

October 10, 2022

S. K. S. Educational and Social Trust: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Limits – Overdraft	19.00	19.95	[ICRA]BBB+ (Stable); reaffirmed
Fund-based Limits – Term Loan	20.95	15.68	[ICRA]BBB+ (Stable); reaffirmed
Unallocated Limits	0.05	4.37	[ICRA]BBB+ (Stable)/ [ICRA]A2; reaffirmed
Total	40.00	40.00	

* Instrument details are provided in Annexure-1

Rationale

The reaffirmation of the ratings continues to factor in the established track record of S. K. S. Educational and Social Trust (SKSEST) in imparting quality education, experience of the trustees in the field of education and a strong financial profile, characterised by healthy profitability, a conservative capital structure and strong debt coverage indicators. Although the overall performance of the trust was affected by the pandemic over the past two years, the same is likely to improve gradually with normalisation of operations at the educational sector. The trust has a diverse presence across the education spectrum through established schools and colleges offering various diploma, graduation and post-graduation courses.

The ratings, however, are constrained by the considerable decline in admissions in engineering courses in the recent years due to weak placements and competition from other colleges although the impact on SKSEST's revenue is mitigated to an extent by the trust's diversified revenue stream. ICRA notes that the overall profits and cash accruals of the trust were adversely impacted due to the pandemic. However, an increase in the student enrolment in its various courses and opening of a new school are likely to improve the same, going forward. ICRA further notes that the fee structure for engineering courses is entirely regulated by the state government, restricting SKSEST's flexibility to revise fees. Moreover, regular capital expenditure incurred by the trust to maintain a tax-free status also encumbers its cash flows.

The Stable outlook on [ICRA]BBB+ rating reflects ICRA's opinion that SKSEST's business profile will remain comfortable, aided by an increase in revenues from schools despite the declining trend in revenues from engineering colleges.

Key rating drivers and their description

Credit strengths

Established track record of the society in imparting quality education and experience of the trustees in the field of education – SKSEST was formed in 2001. It has an established track record in the higher education sector, with diversified presence across the educational spectrum. The founders of the trust are also members of another society running educational institutes in Mathura, Uttar Pradesh.

Diverse presence across educational spectrum through established schools and colleges – SKSEST had initially started the Bengal College of Engineering and Technology (BCET) in Durgapur and S.K.S. Public School at Raniganj in West Bengal. Gradually, the trust widened its presence in the education sector by offering various courses through five colleges and five schools. The trust offers primary and secondary education, undergraduate courses like B. Tech, BCA, BBA, B. Pharma, and diploma courses in engineering, elementary education and pharmacy. It also offers Bachelor of Education course (B. Ed) and post-graduate courses like MBA and M. Pharma. Diversified presence in schools and higher education courses strengthen SKSEST's business profile. The combined strength across all the schools and colleges was 11,462 students in the academic year 2021-22. The engineering courses are approved by the All India Council for Technological Education (AICTE) and the respective institutes are affiliated to the Maulana Abdul Kalam Azad University of Technology (MAKAUT). The schools are affiliated to the Central Board of Secondary Education (CBSE).

Strong financial profile, characterised by a conservative capital structure and strong debt protection metrics – Despite a sharp fall in the overall top line of the trust, reduced employee costs (primarily compensation towards faculty members) led to a savings in the operating expenses, resulting in an improvement in the operating profit margin (OPM) in FY2021 over FY2020. However, with rationalisation of employee costs along with increased other overheads, the OPM of the trust declined to around 47% in FY2022 from 58% in FY2021. Healthy accretion to reserve over the past few years strengthened SKSEST's net worth. This coupled with low reliance on external debt led to a conservative capital structure over the past few years. The overall debt level of the trust marginally declined to Rs. 33.3 crore as on March 31, 2022 from Rs. 35.4 crore as on March 31, 2021. The gearing of the trust stood at 0.2 times as on March 31, 2022. The debt-coverage indicators continued to remain strong on account of healthy profits and cash accruals. In the absence of any major debt-funded capital expenditure, the capital structure of the trust would continue to remain conservative in near-to-medium term. With a likely increase in profits and cash accruals from the business, the coverage indicators are also estimated to improve to some extent in the current fiscal, and will continue to remain strong, going forward.

Credit challenges

Decline in profits and cash accruals following the Covid-19 pandemic – A sharp fall in admission, primarily in engineering courses, closure of various facilities, and reduced tuition fees in its major schools, as per the state government's directive, resulted in a decline in the overall top line of the trust in FY2021 over the previous fiscal. However, resumption of academic activities, given the increase in students' enrolment, normalisation of facilities and opening of a new school led to an increase in the trust's turnover to Rs. 52.3 crore in FY2022, registering a YoY growth of around 7%. In view of increasing trend in admission in its various courses, the trust's turnover is likely to increase (YoY) by around 17% in FY2023. Overall profits and cash accruals from the business stood at a lower level in FY2022 compared to the previous fiscal. However, in view of a likely increase in the trust's turnover, the profits and cash accruals from the business are also estimated to increase in the current fiscal, although margins are likely to remain at a level similar to the last fiscal.

Low admission in engineering courses – Admissions in engineering courses have declined over the past few years because of a slowdown in the job market, as reflected in the low placement and increased competition from other colleges. The reduced level of admissions is likely to negatively impact revenues from the engineering colleges managed by the trust. Owing to the trust's diversified revenue stream, a decline in revenue from the engineering courses is likely to be offset by higher revenues from other courses and schools. SKSEST is in the process of increasing the number of schools, which is likely to support its revenue growth, going forward.

Fee structure for engineering courses regulated by state government – The fee structures of the B. Tech and diploma engineering courses offered by the colleges are in accordance with the norms fixed by the state government, limiting the flexibility for SKSEST in fixing the fees. However, fees for other courses, schools, hostels etc. are decided by the trust.

Regular capital expenditure required to maintain tax-free status – The trust is required to incur regular capital expenditure to maintain its tax-free status. The trust has come up with a new school (SKSWS-137) in Noida, Uttar Pradesh in the academic year 2021-22 with classes from pre-nursery to VI. The trust plans to set up another school (SKS World School) in Ghaziabad, Uttar Pradesh. The required land has already been acquired at a consideration of around Rs. 50 crore. Till March 2022, the trust incurred around Rs. 28 crore for the project. The estimated capital cost will be around Rs. 100 crore, proposed to be funded by a mix of debt and equity.

Liquidity position: Adequate

The trust generated positive cash flow from operations (FFO) over the past few years, supported by healthy cash accruals from the business and low working capital intensity of operations, which is likely to continue in the near-to-medium term. The trust's long-term debt-servicing obligation has increased to some extent due to new term loans availed in the recent past. However, the overall debt repayment obligation remains at a modest level. The average utilisation of the fund-based working capital limits of the entity remained at a moderate level of around 57% during the last 15 months ended in August 2022. However, significant capital expenditure incurred on a regular basis exerts pressure on SKSEST's cash flows. Nevertheless, in view of the

adequate cash flow from operations, surplus cash/ bank balance and undrawn working capital facilities, ICRA expects the overall liquidity position of the trust to remain adequate.

Rating sensitivities

Positive factors – ICRA may upgrade SKSEST's ratings if the entity is able to increase its scale of operations substantially, while improving its profitability and liquidity position on a sustained basis.

Negative factors – Pressure on SKSEST's ratings may arise if there is a decline in revenues and/or a deterioration in the profitability and/ or any large debt-funded capital expenditure adversely impacts the trust's credit profile.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Higher Education Sector
Parent/ Group Support	Not Applicable
Consolidation/ Standalone	The ratings are based on the standalone financial statements of the entity

About the company

S. K. S. Educational and Social Trust (SKSEST) was formed in 2001 by Mr. Satish Kumar Sharma and his family members for imparting education. The trust offers primary and secondary education; undergraduate courses like B. Tech, BCA, BBA and B. Pharma; diploma courses in engineering and pharmacy; diploma in elementary education and Bachelor of Education courses (B.Ed); and post-graduate courses like MBA and M. Pharma through its five colleges and five schools. The Bengal College of Engineering and Technology is the flagship college of the trust, which started operations in 2001. The combined strength of all the schools and colleges managed by the trust was over 11,400 students in the academic year 2021-22.

Key financial indicators (audited)

	FY2021	FY2022
Operating Income (Rs. crore)	48.9	52.3
PAT (Rs. crore)	16.4	9.3
OPBDIT/OI (%)	58.0%	46.7%
PAT/OI (%)	33.6%	17.8%
Total Outside Liabilities/Tangible Net Worth (times)	0.21	0.21
Total Debt/OPBDIT (times)	1.25	1.36
Interest Coverage (times)	10.50	8.93

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Source: S. K. S. Educational and Social Trust

Status of non-cooperation with previous CRA

CRA	Status	Date of Release
CRISIL Ratings	Issuer not cooperating, based on best-available information; Rating continues to be 'CRISIL B/ Stable Issuer not cooperating'	February 26, 2022

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2022 (Rs. crore)	Date & Rating	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020		
					Oct 10, 2022	Oct 7, 2021	Sep 16, 2020	Oct 25, 2019	Aug 14, 2019	
1	Overdraft	Long Term	19.95	17.51	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable) ISSUER NOT COOPERATING; Withdrawn	
2	Term Loan	Long Term	15.68	14.33	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	[ICRA]BBB (Stable) ISSUER NOT COOPERATING; Withdrawn	
5	Unallocated Limits	Long Term/ Short Term	4.37	NA	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	

Source: S. K. S. Educational and Social Trust

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – working capital facilities	Simple
Long-term fund-based – term loan	Simple
Unallocated limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Overdraft – ODTCS	-	-	-	15.00	[ICRA]BBB+ (Stable)
NA	Overdraft – ODIP	-	-	-	4.00	[ICRA]BBB+ (Stable)
NA	Overdraft	-	-	-	0.95	[ICRA]BBB+ (Stable)
NA	Term Loan – 1	Oct, 2019	-	Oct, 2029	6.50	[ICRA]BBB+ (Stable)
NA	Term Loan – 2	Oct, 2019	-	May, 2025	7.00	[ICRA]BBB+ (Stable)
NA	WCTL – GECL	Aug, 2020	-	Jul, 2024	1.55	[ICRA]BBB+ (Stable)
NA	Covid Loan	Dec, 2021	-	Dec, 2026	0.63	[ICRA]BBB+ (Stable)
NA	Unallocated Limits	-	-	-	4.37	[ICRA]BBB+ (Stable)/ [ICRA]A2

Source: S. K. S. Educational and Social Trust

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Mr. Jayanta Roy
+91 33 7150 1120
jayanta@icraindia.com

Mr. Sujoy Saha
+91 33 7150 1184
sujoy.saha@icraindia.com

Mr. Kaushik Das
+91 33 7150 1104
kaushikd@icraindia.com

Mr. Sandipan Kumar Das
+91 33 7150 1190
sandipan.das@icraindia.com

RELATIONSHIP CONTACT

Mr. Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.