

Hind Charity Trust (Revised)

June 06, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	24.68 (Reduced from 40.00)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	24.68 (Rs. Twenty-Four Crore and Sixty-Eight Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Hind Charity Trust (HCT) continue to derive strength from experienced management, modern campus infrastructure, healthy enrolment rates, moderate capital structure and expected improvement in fee collection in FY23 due to fee hike undertaken. The ratings also consider the stable financial performance in FY22 (refers to the period from April 01 to March 31) despite dip in SBID margins due to one time expense related to settlement of dues to GIIS k12 Education Pvt Ltd towards termination of Co-Management agreement and absence of revision in fees.

The ratings are however constrained by limited outreach on account of single campus operation and highly regulated industry with intense competition.

Rating Sensitivities

Positive Factors

- Substantial growth in total operating income while maintaining surplus margins on a sustained basis
- Improvement in capital structure with overall gearing of less than 0.50 times and improvement in debt coverage indicators on sustained basis

Negative Factors

- Substantial decline in enrolments level of the schools leading to significant decline in its total operating income against envisaged level
- Any further deterioration in SBID margin from the current level
- Any major debt funded capex, leading to deterioration in overall gearing beyond 1.50 times and total debt to GCA beyond 5 times on sustained basis

Detailed description of key rating drivers

Key rating strengths

Experienced management: Present trustees of HCT are Shri R.K Dabriwala and Mr. P.K Dabriwala. Shri R.K Dabriwala used to be a member of various Merchant Chambers and Export Promotion Council. He is having more than 50 years of experience and is a dynamic industrialist. Also, he is the Promoter & Managing Director of M/s International Conveyors Limited (CARE BBB-; Stable/CARE A83) and Director in M/s R.C.A Limited. Mr. P.K Dabriwala is having more than 40 years of experience in the sugar & real estate industry.

Healthy enrolment across classes: Elpro International School (EIS), which is run by HCT, caters to entire K-12 segment with classes beginning from Standard I to standard XII. There has been a substantial increase in enrollment rates over last six years across all classes. The total number of students increased from 2560 in FY17 to 4819 in FY23. Teacher to student ratio in 2022-23 stood at 1: 18 which is better than the CBSE norms of 1: 30 and works to the advantage of students. Total Operating Income (TOI) of the trust remain stable with marginal growth of around 4% on y-o-y basis to Rs. 56.55 crore in FY22 (prov) as against Rs.54.50 crore in FY21 and Rs.51.88 crore in FY20 on account of absence of fee revision in the past two years. However, in FY23, there is revision in the fee structure of about 14% which will improve its fees collection for FY23.

Stable financial performance in FY22 despite dip in SBID margins and improvement in fee collection in FY23 due to fee hike undertaken: SBID margin of HCT declined to 16.68% in FY22 (provisional) as against 23.46% in FY21 and 25.47% in FY20 due to one time expense related to settlement of dues to GIIS k12 Education Pvt Ltd towards termination of

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Co-Management agreement and absence of revision in fees. The company paid about Rs.4.5 crore in FY 21-22 for full and final settlement of dues to GIIS. As a result, the firm's GCA reduced from Rs.9.10 crore in FY21 to Rs.6.27 crore in FY22. The firm has now entered into a new Co-Management agreement with Amaranth Daksha LLP for using their brand name of 'Elpro', for Marketing and promotion related services and for Management / administration assistance services.

In FY23, there is revision in the fee structure of about 14% which will improve its fees collection and SBID margin for FY23.

Moderate capital structure and debt coverage indicators: Overall gearing remained moderate at 1.20x as on March 31, 2022 (1.07x as on March 31, 2021). The overall gearing was slightly increased owing reduction in networth due to losses incurred in FY22 and increase in unsecured loan to support its liquidity. Out of the total debt of Rs.36.30 crore as on March 31, 2022, Rs.25.30 relates to term loan (Rs.32.95 crores as on March 31, 2021) and Rs. 11.00 crores of unsecured loan (Rs. 1.82 crores as on March 31, 2021). Debt coverage indicators remained moderate with total debt to GCA of 5.79x as on March 31, 2022 as against 3.82x as on March 31, 2021 and 4.50x as on March 31, 2020. Further Interest coverage remained satisfactory at 2.69x in FY22 against 3.30x in FY21.

Modern campus infrastructure: EIS has modern infrastructure in place including sports, library, transport, and health facilities. The campus features well equipped classrooms, laboratories, computer centers, Wi-Fi internet facility, library, healthcare center and other resources. The school gives emphasis on extra co-curricular activities in different fields and has facilities such as indoor games (Karate, table tennis, carom, etc.), basketball, skating, art studio, music, and dance rooms. Over the years, the trustees of HCT have gradually expanded the infrastructure facilities at the campus by bringing in modern amenities. Further, as per the finance act 2002, HTC as a society is bound to spend 85% of income in every financial year for both operating and capital expenses.

Further, in an educational institution, there would always be a need for continuous capex to upgrade / setup infrastructure for existing courses as well as to meet the requirement as per the increasing enrolments. The school has availed loans during FY19 and FY20 to fund the capex for setting up of various facilities. Although the trust has sufficient cushion in cash accruals vis-à-vis its existing yearly debt repayments, any major debt laden capex going further could result to deterioration in capital structure and debt coverage indicators of the trust.

Key rating weaknesses

Limited outreach on account of single campus operation: HCT has been in existence for about ten years and runs one school (EIS) in Pune and hence, the entire revenue of the trust is dependent upon one campus operation. The single campus and regional footprint limits the reach and penetration levels for the trust to tap opportunities.

Highly regulated industry with intense competition: Despite the increasing trend of privatization of education sector in India, regulatory challenges continue to pose a significant threat to the educational institutes. EIS is affiliated from CBSE and hence, is required to follow the regulations of CBSE from time to time.

EIS is expected to face stiff competition from other established and upcoming schools in the nearby area. Although, EIS has been able to distinguish itself from other schools as reflected by continuous growth in student strength, the emergence of other schools in the vicinity (like Vibgyor roots and rise school, GK gurukul, Orchids international school, etc.) remains a concern. However, given the larger capacity of the school and facilities provided by EIS like playing area, equipped classrooms, laboratories, auditorium etc., in comparison to the other schools in the vicinity, the risk is mitigated to a larger extent.

Industry Outlook:

The long-term outlook for the sector is favourable on expectation of increasing population, increase in per capita income, rising enrolment ratios, variety of courses being offered, growth in vocational courses, , flexibility in curriculum, innovation fund for secondary education, etc. As a preventive measure to curb the further spread of the COVID-19 pandemic, schools universities, training centers and other educational institutions were closed across India since mid-March 2020. In such unprecedented times, managing the finances and working capital requirement will be crucial for educational institutions. Availability of additional liquidity either in the form of unencumbered liquid investments, financial support from resourceful promoters or unutilized bank limits would provide some cushion. The long-term outlook for the sector is favourable on expectation of increasing population, increase in per capita income, rising enrolment ratios, variety of courses being offered, growth in vocational courses, government support in terms of Fee Reimbursement Scheme, flexibility in curriculum, innovation fund for secondary education, etc

Liquidity - Adequate

HCT's liquidity is adequate marked by sufficient cushion in cash accruals vis-à-vis its annual debt repayments. The trust had a debt repayment obligation of Rs.8.66 crores in FY23 which is expected to be comfortably met out of the GCA. Further during

FY22, the promoters had infused unsecured loan of Rs.11 crore to fund liquidity and repayment obligation. The trust maintains DSRA for 3 months in the form of fixed deposit (Rs.1.05 crore) with the lender. The trust also has liquidity in the form of unencumbered cash and bank balance of Rs.1.82 crore as on March 31, 2022. The school realizes fees in three installments during the year, i.e. in the month of March, June and October against its quarterly repayment schedule for term loans. The trust has no ongoing working capital limits.

Analytical approach: Standalone

Applicable Criteria

[CARE's Policy on Default Recognition](#)
[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Credit Watch](#)
[Education](#)

About the Company

HCT is running an International School named "Elpro International School" spread over 2 acres of land in Chinchwad, Pune, India. EIS is a Coed school, enrolling students from class I to class XII and is affiliated to Central Board of Secondary Education (CBSE). The day to day functioning of the school is being handled by Mrs. Amrita Vohra who is the principal of the school and has over two decades of experience in the educational sector. Furthermore, the school has around 300 faculties for specific standards and subjects with relevant background and experience.

Brief Financials (Rs. Crore)	FY20 (A)	FY21 (A)	FY22 (UA)
Total operating income	51.88	54.50	56.55
SBID	13.15	12.79	9.43
Surplus	-0.22	-0.08	-2.19
Overall gearing (times)	1.25	1.07	1.20
Interest coverage (times)	3.01	3.30	2.69

A: Audited, UA: Unaudited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Oct 2024	24.68	CARE BBB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Type	Current Ratings		Rating history			
			Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	24.68	CARE BBB-; Stable	-	1)CARE BBB-; Stable (19-May-21)	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities : Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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