

## LakshmiPat Singhania Education Foundation

September 18, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	70.70 (Reduced from 74.84)	CARE BBB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation of the rating for bank facilities of LakshmiPat Singhania Education Foundation (LSEF) factors in the strategic importance of LSEF to JK group, strong management, experienced board and well-established infrastructure it has under the foundation. LSEF runs six schools in four states and the foundation's flagship school is LSA Kolkata. The foundation has slight growth in its total operating income in FY24.

The rating also factors in financial support provided to JKLU in the form of down-streaming of debt by LSEF. CARE Ratings considers LSEF's financial risk profile accompanied with its adequate liquidity. However, the rating is constrained due to modest scale of operations, support extended to JKLU and high competition in education sector.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improving total operating income (TOI) above ₹65 crore and with SBILDT margins sustaining.
- Sustained financial risk profile marked by maintenance of low leverage with gearing below 0.5x.

#### Negative factors

- Significant decline in income below ₹35 crore.
- Any reduction in the support extended by JK group companies leading to stretched liquidity
- SBILDT margin below 20% on sustained basis.

### Analytical approach: Standalone

Ratings however factor in strong linkages in form of continuous strategic support from the JK group companies, including JK Tyre & Industries Limited, and Bengal & Assam Company Co Limited, JK Agri Genetics Limited, JK Fenner (India) Limited, JK Lakshmi Cement Limited and JK Paper Limited.

### Outlook: Stable

The Stable outlook reflects that the entity is likely to sustain the healthy SBID margin and comfortable financial risk profile with extensive experience of promoters.

### Detailed description of key rating drivers:

#### Key strengths

##### Experienced and resourceful management and board of members

LSEF is part of JK group, which is a large conglomerate with diversified business interests spanning sectors including cement, tyre, paper, and agro products, among others through its group companies such as JK Tyre, JK Lakshmi cement, JK Paper, JK Agri, and UDL among other, all of which are listed on the stock exchange. JK group has ~50 years of experience in the education sector under LSEF. LSEF has Bharat Hari Singhania (Chairman of JK group companies) on its board and he is assisted by a team of professionals who have vast experience in the Education industry. The foundation runs six schools, and its flagship school is in Kolkata. The foundation successfully runs and imparts education to over 7000 students in four states.

##### Comfortable financial risk profile

The foundation's TOI improved slightly by 2% from ₹45.4 crore in FY23 to ₹46.12 crore in FY24. However, its profitability improved significantly in FY24 with SBILDT margin at 33.71% compared to 12.48% in previous year. This significant jump in the company's

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

margin is considering lower donation to JKLU in FY24 amounting to ₹1.8 crore compared to ₹12 crore in FY23. LSEF did not have debt till FY22, however in FY23, the foundation has availed a loan from ABFL and down-streamed it to JKLU. Outstanding amount of the loan in LSEF books is ₹70.70 crore. However, despite this term debt, the foundation's overall gearing remains comfortable at 1.22x for FY24 (PY: 1.75x) owing to increase in net worth in the period. The foundation's net worth increased to ₹59.90 crore in FY24 against ₹42.34 crore in FY23 mainly considering improved accruals and lower donation in FY24. Interest coverage stood at 1.89x in FY24 against 1.41x in FY23 owing to increase in operating margin in FY24.

### **Well-established infrastructure**

The foundation runs six schools spreading across four states, with the flagship school in Kolkata. The foundation successfully runs and imparts education to over 7000 students across West Bengal, Odisha, Rajasthan and Gujarat. Schools have modern infrastructure including sports, library, transport, canteen, and health facilities. The campus offers well-equipped classrooms, laboratories, computer centres, Wi-Fi internet facility, library, healthcare centre and other resources. Schools emphasise on extra co-curricular activities in different fields and have facilities such as indoor games (karate, table tennis, and carrom, among others.), basketball, skating rink, art studio, and music and dance rooms.

The foundation is setting up an International Board, which is getting set up in a separate building (which is under construction) near the Kolkata school. The construction of new infrastructure is likely to be completed by March 2025 with capex outlay of ~₹10 crore, which is to be met through internal accruals of the foundation. This project will result in incremental revenue for the foundation, since fees for international board will be ~10-15% higher than regular fees.

### **Key weaknesses**

#### **Risk associated with extended support to group entities**

LSEF and other JK Group companies have extended financial assistance to JKLU, a private university in Jaipur, Rajasthan, India. This support comes in the form of donations, particularly due to the university facing operational losses. In FY23, LSEF obtained a term debt of ₹75.59 crore to repay JKLU's existing term debt. The debt obtained by LSEF has been provided to JKLU as an interest-bearing loan. JKLU has been reliant on donations from LSEF and other JK Group companies to meet its financial obligations. Going forward, this arrangement will help reduce JKLU's dependence on donations. However, this increases risk of supporting the group entity for LSEF.

#### **High competition in education sector**

Despite increasing trend of privatisation of the education sector in India, regulatory challenges continue to pose a significant threat to educational institutes. Hence, the foundation is required to follow regulations periodically. However, the decision about fee fixation is taken by the board of directors on recommendation of the head of the school, resulting in flexibility. LSEF is expected to face stiff competition from other established and upcoming schools in the nearby area. Hence, the company's ability to increase the number of students going forward would depend on its ability to continuously offer quality education and unique learning experience.

#### **Highly regulated nature of industry**

The industry of schools operates within a highly regulated nature, characterised by rules, guidelines, and standards. Education authorities and government bodies set regulations to ensure quality, safety, and accountability of educational institutions. These regulations encompass a wide range of aspects, including curriculum standards, teacher qualifications, student safety protocols, infrastructure requirements, and financial transparency. Compliance with these regulations is essential for schools to maintain their legal status, accreditation, and reputation. The highly regulated nature of the industry aims to safeguard interests of students, parents, and society as a whole by promoting high educational standards and ensuring a conducive learning environment. It also places a responsibility on school administrators to stay updated with regulatory changes and implement necessary measures to meet required standards.

#### **Liquidity: Adequate**

LSEF's liquidity is adequate marked by mutual fund investment book value of ₹56.42 crore, against which market value is ₹90.44 crore as on August 31, 2024. The foundation has cash & bank balance of ₹31.25 crore (including FD's worth ₹21.90 crore) as on August 31, 2024. The foundation is also expected to generate cash accruals around ₹18-20 crore in FY25 and FY26 respectively, against which, debt repayments are ₹6.42 crore and ₹6.95 crore respectively.

### **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

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Other Consumer Services	Education

The JK Group has over 50 years of prior experience in the education sector under LSEF. LSEF was incorporated in 1974. The foundation runs six schools, and the flagship school is in Kolkata. The foundation successfully runs and imparts education to over 7000 students spread over West Bengal, Odisha, Rajasthan and Gujarat. LSEF is backed by the JK Group, having businesses spreading across cement, paper, tyre, investment holding, agro products and power transmission among others.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)	Q1FY25
Total operating income	45.40	46.12	NA
PBILDT	5.67	15.55	NA
PAT	7.07	17.53	NA
Overall gearing (times)	1.75	1.22	NA
Interest coverage (times)	1.41	1.89	NA

A: Audited; P: Provisional; Note: these are latest available financial results; NA: Not available

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	31-12-2028	70.70	CARE BBB; 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	70.70	CARE BBB; Stable	-	1)CARE BBB; Stable (29-Jun-23)	-	-

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-Term Loan	Simple

**Annexure-5: Lender details**

To view the 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

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