

LakshmiPat Singhania Foundation For Higher Learning

March 16, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	91.28 (Reduced from 109.90)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	91.28 (Rs. Ninety-One Crore and Twenty-Eight Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of LakshmiPat Singhania Foundation for Higher Learning (LSF - Sponsoring body for JK LakshmiPat University (JKLU)) continues to derive strength from the experienced and resourceful promoters with continued financial support of the JK group of companies in the form of donations for supporting the operations of the university as well as timely servicing of its debt obligations. The rating continues to derive strength from the experienced board with well-established infrastructure of the university. However, the rating is constrained due to initial years of operations of the university, low student strength, continued operational losses and competition from established & upcoming universities.

Key Rating Sensitivity

Positive Factors- Factors that could lead to positive rating action/upgrade

- Sustained improvement in total operating revenue above Rs. 50.00 crore
- Improvement in SBID margin beyond 5.00% on sustained basis

Negative Factors- - Factors that could lead to negative rating action/downgrade

- Lack of continuous support from promoters in the form of donations

Detailed description of the key rating drivers

Key Rating Strengths

Experienced & resourceful promoters:

JKLU and LSF are promoted by JK group which has a diversified presence in segments such as cement, tyre, paper and agro products. JK group comprise of companies such as JK Lakshmi Cement Limited (CARE AA; Stable/CARE A1+), JK Tyre & Industries Ltd. (CARE A; Stable/CARE A1), JK Fenner (India) Ltd and JK Paper Ltd. The group companies continue to demonstrate the support in the form of donations for operational expenses and debt repayment of LSF. The total corpus and donation received by JKLU in FY21 (refers to the period: April 01 to March 31) was Rs. 35.88 crore and Rs. 32.40 crore in FY20. Further in 9MFY22(refers to the period: April 01 to December 31), JKLU received total donation of Rs.33.75 crore.

Experienced board of members & well-established Infrastructure:

JKLU is promoted by LSF as Sponsor Company (section 25 company under companies' act 1956), with its campus situated at Jaipur, Rajasthan, spread over 30 acres. Furthermore, the university has qualified and experienced faculty members. Further JKLU has an experienced board of members with Mr. Bharat Hari Singhania (Chairman, JK Paper, JK Lakshmi Cement limited and other group companies) and Dr. R.P. Singhania (Chairman & Managing Director, JK Tyre & Industries Ltd.) are directly looking into the affairs of JKLU assisted by a team of professionals who have vast experience in the Education industry.

Support from group companies:

The university continues to report losses despite of donations of Rs. 22.38 crore in FY21 (FY20: donations of Rs.21.40 crore) due to low student strength. The liquidity of the company is managed by further donations of Rs.13.50 crore in FY21 (FY20: donations of Rs.11 crore) routed through balance sheet. JKLU is sponsored by LSF, which is backed by LSEF of the JK group. JK group collectively has been supporting the operations of the trust through regular infusion of trust. Considering this during 9MFY22 also the group has together infused donation of Rs.34.25cr and further provided loan of Rs.15cr.

Key Rating Weaknesses

Lower enrolment and student strength:

Total student strength as a percentage of total capacity stood at ~63.5% on account of lower enrolments. The increase in the student strength from 640 students in AY21 (refers to the period July 01 to June 30) to 762 students in AY22 is due to better enrolment in BBA and B. Tech. in AY22 despite Covid-19 mainly because significant proportion of students in BBA and B. Tech are local students and therefore the enrolments were not impacted by Covid-19 that much. Owing to low student strength the

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university continues to post operational losses. Effective steps are being taken by the group in order to increase the brand awareness of the institute through introduction of future-ready and transformative courses like Design programmes which is expected to improve the future enrolments and shall remain key monitorable.

Regulatory framework for educational sector in India:

The sector is regulated by the Ministry of Human Resources at the national level, by the education ministries in each state, as well as central bodies like University Grants Commission (UGC) and 14 other professional councils like All India Council for Technical Education etc. The operating and financial flexibility of the higher education sector are limited, as regulations govern almost all aspects of operations, including fee structure, number of seats, changes in curriculum and infrastructure requirements.

Competition from established and upcoming educational institutes:

The education industry is highly competitive and private universities providing higher education have increased significantly over the years. Thus, JKLU faces high competition from other educational institutes located in its vicinity thereby affecting the enrollments. Nevertheless, to enhance enrolments, university added 4 new specializations each in management and engineering courses and a new course of Bachelor of design focusing on new technologies of AI, IoT & automation to make the students future ready.

Liquidity: Adequate

JKLU had cash & bank balance Rs. 19.67 crore as on March 31, 2021 and Rs.15.08 crore as on February 28, 2022 JKLU including DSRA balance equivalent to three months interest & one quarter instalment with banks. The university though has moderate liquidity due to low profits, the debt repayments are however supported from the donations & corpus contributions by various JK group of companies. Going forward, the ability of LSF/JKLU to continuously garner the financial support from its group companies as demonstrated from its past track record shall be crucial. The university has availed both the moratoriums.

Analytical approach:

Standalone. However, linkages have been factored in the form of continuous financial support from the group companies namely Lakshmipat Singhanian Education Foundation, JK Tyre & Industries Ltd., Bengal & Assam Company Co limited, JK Agri Genetics Ltd, JK Fenner (India) Ltd., JK Lakshmi Cement Ltd and JK Paper Ltd towards the timely servicing of debt repayments & funding its operational expenses.

Applicable Criteria

[Criteria on assigning "Outlook" and "credit watch" to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology- Education Sector](#)

[CARE's methodology for Factoring Linkages in Ratings](#)

About the Entity

JK Lakshmipat University (JKLU) was established in 2011 by Lakshmipat Singhanian Foundation for Higher learning (LSF - Sponsoring body) to impart higher education in Engineering & MBA. The sponsoring body is a Company Limited by Shares, not for profit under section 8 of the Companies Act, 2013 (U/s 25 of the Companies Act, 1956). Initially the term loan for building the university was sanctioned by the lenders in favor of LSF, the sponsoring body. On promulgation of the university, the sponsoring body transferred all the assets as reflected in its books except land along with all the liabilities including the term loan taken by LSF to JKLU. Thereafter JKLU became the principal borrower; however LSF continues to be the co-borrower. JKLU and LSF are backed by the JK Group having business interest in cement, paper, tyre, agro products, power transmission products, oil seals, molded rubber products, Investment in shares & securities and education. JK Lakshmipat University has been recognized by Government of Rajasthan and Covered under section 2(f) of the UGC Act, 1956. JKLU has its campus of 30 acres at Jaipur, Rajasthan.

	Rs. Crore		
Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22(P)
Total operating income (including donation for operations)	34.05	33.27	20.11
PBILD (including donation for operations)	11.40	12.29	1.78
PAT (including donation for operations)	-2.31	0.07	-6.24
Overall gearing (times)	2.30	1.69	NA
Interest coverage (times)	0.83	1.00	0.22

A: Audited; P: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (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		-	-	September 30, 2024	91.28	CARE BBB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	91.28	CARE BBB-; Stable	1)CARE BBB-; Stable (01-Apr-21)	-	1)CARE BBB-; Stable (09-Mar-20)	1)CARE BBB-; Stable (07-Mar-19) 2)CARE BBB-; Stable (06-Apr-18)

* 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 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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