Sahyog Jankalyan Samiti

July 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	185.00 (Enhanced from 40.00)	CARE BBB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of rating assigned to the bank facilities of Sahyog Jankalyan Samiti (SJS) derives comfort from the experience of its secretary and members with qualified faculty members coupled with established track record in education sector. The rating further derives strength from, improving operational profile marked by increase in student strength supported by high student intake ratio and resultant growth in scale of operations with healthy profitability margins and adequate liquidity position. The rating is, however, constrained by limited geographical reach of the colleges operated by the society and susceptibility of its operations to regulatory changes in the education sector in India. The rating strengths are also partially offset by intense competition in the education industry and constant requirement to incur capex to upgrade and expand its infrastructure. The rating also takes into cognizance of the project risk arising out of planned capex for expansion of infrastructure which will be partly funded using term debt from financial institutions.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained increase in operating income above Rs. 150 crores while maintaining SBILDT margin at existing levels.
- Improvement in financial risk profile with Total debt to GCA (TD/GCA) of less than 0.50x & overall gearing below 0.20x.

Negative factors

- Significant decline in operating income below Rs. 100 crores with decrease in SBILDT margin below 45% on sustained basis
- Deterioration in the financial profile with TD/SBILDT deteriorating above 1.45x due to high reliance on external debt on sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the society is likely to maintain its market position which coupled with favourable demand scenario shall enable it to sustain healthy operating performance and capital structure over the medium term.

Detailed description of the key rating drivers:

Key strengths:

Established track record of operations with diversified courses & high student intake ratio:

SJS promoted Pranveer Singh Institute of Technology (PSIT) has been in operation since year 2004 imparting professional education in Technology, Pharmacy, Management & Computer applications. SJS through three colleges i.e., Pranveer Singh Institute of Technology (Engineering), Pranveer Singh Institute of Technology (Pharmacy) and PSIT College of Higher Education offers around 15 different UG & PG courses such B. Pharma, M. Pharma, BBA, MBA, BCA, MCA and various streams of B. Tech. & M. Tech.

In academic year (AY) 23-24, colleges' student intake ratio remained high at around 100% with 7,642 students. Colleges under SJS has a total of 394 faculty members making satisfactory student to faculty ratio of around 19:1. Further, average placement percentage of the colleges has remained moderate around 80% over the last academic year, wherein some of the passed-out students under bachelor courses opts for master's degree & do not opts for placement offered.

Growing scale of operations with healthy surplus margins:

The total operating income (TOI) of the society has grown with Y-o-Y growth of ~24% & stood at Rs. 157.25 crores during FY24 (refers to April 1 to March 31). The growth in TOI was on account of increase in student base coupled with increase in course fees of certain courses. Increase in revenue from co-curricular activity which mainly consists of fees for training on working software of various companies visiting campus for placement of students also contributed in growth in TOU. Revenue from course

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

fees contributes around 60-65%, while balance revenue is from hostel, Co-curricular activity, mess & other miscellaneous activities. Further, SBILDT & surplus margin has improved by ~2% & stood at 48.46% & 37.97% respectively during FY24. Society was able to sustain & improve profitability on account of controlled operational & administrative cost & increase in TOI.
Further, expected increase in sanctioned vis-à-vis actual intake with more focus on the courses with growing demand, provides high revenue visibility and improving profitability due to fixed nature of expenses.

Comfortable leverage ratios & debt coverage indicators:
SJS's capital structure is characterised by healthy corpus base build over the years through accretion of surplus to corpus & moderate debt profile. Overall gearing of the society stood comfortable at 0.40x as on March 31, 2024. Interest coverage ratio of the society stood strong at 17.75x for FY24 (PY: 13.52x). Total debt to Gross cash accruals (TD/GCA) of the society stood comfortable at 1.28x as on March 31, 2024 (PY: 0.55x). The company has availed additional term debt during FY24 to acquire land and partially constructed building in the proximity of existing campus which resulted in slight moderation of the capital structure of the society
Further, the society would be incurring capex in FY25 and FY26 for expansion of its infrastructure and same would be partly funded using bank debt.. The financial risk profile of the society will depend on how efficiently the society manages the capex, and same will also be a key factor to monitor for rating purposes.

Experienced promoters with qualified faculty members & administrative staff:
Founder of the society, Mr. Pranveer Singh, has experience of around two decades in the education sector. The functionaries of the society are supported by experienced and qualified faculty including Ph.D. holders, research scholars etc. Apart from the faculty members, the societies have employed competent and well qualified academic staff to run the day-to-day operations of the colleges.

Key weaknesses:

Intense competition with limited geographical reach:
The education sector is highly fragmented with the presence of large number of small and big players due to high growth opportunities and government's thrust on education for all. Therefore, the players in this industry are exposed to competition induced pressures on student enrolments and overall student strength. Further, there are numerous engineering, management, and other post graduate colleges in and around Kanpur leading to intense competition.

Highly regulated nature of the education sector:
The "education" being a subject in the concurrent list of India, is the responsibility of both the state and central governments. The standards and policies for higher and technical education in India are thus, laid down by the Ministry of Human resource development under Central government. The sector is further regulated by the federal agencies viz. University Grants Commission (UGC), All India Council for Technical Education (AICTE) and various other specialized bodies like National Medical Commission, Pharmacy Council of India etc. The education industry thus faces regulatory challenges as the institutions are bound by the regulations pertaining to fee structure, number of seats and changes in curriculum laid down by the aforesaid authorities.

Liquidity: Adequate
The liquidity position of the society remains adequate as reflected by projected gross cash accruals to the tune of Rs. 111.92 crore in FY25 vis-à-vis repayment obligation of Rs. 16.76 crore. The society has cash and bank balances (including FDR) of Rs. 36.86 crore as on March 31, 2024. Further, fund based working capital limit utilization remains low at ~20% for the past 12 months ended May 2024. Being operating in the education sector, operating cycle of the society remains negative.
Although, society would be incurring debt funded (Partly) capex for procurement of land & construction of college & hostel blocks in the coming two years. Execution of such capex while maintaining the adequate liquidate position would remain key monitorable.

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

About the company and industry

Industry classification

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

Sahyog Jankalyan Samiti (SJS) is a society established on September 22, 2001. It runs professional educational colleges in Kanpur, Uttar Pradesh. Mr. Pranveer Singh is the founder & secretary of the society. Society runs three colleges, PSIT (Engineering), PSIT (Pharmacy), which are affiliated by Dr. A.P.J. Abdul Kalam Technical University (AKTU) and PSIT College of Higher Education, which is affiliated by Chhatrapati Shahu Ji Maharaj University (CSJMU). Both the institutions are situated in the same campus at Kanpur-Agra-Delhi National Highway (NH-19), Bhauti, Kanpur.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	103.08	126.96	157.25
SBILDT	53.56	58.44	76.21
Surplus	36.56	45.52	59.71
Overall gearing (times)	0.39	0.17	0.40
Interest coverage (times)	9.51	13.52	17.75

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA:

- India Ratings has conducted the review on the basis of best available information and has classified SJS as "Not cooperative" vide its press release date November 07, 2023, due to non-availability of requisite information to conduct the rating exercise.
- CRISIL has conducted the review on the basis of best available information and has classified SJS as "Not cooperative" vide its press release dated December 18, 2023, due to non-availability of requisite information to conduct the rating exercise.
- Brickwork has conducted the review on the basis of best available information and has classified SJS as "Not cooperative" vide its press release date December 18, 2023, due to non-availability of requisite information to conduct the rating exercise.

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: Annexure-4

Lender details: Annexure-5

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	-	-	-	August 2027	170.00	CARE BBB; Stable
Fund-based - LT-Working Capital Limits	-	-	-	-	15.00	CARE BBB; 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 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-Working Capital Limits	LT	15.00	CARE BBB; Stable	-	1)CARE BBB; Stable (19-Jul-23)	-	-
2	Fund-based - LT-Term Loan	LT	170.00	CARE BBB; Stable	-	1)CARE BBB; Stable (19-Jul-23)	-	-

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-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	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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