

Ganesh And Gita Charitable and Educational Trust

August 09, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	25.64	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Total Bank Facilities	25.64 (₹ Twenty five Crore and Sixty Four Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The rating assigned to the Bank Facilities of Ganesh and Gita Charitable and Educational Trust (GGCET) is constrained by project construction, post commencement stabilization risk and limited geographical reach for the upcoming hospital and competition from established players in the region, healthcare being a highly regulated and capital-intensive industry, existing small scale of operations of the trust with low net worth base, moderate capital structure and debt coverage indicators and limited outreach of the school on account of single campus operation. The rating however derive comfort from experienced trustees, satisfactory operations of the school with healthy enrolment ratio, modern campus infrastructure & healthy SBID albeit decline in FY21 owing to Covid-19.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Successful commissioning of the hospital within the projected timeline and budget
- Increase in operating revenue above Rs.50 crore on a sustained basis
- Better geographical reach with presence in other cities

Negative factors – Factors that could lead to positive rating action/upgrade:

- Any further substantial debt funded capex
- Low occupancy of the project than estimated on a sustained basis

Detailed description of the key rating drivers

Key rating weaknesses

Project construction and post commencement stabilization risk for the upcoming hospital

GGCET is in process of construction of a hospital in Dhanbad, Jharkhand, by the name of SJAS Super Specialty Hospital (SJAS). The hospital is expected to have 350+ beds (Phase 1 – 153 beds and rest in Phase 2) providing healthcare services like Trauma and Critical care, Cardiology, Oncology, Orthopaedics, Neuroscience, etc.

The total cost of the project is estimated to be around Rs.60.60 crores to be funded by equity of Rs.19.45 crore and debt of Rs.41.15 crore. The debt has already been tied up with Union Bank of India and the trust has already expended around Rs.34 crores on the project by June 30, 2022 (~Rs.18 crore from equity contribution and ~Rs.16 crore of debt drawdown). The project is expected to be operational by Oct 2022.

The project is exposed to completion and post commencement stabilization risk which is mitigated to a certain extent given the experience of the trustees in the field of operation.

Limited geographical reach of upcoming hospital and competition from established players in the region

There are several well equipped and well-maintained Government and Private hospitals, clinics and nursing homes in the vicinity like SSLNT Government hospital, Patliputra Medical college and Hospital, Namdhari Hospital and research Centre, etc which leads to competition not only in acquiring patients, but also in attracting medical professionals. Also, there are a number of ESIC dispensaries operating in the city. However, with the development of industrial activities in and around Dhanbad, the requirement for a multi-specialty hospital and quality care beds has increased substantially. SJAS is one of the first super specialty hospitals in the vicinity with state-of-the-art infrastructure and technology with emphasis on critical care which is expected to provide it the early mover advantage.

Highly regulated and capital-intensive industry

Hospital industry is a capital intensive with relatively long gestation period. Generally, new hospital takes around 2-3 years' time frame to breakeven at operational level. Establishment, occupancy rate and financial stability in the initial period of operation takes time. Further, the maintenance capex required for the hospital industry also remains high owing to regular replacement of equipment, non-reusable pharmaceutical and surgical products and to update the latest technology.

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

Small scale of existing operations with low net worth base

The scale of operations of the company is very low with operating income Rs.3.99 crore in FY21 and Rs.5.16 crore in FY22 (Prov.) The small scale restricts the financial flexibility of the company at a time of stress.

Moderate capital structure and debt coverage indicators

Overall gearing of GG CET- remained moderate at 0.97x as on March 31, 2021 which further deteriorated to 1.92x as on March 31, 2022 due to debt drawn for the project. The capital structure is expected to moderate further in coming years owing to availment of debt for part funding of the hospital under construction with overall gearing expected to be at peak in FY23 at 4.18x. Total debt to GCA remained moderate over the years from FY17 to FY20 ranging from 3.3x to 4.6x. However, the same deteriorated in FY21 to 11.75x owing to Covid-19 impact and further deteriorated to 16.14x in FY22 (Prov.) due to increased debt.

Limited outreach of the school on account of single campus operation

XIS has been in existence for about 13 years and runs one school (XIS) in Dhanbad and hence, the entire revenue of the trust is dependent upon one campus operation. The single campus and regional footprint limit the reach and penetration levels for the trust to tap opportunities.

Key rating strengths**Experienced trustees**

There are total 10 trustees including chairman Mr. Ganesh Prasad Singh who is M.Sc. (Zoology) by qualification and has vast experience of over 3 decades in the fields of land development, real estate and civil construction. He was earlier the chairman of Asarfi hospital, Dhanbad (having around 110 beds) till 2015, which is one of the major hospitals in Dhanbad.

He is assisted by his son Dr. Jitendra Kumar Singh who is a qualified doctor (Senior Cardiac intensivist/ Critical Care). He was earlier Senior Registrar and Head in charge of ICUs at Indraprastha Apollo Hospital, New Delhi and is also a member of Royal College of Physicians, MCRP. He is the main technical person looking after the project. Other trustees are the family members and relatives of Mr. Ganesh.

Satisfactory operations of the school with healthy enrolment ratio

There has been satisfactory enrollment ratio of 74% (1033 students as on Dec 31, 2021 out of total capacity of 1400 students). The total number of students has moderated in 9MFY22 from 1065 as on March 31, 2021. However, the management expects a net increase of over 50 students by the end of FY22. The school has around 72 teaching and non-teaching staff with teacher to student ratio in 2020-21 of 1: 18 which is better than the CBSE norms of 1: 30 and works to the advantage of students.

Modern campus infrastructure

XIS has modern infrastructure in place including science laboratories, well equipped computer labs, music lab, state of the art Montessori class, sports, library, transport, canteen, and health facilities. The school also has a fully air-conditioned Auditorium. The school gives emphasis on extra co-curricular activities and provides different sports options with a hockey ground, cricket ground, volleyball court, basketball court, badminton court, open gym, swimming pool, shooting range and horse riding. Over the years, the trustees of GG CET have gradually expanded the infrastructure facilities at the campus by bringing in modern amenities.

Healthy SBID albeit decline in FY21 owing to Covid-19

The surplus before interest and depreciation (SBID) margin of GG CET remained healthy over the years ranging from 42% to 47% from FY17 to FY20. The same was high in FY21 at 61% and at 68% in FY22 (Prov.) owing to most of the activities being carried out online. However, absolute SBID declined in FY21 from Rs.3.85 crore to Rs.2.45 crore in FY20 owing to reduced revenues. The same improved to Rs.3.56 crore in FY22 (Prov.). The trust has outsourced most of its non-teaching operations like security, housekeeping, etc. which are fixed in nature and led to decline in profits in times of lower revenues.

Liquidity: Stretched

The current working capital limits of the trust of Rs.2 crore are almost fully utilized with lower revenues in FY21 and surplus funds being required for hospital construction. The trust had a cash and bank balance of Rs.0.25 crore as on December 31, 2021. The trust has low working capital requirement owing to fees being collected in advance from the students resulting in a negative operating cycle. The trust has repayment obligation of Rs.1.32 crores in FY23 against which it is expected to generate sufficient cash flows. Further, the interest on unsecured loans payable to the trustees are not paid and gets accumulated leading to liquidity buffer for the trust.

Analytical approach: Standalone**Applicable criteria**

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Hospital](#)

[Education](#)

About the trust

GGCET was incorporated on December 04, 2006, with aim to provide quality education and healthcare services. Mr. Ganesh Prasad Singh is the Chairman of the trust and the trustees are the family members and relatives of Mr. Ganesh.

The trust is presently engaged in running a school named St. Xavier's International School (XIS) since April 2008. The school is affiliated to CBSE board of education having classes from Nursery to Class -12 in Commerce, Science and Arts fields with hostel facilities. The trust is in the process of setting up a hospital by the name of SJAS Super Speciality hospital at Dhanbad, Jharkhand on land owned by trustee

Brief Financials (Rs. crore)	31-03-2021	31-03-2022	Q1FY23
Total operating income	3.99	5.16	NA
SBID	2.45	3.56	NA
SAT	1.10	1.85	NA
Overall gearing (times)	0.97	1.92	NA
Interest coverage (times)	1.81	2.07	NA

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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 (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	April 2032	25.64	CARE BB; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	25.64	CARE BB; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/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 instruments: CARE Ratings 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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