

Sasi Educational Society

July 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	40.00	CARE BB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Sasi Educational Society (SES) are constrained by the relatively moderate scale of operations, moderate capital structure and debt protection metrics, elongated operating cycle, competitive and regulated challenges in educational sector. However, ratings derive strength from long-standing track record of operations of the society experienced society members, wide spectrum of courses offered by the society with all statutory approvals in place, adequate infrastructure facilities, increase in trend of revenue in FY24 and comfortable enrolment ratios.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling up operations with total operating income (TOI) above ₹80.0 crore while maintaining surplus before interest and deposit (SBID) margin above 25.00%
- Maintaining overall gearing ratio below unity.

Negative factors

- Decreasing income below ₹40.0 crore
- Reducing enrolment ratio below 50%
- Large debt funded capex, resulting in increasing overall gearing ratio above 3x.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) expects the society to sustain its improved operational performance supported by increasing student strength supported by increase in demand.

Detailed description of key rating drivers:

Key weaknesses

Relatively moderate scale of operation

Sasi Educational Society has a strong presence in Andhra Pradesh with 22 schools at East Godavari, West Godavari, Eluru, Chittoor district and Vishakhapatnam districts. SES had a total strength of actual intakes 5414 in AY24 increased from 5196 in AY23. SES offers 20 courses in undergraduate, postgraduate, postgraduate diploma under eight departments. Scale of operations stood relatively moderate with total operating income of ₹62.50 crore in FY24 despite improving from ₹47.83 crore in FY23 at a y-o-y growth rate of 30%. The faculty strength remained strong at with total teaching staff at 448 with 321 highly qualified professionals. The placement results improved in FY23 although moderated in FY24 inline to the current employment scenario over the country. However, per past records, it will improve in the coming years.

Moderate capital structure and protection metrics

The society's capital structure remained moderate though stable in line with the previous year marked by overall gearing ratio at 2.94x as on March 31, 2024, considering increase in term loan for capex towards new CSE block for increase in number of students for Sasi Institute of Technology & Engineering (SITE) as on March 31, 2024. Debt protection metrics also stood moderate with total debt to gross cash accruals TD/GCA and SBID interest coverage of 10.82x and 2.08x in FY24 (PY 10.44x and 0.91x). SES planned to incur capex of around ₹27.50 crore funded by proposed term loans of ₹19.25 crore and rest by accruals towards construction of infrastructure requirements for new school and junior college, and the capital structure is expected to remain moderate in the near term.

Stretched receivable days

The society's working capital cycle continued to remain elongated at 110 days in FY23 (PY: 171 days), primarily due to stretched collection period. The collection period stood at 139 days in FY23 (PY: 191 days). This is attributed to majority students being eligible for Fee Reimbursement scheme from the Government of Andhra Pradesh. Despite a decrease in debtors from ₹20 crore in FY23 to ₹18 crore, the society experiences delayed payments, with realisations taking sometimes a year. Utilisation of working

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

capital lines remained moderate, ranging from 70% in the last 12 months, and is influenced by delayed realisations and advances extended to associates.

Highly regulated and competitive nature of the industry

Higher education sector is one of the highly regulated sectors with state and central governments, regulating the industry directly and/or indirectly through bodies including UGC (University Grants Commission) and AICTE (All India Council for Technical Education).

The education sector is highly fragmented with the presence of a large number of small and big players due to high growth opportunities and the government's thrust on education for all. Therefore, players in this industry are exposed to competition-induced pressures on student enrolments and overall student strength. SES faces high competition from other educational institutes in the vicinity. However, the society has been able to sustain a healthy enrolment ratio for the courses it offers.

Uneven cash-flow associated with educational Institutes

The society's revenue stream is skewed towards the beginning of AY (normally between June-August for colleges and March-April for schools), when bulk of the tuition fees, hostel fees and other related income is collected, whereas the society incurs regular stream of payments for meeting staff salary, maintenance activities, interest expenses among others.

Key strengths

Established track record of the society and experienced and resourceful society members

The society has a track record of more than three decades. B Venugopala Krishna (Chairman) has close to three decades of teaching experience in educational institutions. Other key society members are also well-qualified and have around two decades of experience in the educational sector. SES has around 488 teaching staff, with 87 staff having more than 10 years of experience and 188 staffs with 4-10 years of experience. B Venugopala Krishna looks after day-to-day operations of SES and is assisted by other members of the society and directors of management committee of SITES. Trustees are resourceful and infused unsecured loans regularly, when needed.

Increase in trend of TOI for FY24

The society's TOI grew by 30% and stood at ₹62.50 crore in FY24 as against ₹47.83 crore in FY23. The incremental growth in gross receipt was account of improvement in school and college receipt altogether to ₹48.81 crore in FY24 from ₹38.40 crore in FY23. The SBID margin of the society also improved to 12.89% in FY24 (PY 5.75%) considering decreased operational expenses and increase in tuition fee. Surplus margin remained in similar line to last year at loss of 2.08% in FY24 (PY -2.89%) with increased interest expense towards the capex for construction activity and civil works.

Diverse courses and comfortable enrolment ratio

SES offers 20 programmes including MBA, M. Tech, B. Com, B. Tech, B. Sc and other courses. Apart from this, SES have schools and junior colleges for students from Class 1-12. The enrolment ratio stood comfortable across all major revenue generating courses. SES has invested in essential infrastructure to ensure the smooth operation of its institutions. Despite facing significant competition, SES has maintained a stable enrolment ratio of above 80%. The enrolment ratio in school, junior college, B. Tech courses, B. Com and MBA stood healthy in the range of 80-100% for the last three academic years ending AY23-24.

Liquidity: Stretched

The liquidity is stretched characterised by expected tightly matched cash accruals of ₹4.21 crore in FY24 against repayment obligations of ₹4.08 crore in FY24. The college's operating cycle stands stretched at 110 days in FY24 (PY: 171 days). The free cash balance stood at ₹7.61 crore as on March 31, 2024. The college is sanctioned with working capital limits of ₹5.00 crore and average utilisation stood at 69% for the last 12 months per feedback collected from the bankers. The current ratio stood at 0.64x as March 31, 2024 (PY: 0.93x) owing to increase in inventory, receivable outstanding and current project undergoing.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Education](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Other consumer services	Education

SES was established 1980 with a small school of nine students in a village named Velivenu in West Godavari. It is promoted by B Venugopala Krishna (Chairman). Over the years, the society started 21 schools, at East Godavari, West Godavari, Eluru and Visakhapatnam districts of Andhra Pradesh. To cater the growing demand for technical education in Telangana, SES established SITE in 2002 with four UG programs, the Institute is now offering eight UG programs; six PG programs and three Diploma programs. It has permanent affiliation from JNTU. All technical colleges under SITEs are approved by All India Council for Technical Education (AICTE), New Delhi. The total student strength of all institutions run by the society is about more than 40000+ over the years, every year catering to 9000+ students with four Residential campuses and 12 day-scholar campuses.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (P)
Total operating income	44.01	47.83	62.50
SBID	7.64	2.75	8.05
SAT	2.61	-1.38	-1.30
Overall gearing (times)	1.45	2.56	2.94
Interest coverage (times)	4.27	0.91	2.08

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: 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		-	-	-	5.00	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	31-06-2033	35.00	CARE BB-; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	5.00	CARE BB-; Stable	-	-	-	-
2	Fund-based - LT-Cash Credit	LT	35.00	CARE BB-; Stable	-	-	-	-

LT: Long term

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

Annexure-4: Complexity level of 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 lender-wise details of bank facilities please [click here](#)

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

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in</p>	<p>Analytical Contacts</p> <p>Karthik Raj K Director CARE Ratings Limited Phone: +91-80-4662 6666 E-mail: karthik.raj@careedge.in</p> <p>Niraj Thorat Assistant Director CARE Ratings Limited Phone: 914040102030 E-mail: Niraj.Thorat@careedge.in</p> <p>Mou Ghanty Analyst CARE Ratings Limited E-mail: Mou.ghanty@careedge.in</p>
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About us:

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