



Press Release
PIMPRI CHINCHWAD EDUCATION TRUST
March 03, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	67.00	ACUITE BBB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	67.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of ‘**ACUITE BBB+**’ (read as **ACUITE triple B plus**) on Rs. 67.00 Cr. bank facilities of Pimpri Chinchwad Education Trust (PCET). The outlook is ‘**Stable**’.

Rationale for rating assigned

The rating assigned considers the long track record along with established position of the trust, constituting varied institutes and courses, which results in diversified revenue streams. The rating factors in significant improvement in the operating income along with stable margins owing to continuous increase in the number of enrolments, steady increment in fees and establishment of Pimpri Chinchwad University (PCU). Further, the rating also factors in the healthy financial risk profile and strong liquidity of the trust. However, these strengths are partly offset by the timely completion of capex at PCU without cost overruns, growing competition in the field of education and the various regulatory risks associated with the business.

About the Company

Established in 1990, Pimpri Chinchwad Education Trust (PCET) is a Pune, Maharashtra based organisation engaged in providing education from primary to PhD through various schools, colleges and university. Currently, the board of trustees includes Mr. Dnaneshwar P. Landge, Mr. Harshwardhan S. Patil, Mr. Shantaram D. Garade, Mrs. Padmatai M. Bhosale and Mr. Vitthal S. Kalbhor. The trust has three campuses namely Akurdi Campus, Ravet Campus and PCU campus, all situated in Pune. The trust operates 9 colleges, 1 CBSE school, 1 university with 11 institutes and hostels.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of PCET to arrive at the rating.

Key Rating Drivers

Strengths

Experienced board of trustees along with established track record of operation

PCET has an established track record of operations offering varied courses across different institutes. The trustees have an experience of over three decades in the education industry leading to a strong reputation in the industry.

The founding members of the trust are Late. Shri. Shankarrao B. Patil, Late. Smt. Lilatai Shankarrao Patil, Shri. Dnyaneshwar P. Landge, Shri. Vitthal S. Kalbhor, Shri. Shantaram D. Garade and Late. Shri. Bhaijan Kazi. The institutes offer courses in the field of engineering, management, polytechnic, architecture & designing, pharmacy, law, media, etc. PCET has various affiliations and accreditations with organizations/institutes like NAAC, AICTE,

SPPU, NABET, NBA, CBSE, MSBTEM, etc. The institutes have a combined strength of ~14,500 students, 1,000 faculty members, 50,000 Alumni's and have assisted in providing more than 31,000 placements. The organisation is expanding its operations through the establishment of PCU in FY24 which shall offer various new courses under one umbrella.

Acuité believes that the established track record of operations along with introduction of new courses and establishment of university will enable the entity to grow over the medium term.

Increasing enrolments leading to continuous growth in revenue

The revenue of the trust improved significantly to Rs. 222.80 Cr. in FY24 as compared to Rs. 169.59 Cr. in FY23 and Rs. 136.07 Cr. in FY22. The continuous growth is on the back of increasing admissions by ~10% each year and increment in the tuition and hostel fees. Further, the significant improvement in FY24 is due to the establishment of PCU. The EBITDA margin stood marginally low at 26.31 percent in FY24 as against 27.87 percent in FY23 on account of increase in the administrative cost and advertisement spending, expected to remain in similar range in the medium term. Further, the PAT margin stood at 18.18 percent in FY24 as compared to 22.49 percent in FY23 owing to the increase in finance costs and depreciation. This positive trend on admissions along with steady margins shall be a key rating sensitivity.

Healthy financial risk profile

The financial risk profile of the trust stood healthy, marked by a strong net worth of Rs. 283.38 Cr. as on March 31, 2024 as against Rs. 243.08 Cr. as on March 31, 2023. The increase in net worth is on account of accretion of profits to trust funds. Further, the total debt of the trust stood at Rs. 38.67 Cr. in FY24 as against Rs. 19.40 Cr. in FY23. The increase in debt in FY24 is on account of capex spends in the newer buildings for PCU due to which the gearing ratio increased to 0.14 times in FY24 as compared to 0.08 times in FY23. Moreover, the debt protection metrics remained healthy with interest coverage ratio of 18.80 times in FY24 as against 54.75 times in FY23 and debt service coverage ratio at 10.30 times in FY24 as against 54.75 times in FY23.

Acuité expects the financial risk profile to remain healthy over the medium term on the back of steady cash accruals and no significant debt funded capex.

Weaknesses

Significant capex plans

The trust had completed the Phase I of PCU in May 2023 at a total cost of Rs 130 Cr, funded through debt of Rs 40 Cr. and balance through accruals. Further, currently, the trust is in the process of building the Phase II of PCU at a total cost of Rs 67 Cr. expected to be completed by July 2025. This additional cost shall also be funded by mix of accruals and debt (tie up in process). Therefore, timely completion of capex without cost overruns, materialisation of the same and any further capex expansions over the medium term shall be a key rating sensitivity.

Exposure to intense competition

PCET is exposed to intense competition from various reputed educational institutes providing the similar courses which may continue to limit scalability and profitability. Given the competition, the ability of the trust to attract requisite students in tune with its sanctioned intake would be a challenge. Further, PCET also faces the risk related to qualified and experienced professional in the field of education.

Risk from stringent regulatory framework

The education industry is highly regulated, and it is crucial to adhere to certain infrastructure and operating standards established by regulatory organizations. Various state and central bodies, including AICTE, NBA, NAAC, CBSE, and SPPU, among others, prescribe a regulatory framework for PCET based on the professional courses that are being offered. Thus, continual investment in the workforce and infrastructure is required to run operations efficiently.

Rating Sensitivities

- Increasing number of admissions and stable margins
- Continued maintenance of healthy financial risk and strong liquidity profile
- Timely execution of existing capex and no further significant debt funded capex over medium term

Liquidity Position

Strong

The trust's liquidity position is strong, marked by net cash accruals of Rs. 57.50 Cr. in FY24 as against long term debt repayment of Rs. 2.67 Cr. over the same period. Going forward, the trust is expected to generate sufficient net cash accruals in the range of Rs. 62.00-67.00 Cr. for FY25 & FY26 to repay its debt obligation of around Rs.

8.00-13.00 Cr for the same period. The current ratio stood healthy at 4.56 times as on March 31, 2024. Further, the cash and bank balances of the trust stood at Rs. 15.26 Cr. as on March 31, 2024.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	222.80	169.59
PAT	Rs. Cr.	40.50	38.14
PAT Margin	(%)	18.18	22.49
Total Debt/Tangible Net Worth	Times	0.14	0.08
PBDIT/Interest	Times	18.80	54.75

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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. Acuité'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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BBB+ Stable Assigned
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	31 Jan 2023	Not avl. / Not appl.	31 Jan 2029	37.00	Simple	ACUITE BBB+ Stable Assigned

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Akshit Agrawal Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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