as against of 2.28 times in FY2018.

Weaknesses

- **Stringent regulatory framework for educational sector in India**

The group is subject to the stringent regulatory framework for the educational sector in India.

- **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.

Liquidity Position:

The group has comfortable liquidity marked by healthy net cash accruals of Rs.30.08 crore as against Rs.7.60 crore of yearly debt obligation. The cash accruals of the group are estimated to remain in the range of around Rs. 34.38 crore to Rs. 44.50 crore during 2020-22 against repayment obligations ranging from Rs. 7.60 crore. The working capital of the group is well managed, which is marked by comfortable gross current asset days of 28 in FY2019 (Prov.). Acuite believes that the liquidity of the group is likely to remain healthy over the medium term on account of healthy cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuite 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 improvement in its financial risk profile. The considerable increase in number of students would result in increased operating income. Conversely, the outlook may be revised to 'Negative' if it undertakes a large debt funded capex program, causing its debt protection metrics and capital structure to weaken, or if the student enrolment witnesses a significant drop.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	183.77	162.14	130.08
EBITDA	Rs. Cr.	38.32	36.88	23.14
PAT	Rs. Cr.	18.38	12.92	1.36
EBITDA Margin	(%)	20.85	22.75	17.79
PAT Margin	(%)	10.00	7.97	1.05
ROCE	(%)	27.14	25.75	11.96
Total Debt/Tangible Net Worth	Times	0.63	1.00	1.19
PBDIT/Interest	Times	8.59	5.09	2.64
Total Debt/PBDIT	Times	1.07	1.31	2.37
Gross Current Assets (Days)	Days	28	20	68

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-17.htm>
- Service Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
23-July-2019	Term Loan	Long Term	40.00	ACUITE BBB-/Stable (Indicative)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Indicative)
09-May-2018	Term Loan	Long Term	40.00	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Assigned)

*Annexure – Details of instruments rated

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

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About Acuité Ratings & Research:

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