

Sapthagiri Educational Trust

March 05, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	44.04 (Reduced from 44.59)	CARE BBB+; Stable	Reaffirmed
Short-term bank facilities	25.00	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of the Sapthagiri Educational Trust (SET) factor in the strength derived from the established and long operational track record of the trust as well as improvement in fee collection on the back of improved enrolment in its engineering colleges. Ratings also derive strength from SET's comfortable capital structure and the adequate liquidity position. However, ratings remain constrained by the concentration risk resulting from the trust's significant reliance on its engineering colleges for revenue generation, highly regulated nature of the education industry, and intermittent cash flow mismatches inherent in educational institutions.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations with operating income above ₹300 crore and surplus before interest and depreciation (SBID) margins to above 30% on a sustained basis.
- Diversification of revenue stream with substantial income contribution from other non-engineering institutes as well.

Negative factors

- Any major debt-funded capex resulting in deterioration of the capital structure.
- Any further advances to group entities/related parties leading to stretch in liquidity profile of the trust.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the trust's operations will continue to remain stable in the medium term with high enrolment in the engineering colleges.

Detailed description of key rating drivers:

Key strengths

Established track record of operations of the trust

SET began operations in 1995 by establishing an engineering college – Sri Sairam Engineering College (SEC), which is still the trust's flagship institute. With the rise in popularity of engineering courses in Tamil Nadu, the trust established Sri Sai Ram Institute of Technology (SIT) on the same 300-acre campus in 2001. Over the years, SET has started several educational institutes in different segments of education system, including schools namely Sairam Matriculation Higher Secondary School in Madurai and Thiruvavur, Sairam Vidhyalaya School in Puducherry, and college of alternate medicine, Sri Sairam Medical College and Research Centre.

SET is part of 'Sairam group of institutions', which also has two other trusts, 'Sapthagiri Educational and Charitable Trust' operating out of Bangalore with two colleges, and 'Leo Muthu Educational Trust' operating polytechnic colleges in Chennai. However, SET continues to remain as the flagship institute of Sairam group of institutions.

Improvement in total operating income aided by increased enrolment and ancillary fee collections

The Trust reported an 11% growth in total operating income (TOI), reaching ₹224 crore in FY24, driven by full student enrolment in its flagship engineering colleges (SEC and SIT). In March 2024, the trust expanded its hostel capacity from 1,000 to 1,800, including ~400 air-conditioned rooms. This additional capacity is expected to further enhance the overall income. For the Academic Year (AY) 2024-25, SET had a total student strength of 14,626, up from 13,439 in AY 2023-24 and ~70% of the student strength has been contributed by Engineering Colleges. Enrolment levels in engineering colleges have been above 95% for the last three years.

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

Comfortable capital structure and debt protection metrics

As on March 31, 2024, the trust's overall gearing stood comfortably at 0.12x against its net worth base of ₹331 crore. The interest coverage for FY24 was comfortable at 26.43x (PY: 20.70x). The trust's total debt to gross cash accruals (TD/GCA) stood at 0.54x in FY24 (PY: 0.19x).

Trust is expected to undertake further capex in the near term, such as construction of additional hostel blocks in line with growing enrolment levels, and routine maintenance capex in the form of lab equipment, with an estimated value of ₹80-90 crore in between FY26 and FY27, which is expected to be met largely out of internal accruals.

Key weaknesses**Expected reduction in profitability in the ensuing years**

In FY24, the trust's margin moderated from 34.90% to 30.82% due to an increase in employee costs due to hiring more PhD staff to support research activities in compliance with regulatory norms. Both engineering institutions are All India Council for Technical Education (AICTE) accredited, maintaining a student-to-teacher ratio of 20:1. Only graduates and postdoctoral degree holders are eligible for employment as per AICTE guidelines. The trust anticipates further increases in employee costs due to higher headcounts and more PhD staff, which is expected to moderate the margins in the forthcoming period.

Revenue/geographical concentration risk

Over the years, ~60-70% of the trust's overall student strength and 75-85% of its TOI have come from its two engineering institutions in Chennai, which provide fairly comparable curricula. The trust's medical college (for Siddha, Ayurveda and Homeopathy) is on the same campus as the engineering colleges, thus posing both revenue and geographical concentration risk. As both SEC and SIT offer similar courses, the group is in the process of merging both into a single institution.

Risk of cashflow mismatches associated with educational institutions

Around 70% of the fee collected by SET is during August to December in every academic year, while the trust incurs regular stream of payments for meeting staff salary, maintenance activities, interest expenses, and term loan repayments, among others. SET maintains deposits of monthly maturity to take care of operational expenses such as staff salary, maintenance expenses, and others, and avails working capital limits in the form of demand loan in the lean fee collection period.

Regulated nature of education industry

Higher education sector is one of the highly regulated sectors with both state and central governments regulating the industry directly and/or indirectly through bodies including University Grants Commission (UGC) and AICTE. The scope of government regulations is wide, starting from establishment of course/institute, seat sharing, fee fixation, staff qualification, and periodical review of the standards followed by the institute. These factors have a significant impact on the revenues and profitability of the institutions.

Liquidity: Adequate

The trust has generated GCA of ₹73.39 crore in FY24. GCA for FY25 is expected to adequately meet SET's term debt repayment obligation of ₹2.59 crore and provide enough headroom for the trust to pursue capital expansion. The Trust has ~₹78 crore of unencumbered funds in the form of bank balance and fixed deposits as on March 31, 2024. The average working capital utilisation for the trust for the 12-month period ending January 31, 2025, remains negligible.

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](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Other consumer services	Education

SET was founded by the late educationist, M. Jothiprakasham aka MJF. Lion Leo Muthu. The trust which was registered in 1994 under Sec.10 of the Tamil Nadu Societies Registration Act, 1975, is currently being managed by Trustee (and son of the late founder), J. Saiprakash. SET currently operates six educational institutions and is a part of 'Sairam Group of Institutions'.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	201.29	224.19	236.00
PBILDT	70.24	69.09	--
PAT	57.55	55.49	--
Overall gearing (times)	0.05	0.12	--
Interest coverage (times)	20.70	26.43	--

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

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		-	-	30-06-2030	44.04	CARE BBB+; Stable
Fund-based - ST-Bank Overdraft		-	-	-	25.00	CARE A3+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount 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	44.04	CARE BBB+; Stable	-	1)CARE BBB+; Stable (05-Feb-24)	1)CARE BBB+; Stable (02-Feb-23) 2)CARE BBB+; Stable (05-Apr-22)	-
2	Fund-based - ST-Bank Overdraft	ST	25.00	CARE A3+	-	1)CARE A3+ (05-Feb-24)	-	-

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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