

S. Amar Singh Educational Charitable Trust

April 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	20.10 (Enhanced from 11.60)	CARE BB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to bank facilities of SECT continues to remain constrained on account of small scale of operations with moderate enrolment ratio and stretched liquidity during FY23 (Audited, refers to the period from April 01 to March 31). The ratings are further constrained on account high amount of government recoverables, intense competition from established and upcoming institutes with limited geographical reach as well as a highly regulated nature of the education sector. However, the rating derive strength from healthy profitability margins, comfortable capital structure and debt coverage indicators, established infrastructure with diverse range of courses and experienced trustees with qualified faculty members and 'University' status of the institute.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors

- Sustainable and continuous growth in TOI above Rs. 40.00 crores along with sustained profitability margins
- Considerable improvement in the student enrolment ratio of the university.

Negative Factors

- Any major debt funded capex resulting in deterioration of the overall gearing ratio to above 2x.
- Decline in scale of operations below Rs. 20.00 crores along with PBILDT margins below 15% on a sustained basis.
- Any significant increase in amount of receivables pending from government over the previous year led to elongation in collection period beyond 350 days

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook on the ratings of SECT reflects CARE's belief that SECT shall continued to derive benefit from its experienced promoters and established infrastructure and sustain its moderate financial risk profile in medium term.

Detailed description of the key rating drivers

Key Weaknesses

Small scale of operations with moderate enrolment ratio

SECT's scale of operation marginally improved albeit it continues to remain small marked by total operating income (TOI) of Rs. 36.05 crores during FY23 compared to Rs. 30.39 crores during FY22. The marginal improvement was an account of higher enrolment of students in various courses, during the year as well as grant received to the tune of Rs. 7.52 crore during the year. During AY23-24 SECT has enrolled 1334 students as against 1055 students enrolled during AY22-23 and 786 students enrolled for AY21-22. Hence the enrolment ratio stood moderate at 81% for AY23-24 as against enrolment ratio of 86% for AY22-23 and 65% for AY21-22. During 10MFY24(Provisional, refers to period April 01 to March 31) achieved total operating income of Rs. 34.79 crores and it's expected to book total income of Rs. 37 crores by the end of March, 2024.

High amount of recoverable from the Government

As a measure to promote education among students coming from economically weaker backgrounds, the Punjab Government had announced a scheme wherein they would reimburse the education institution in exchange for fees waiver offered to the students. However, owing to operational constraints such allocation of funds received from the central government for other purposes, there have been delays in recovery for the past three years. As on March 31, 2023, the trust had receivables (largely pertaining to fee of reserved category students) outstanding of ~Rs. 20.02 Crore (P.Y. Rs.20.02 crore), leading to an elongated collection period. However, as on January 31, 2024, there has been improvement in receivables position as the trust has recovered an amount worth Rs. 5.65 crore although outstanding receivables are still high at Rs. 14.84 crore.

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

Intense competition from established and upcoming institutes and limited geographical reach

The university operates from a single campus in Phagwara (Punjab). This limits the penetration level and ability to tap opportunities. Furthermore, due to the increasing focus on technical education in India, a number of other colleges and universities have opened up in close proximity. This exposes the revenue of SECT to competition from other universities in Punjab like Chandigarh University, Sri Guru Granth Sahib World University, Chitkara University, Rayat and Bahra University etc. Additionally, the university faces competition from reputed private universities like Lovely Professional University (Jalandhar), CT group of Institutions (Jalandhar), both located in Punjab and Amity University, Manipal University etc. located elsewhere in India. With high number of upcoming universities and colleges, the competition is expected to intensify further. The prospects of the trust would be highly dependent on its ability to provide higher quality education and maintain its brand image.

Highly regulated nature of the education sector

The Indian education sector is in the concurrent list of the constitution and thus comes under the purview of both the central and the state governments. The regulatory framework of the education sector allows higher educational institutions to operate only as not-for-profit entities. The restriction on running for profit institutes implies that institutions can be established only in three forms: trusts, societies and Section 8 companies, resulting in lower return on investment. It is regulated by the Ministry of Human Resources at the national level, by the education ministries in each state and central bodies like University Grants Commission (UGC) and other professional councils like All India Council for Technical Education, etc. In addition to the UGC norms, the operations of higher educational institutes are regulated with respect to the number of seats and amount of fee for professional courses, management quota, etc. Maintaining the standard of education, offering training programs to teachers etc. are some of the other challenges faced by the entities engaged in the education sector. Further, Policy changes like fee waivers for reserved category students brought in by the government in the higher education sector also directly impacts the operations of the trust.

Key Strengths***Experienced trustees with qualified faculty members and 'University' status of the institute***

SECT was established in 2004 by Mr. Gursaran Singh as the founder and Mr. Gurdeep Singh (Son of Mr. Gursaran Singh) as the president of the trust. The other trustees are Mr. Ranbir Singh (son of Mr. Gursaran Singh), Mr. Kulwin Sehra (son of Mr. Ranbir Singh) and Mr. Keerat Sehra (son of Mr. Gurdeep Singh). The trustees have a rich business acumen gained from working in the industry through their engagement in other companies of the GNA group; GNA Gears Limited and GNA Axles Limited. The trustees have a long track record in the industry with the president of the trust having an experience of around 30 years. The other trustees; Mr. Ranbir Sehra, Mr. Kulwin Sehra and Mr. Keerat Sehra have an experience more than 35 years, 8 years and 5 Years, respectively. They are supported by an experienced and qualified faculty including PhD holders, research scholars and guest faculty from renowned educational and industrial institutes. The student to faculty ratio in the university has remained around 25:1. Owing to more than 10 years of experience of the trust in the education sector, GNA university was able to get university status at the start of its operations under the GNA University Act in 2014. Because of the university status, it has relatively high autonomy in terms of conducting examinations, admission procedures, deciding syllabus etc. However, the status also necessitates compliance with UGC norms with award of grants etc.

Well-established infrastructure with diverse range of courses

SECT currently operates one university; GNA University in Phagwara, Punjab with a campus covering 51 acres of land. In addition to the well-established basic infrastructure, the various facilities offered to the students by the university include laboratories, computer centres, conference halls, video conferencing, multi-media projectors, well stocked libraries etc. The campus is equipped with Punjab's first business simulation lab for the management students and a Directorate General of Civil Aviation (DGCA - Government of India) approved workshop for the Aerospace Engineering students. The campus also provides facilities like hostels and extra-curricular activities like sports grounds, gym, etc., to its students. The university also has in place the necessary infrastructure for research activities like labs, software's, knowledge partners etc. Further, the university status of the institute lends it relatively higher autonomy in terms of conducting examinations, admission procedures, deciding syllabus etc. SECT offers forty-seven courses including graduate, post graduate courses along with various certificate level courses in diverse fields like engineering, management, computer application and hospitality etc. The courses are primarily approved by AICTE.

Healthy profitability margins

The profitability of SECT declined marginally over previous year due to higher operating expenditure but remained healthy marked by SBILDT (Surplus before interest, depreciation and tax) margin stood at around 21.11% and net surplus margin stood at around 14.61% for FY23 as against SBILDT margin and net surplus margin of 22.61% and 15.19% respectively in FY22. Further, the profitability margin also remained satisfactory during 10MFY24(provisional) with SBILDT margin of 18.88%.

Comfortable capital structure and debt coverage indicators

As on March 31, 2023, the capital structure of the trust stood comfortable on account of low debt levels relative to its networth base which improved owing to accretion of surplus to its corpus. Thus, overall gearing stood at 0.61x as on March 31, 2023 compared to 0.77x as on March 31, 2022. The overall gearing ratio further improved and remained comfortable as on January 31, 2024 at 0.31x. Further, owing to decrease in finance cost and increased profitability, debt coverage indicators stood comfortable marked by an interest coverage of 6.53x during FY23 compared to 4.25 during FY22. The interest coverage however deteriorated marginally during 10MFY24 and remained satisfactory at 4.03x. Additionally, TD/GCA stood low at 4.68 years as on March 31, 2023 (P.Y.: 4.61 years).

Liquidity: Stretched

Liquidity remained stretched due to its fund being blocked in receivables led to elongated collection days of 209 days in FY23 although improved from 322 days in FY22 due to realisation from fees for reserved category students. Thus, working capital cycle remained elongated at 183 days in FY23 as against 290 days in FY22. However, gross cash accruals of SECT remained moderate at Rs. 6.47 crores during FY23 and it is expected to remain adequate for FY24 against fixed debt repayment obligation of Rs. 0.90 crore. Further limit utilization also remains moderate to 65% for the past 12 months ended February 29, 2024. Additionally, the society had free cash & bank balances of Rs. 5.50 crore as on March 31, 2023, and Rs.5.56 crore as on January 31, 2024. Further, SECT had a positive cash flow from operation of Rs. 6.57 crore decreased from Rs. 7.45 crore in FY22 owing to blockage of funds in receivables in forms of fees recoverable from state government for reserved category students.

Applicable criteria

[Policy on default recognition](#)

[Criteria on Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Rating Methodology - Education](#)

[CARE Ratings' criteria on Financial Ratios - Non-Financial Sector](#)

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

About the Trust and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Other Consumer Services	Education

Registered under the Indian Trusts Act, 1882, S. Amar Singh Educational Charitable Trust (SECT) was formed in 2004. It is a part of the 70 years old GNA Group. The trust was founded by Mr. Gursaran Singh with Mr. Gurdeep Singh (son of Mr Gursaran Singh) as the president of the trust. Currently, the trust operates one educational institute under the name "GNA University" in Phagwara, Punjab engaged in imparting higher education. The campus for GNA University was established in 2014 with the first academic year as AY2015-16. The trust has another college under its name viz. GNAIMT – GNA Institute of Management and Technology which is not operated by SECT. The same was established in 2004 by SECT and is currently leased by SECT to another non-profit organization, Baba Sri Chand Ji Educational Society, Hoshiarpur. The GNA group is also involved in the manufacturing of automotive transmission components with some of the world's top Original Equipment Manufacturers (OEMs) as its customers. The group consists of two other companies viz GNA Axles Limited and GNA Gears Limited. GNA Axles Limited (is engaged in the business of manufacturing axles, drive shafts and spindles with presence in both domestic and export markets. While GNA Gears Limited is engaged in the manufacturing of Automotive transmission components for some of the world's biggest Original equipment manufacturers like Suzuki, Mahindra & Mahindra Limited.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	10MFY24 (Prov.)
Total operating income	30.39	36.05	34.79
SBILDT	6.87	7.61	6.57
SAT	4.62	5.27	4.06
Overall gearing (times)	0.77	0.61	0.31
Interest coverage (times)	4.25	6.53	4.03

A: Audited, Prov.: Provisional, Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Available

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

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

Complexity level of various instruments rated for this Firm: Please refer Annexure-4

Lender details: Please refer Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	18.15	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	December, 2025	1.95	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 2023-2024	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
1	Fund-based - LT-Term Loan	LT	1.95	CARE BB; Stable	-	1)CARE BB; Stable (29-Mar-23)	1)CARE BB; Stable (16-Mar-22) 2)CARE BB; Stable (05-Apr-21)	-
2	Fund-based - LT-Bank Overdraft	LT	18.15	CARE BB; Stable	-	1)CARE BB; Stable (29-Mar-23)	1)CARE BB; Stable (16-Mar-22) 2)CARE BB; Stable (05-Apr-21)	-

LT: Long term

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

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

Note on the 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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About us:

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