The Kalgidhar Trust

January 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	0.20	CARE BBB; Stable	Reaffirmed
Short Term Bank Facilities	16.00	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of The Kalgidhar Trust (hereinafter referred to as TKT) continue to derive strength from high student strength and comfortable financial risk profile of The Kalgidhar Group (being referred to The Kalgidhar Trust (TKT) and The Kalgidhar Society (TKS) on combined basis) marked by low gearing, comfortable debt protection metrics and adequate liquidity position. Furthermore, the ratings factor in extensive experience of trustees and target segment pertaining to rural areas wherein the competition is less. Notwithstanding, these rating strengths are partially offset by high dependence of the group on the donation income, regulatory risks in the education sector in India and constant requirement to incur capex to upgrade and expand its infrastructure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in scale of operations supported by Surplus Before Interest, Lease rentals, Depreciation and Taxation (SBILDT) margin above 22.5% on sustained basis.
- Improvement in Return on capital employed (ROCE) over 12%.
- Improvement in capital structure leading to overall gearing below 0.10x.

Negative factors

- Deterioration in fee collection leading to reduction in Total Operating Income (TOI) below Rs. 160 crore with SBILDT margin of below 10% on sustain basis.
- Deterioration in the financial profile with TD/SBILDT deteriorating above 3.5x due to high reliance on external debt on sustained basis.
- Deterioration in capital structure leading to overall gearing above 0.30x on sustained basis.

Analytical approach: Combined

CARE has considered the combined approach for evaluation of entities – The Kalgidhar Trust & The Kalgidhar Society factoring in business linkages, inter-dependence of resources and collective management team of group entities.

Outlook: Stable

The group is expected to sustain its comfortable financial risk profile amidst above average cash flow generation from operations, absence of any large debt-funded capex and negligible term debt obligations shall support its liquidity profile.

Detailed description of key rating drivers:

Key strengths

Experienced trustees supported by well-qualified management team:

TKS and TKT were founded by Mr. Iqbal Singh, who Retired as Director– Agriculture from the Himachal Pradesh government and was honoured with the Posthumous Padma Shri Award. TKS and TKT are managed by a group of trustees, including personalities of national and international reputation with experience in the fields of medicine and education, among others. Operations are currently headed by Dr. Davinder Singh, the Trust President, is an M.B.B.S, M.D. He is well-supported by the other members of the group's managing committee, like Dr. H.S. Dhaliwal, Ph.D., Genetics Founder Director/ Head - of Biotechnology Center PAU Ludhiana, and other well-qualified members with diverse experience in different fields.

Target segment pertaining to rural areas with minimal competition:

The group caters to the remote areas which were previously deprived of education due to lack of basic facilities. The schools face minimum competition due to absence of education system in the area of establishments. The group is currently operating around

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

138 schools and have consistently scaled up its operations by establishing new schools which has been further supported increasing enrolment every year.

High student strength in school; however moderate strength in universities:
The total students under the institutions run by TKT and TKS increased in AY24 (refers to Academic Year 2023-2024) to 65,177 students from 61,628 students in AY23. Since the focal objective is of women empowerment, strength of girls in the institutions stood higher than those of the boys. The schools have modern facilities like; smart board installed e-classrooms, HD projector communication labs and multiple computer labs. The group also offers free/subsidized education to certain students.

Stagnant scale albeit improvement in operational profitability:
The scale of operations of the group remained stagnant with slight improvement of ~3% to around Rs. 235.32 crores in FY24 (Refers to the period April 01 to March 31). The SBILDT margin of the group improved from 15.79% in FY23 to 17.85% in FY24 while surplus margin improved to 5.30% in FY24 against previous year margin of 4.40%. The group was able to achieve such growth with increase in annual tuition fee & better operational efficiency adopted.
During 8MFY25 (refers to the period April 01 to November 30), The group has achieved operational income of ~154 crore.
Care Ratings' expects, group to maintain its operational performance over the medium term backed by large student base.

Comfortable financial risk profile
The financial risk profile of the group remains healthy as evident from comfortable overall gearing and adequate debt coverage matrices. The overall gearing of the group stood comfortable at 0.15x as on March 31, 2024 (PY: 0.14x). The total debt of the group stood at Rs. 74.67 crore which comprises of term loans to the tune of Rs. 2.14 crore & the rest are working capital borrowings. The debt coverage indicators also stood comfortable as marked by interest coverage ratio of 6.91x and total debt to GCA ratio of 1.77x for FY24 against previous year ratio of 10.39x and 1.76x respectively. The slight moderation in the interest coverage ratio is attributed to higher interest expenses in the current year.
Care Ratings' expects, group to maintain its comfortable financial profile over the medium term supported by a strong corpus fund availability with no significant debt-backed capital expenditure plans in the near future.

Key weaknesses

Dependence on donations:
During FY24, around 23% of total revenue was received in the form of donations by the group (PY: ~22%) from both domestic and foreign donors. Donations are primarily utilized to support the loss incurring schools and capital expenditure along with the new initiative started by group i.e. Educate to Save, where donors undertake to provide free school education to children. Though, the group is able to collect sufficient donations, its high dependence on the donation income poses risks of stagnation in operations and stretched liquidity. The donations thus, become imperative for the sustenance of growth in scale of the operations of the group.

Regulatory challenges in the sector:
Formal education sector is one of the highly regulated sectors with both state and central governments regulating the industry directly and/or indirectly through various bodies including UGC (University Grants Commission) and AICTE (All India Council for Technical Education). All the institutes of the group are located in Northern India and are susceptible to changes in regulations and policies by the government. The regulatory authorities for the schools (CBSE and other State Boards) function under the supervision of Ministry of Human Resource Development, Government of India. As such, K-12 education segment is exposed to the inherent regulatory risk in the education sector.

Liquidity: Adequate
The liquidity profile of the group remains adequate owing to comfortable gross cash accruals against negligible debt repayment. During FY24, the group earned gross cash accruals (GCA) of Rs 42.09 crores and is envisaged to earn GCA of ~Rs 44 crores during FY25 against which repayment obligation stands at Rs. 1 crores during same year. Further, the working capital requirements stood utilized at around 85-90% for twelve-month period ending November 2024.
Being an educational institution, there would always be a need for continuous capex to upgrade / setup infrastructure for existing courses as well as to meet the requirement as per the increasing student base. The said risk gets minimised on account of sufficient cash accruals generated by the group which would be utilized to fund said capex programmes.

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]
[Consolidation]
[Factoring Linkages Parent Sub JV Group]
[Short Term Instruments]

About the entities and industry

Industry classification

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

TKS and TKT were established in March 1983 and October 1982 respectively, under the leadership of Mr. Iqbal Singh. The group initially set up with the objective of upliftment of society through dissemination of education, have also established institutions to provide medical assistance in the rural hinterland of Himalayan region and promote social welfare through women empowerment overtime. Currently, the group operating about 138 schools provides education to around 65,000 students in the backward regions of Punjab, Uttar Pradesh, Haryana, Rajasthan and hilly areas of Himachal Pradesh.

Combined financials (TKT & TKS):

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	8MFY25 (UA)
Total operating income	229.85	235.32	153.65
SBILDT	36.29	42.00	NA
Surplus	10.11	12.48	NA
Overall gearing (times)	0.14	0.15	NA
Interest coverage (times)	10.39	6.91	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results.

Basis of combination: The numbers have been combined through row-by-row addition of all line items of all the entities mentioned under Analytical approach after excluding intra-group investments and loans and advances.

Standalone financials (TKT):

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	8MFY25 (UA)
Total operating income	132.85	137.05	89.78
SBILDT	22.24	26.01	NA
Surplus	6.35	7.86	NA
Overall gearing (times)	0.16	0.16	NA
Interest coverage (times)	9.48	6.81	NA

A: Audited UA: Unaudited NA: Not Available; 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

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2025	0.20	CARE BBB; Stable
Fund-based - ST-Bank Overdraft	-	-	-	-	16.00	CARE A3

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Out-standing (₹ 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	0.20	CARE BBB; Stable	-	1)CARE BBB; Stable (05-Feb-24)	1)CARE BBB; Stable (08-Mar-23)	1)CARE BBB; Stable (22-Feb-22)
2	Fund-based - ST-Bank Overdraft	ST	16.00	CARE A3	-	1)CARE A3 (05-Feb-24)	1)CARE A3 (08-Mar-23)	1)CARE A3 (22-Feb-22)

LT: Long term; ST: Short 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
2	Fund-based - ST-Bank Overdraft	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.

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About us:
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