

Chandigarh Educational Society

April 15, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	246.10 (Enhanced from 108.70)	CARE BBB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

While arriving at the rating of Chandigarh Education Society (CES), CARE Ratings Limited (CARE Ratings) has taken a combined view with Shri Guru Ram Dass Educational Society (SGRD), as both societies (together referred to as Chandigarh Group of Colleges 'CGC') have common management, operational and financial linkages and cash flow fungibility in form of financial support to each other per requirement and corporate guarantee extended by SGRD for term loans availed by CES.

Reaffirmation of the rating assigned to bank facilities of CES continues to derive strength from growing scale of operations in FY24 (refers to April 01 to March 31) and 9MFY25 (refers to April 01 to December 31), increasing enrolment ratio year-on-year driven by qualified faculty members and administrative staff, diverse range of courses offered and well-established infrastructure. The rating also continues to derive strength from the group's experienced promoters in education industry and established brand name, "Chandigarh group of colleges". However, the rating remains constrained by declining surplus margins in the last three years due to high administrative and general expenses and ongoing debt-funded capex project for transition of CES to university resulting in continued moderation in the group's financial risk profile. The rating also takes cognisance of limited geographical reach of the society, intense competition from established and upcoming institutes, and highly regulated nature of the education sector.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained growth in total operating income (TOI) and surplus before interest and depreciation (SBID) margin above 25%.
- Improvement in financial risk profile with total debt to SBID (TD/SBID) of less than 2.50x.

Negative factors

- Significantly declining operating income below ₹180 crore with decreasing SBID margin below 18%.
- Deterioration in financial risk profile with TD/SBID of above 4.00x due to continued high reliance on external debt on sustained basis.

Analytical approach: Combined

CARE Ratings has taken combined approach while arriving at ratings of CES, with SGRD (Together referred as 'CGC') as both societies are in the same line of service with common management, operate their campuses under the common brand name-CGC, operational business linkages and financial flexibility within the group, where both entities provide financial support to each other as requirement and corporate guarantee extended by SGRD for term loans availed by CES. Group entities considered for combined financial statements are listed under **Annexure 6**.

Outlook: Stable

The stable outlook reflects CARE Ratings' opinion that the group will continue to benefit from its growing scale of operations owing to increase in students' enrolment ratios in diverse range of courses offered.

Detailed description of key rating drivers:

Key strengths

Growing scale of operations albeit declining surplus margins

The group's TOI grew by ~44% in FY24, driven by a higher enrollment ratio and an increase in total number of students. Total student count reached 23,101 in Academic year (AY) 2023-24, compared to 21,575 in the previous year. However, the SBID margin moderated significantly over the years, falling from ~49% in FY21 to ~22% in FY24, due to higher administrative and other expenses, while the fee structure broadly remained unchanged, which negatively impacted the group's margins.

For 9MFY25, the group reported a TOI of ₹221.43 crore and expects to achieve ~₹285-290 crore for the full year.

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

While the group's growing scale is a positive factor, the declining surplus margins remain a concern. Going forward, the group's ability to maintain this growth trend, supported by increasing student enrollment, while improving surplus margins by controlling administrative and other expenses, will be a key factor to monitor.

Diverse range of courses offered with Well-established infrastructure

SGRD and CES collectively offer ~30 graduate and post-graduate programs across a range of fields, including engineering, management, computer applications, education, hotel management, and agriculture, among others. In addition to their solid foundational infrastructure, the institutions provide a variety of facilities, including hostels, computer centers, conference halls, well-stocked libraries, sports grounds, mess halls, and more. The colleges also have the required infrastructure, including laboratories and software, to support research activities.

Established brand name of the group with increasing student enrolments year-on-year

Formed in 2000, SGRD established the first campus of CGC in Landran (Punjab). The first college at the campus, 'Chandigarh Engineering College', had 2001-2002 as its first academic session. Another campus was subsequently established under CES in Jhanjheri (Punjab) with 2012-2013 as the first academic session, also operating under the CGC brand name, which has an industry presence of ~25 years. The diverse range of courses at CES and SGRD are approved by the All India Council for Technical Education (AICTE) and the Government of Punjab. They are affiliated to the Punjab Technical University (PTU), Jalandhar (Punjab). The B.Ed. course is approved by National Council for Teacher Education (NCTE) and affiliated to Punjabi University, Patiala (Punjab). Colleges under SGRD and CES have collaborations with several foreign universities and tie-ups with reputed industry players. The student enrolment ratio continued to remain high at ~ 96% for SGRD and ~ 95% for CES in AY24-25. The combined student strength stood at 23,101 in AY23-24 (PY: 21,575).

Experienced promoters with qualified faculty members and administrative staff

SGRD was established in 2000 by Rashpal Singh Dhaliwal and Satnam Singh Sandhu, the society's current President and Chairman, respectively, having industry experience of ~25 years. R.S. Dhaliwal is also the current president and chairman of CES. Bachitter Singh Dhaliwal is the common member in both the societies, having an industry experience of over two decades. Other society members are also well-experienced and have been associated with the group since long. They are supported by experienced and qualified faculty members with a competent and well-qualified academic staff.

Key weaknesses

Moderating financial risk profile owing to significant debt-funded project

The group's capital structure moderated, with the long-term debt-to-equity and overall gearing ratios rising to 0.26x and 0.43x, respectively, as of March 31, 2024, compared to 0.11x and 0.30x as of March 31, 2023. This increase is primarily due to a rise in term debt associated with ongoing capital expenditure (capex) at CES, as the management plans for transition of CES to a university in AY25-26. The process is already in progress, with the society obtaining necessary approvals and meeting compliance requirements from the State Government and the University Grants Commission (UGC). In the next three years, the group plans to invest ~₹250-300 crore in capex, focused on constructing new college and hostel buildings, and other infrastructure improvements at CES, and regular maintenance capex at SGRD. The total project cost is expected to be financed with a ~₹200-225 crore term loan, with the balance to be funded by surplus. CES has already secured a ₹100 crore sanction of term loan, with an additional ₹100 crore loan to be sanctioned in the next financial year, as needed.

Going forward, with the proposed capex plan, the group's financial risk profile is expected to moderate further. The group's ability to manage the capex effectively, secure timely funding, ensure revenue stabilisation post-project completion, and generate sufficient cash flow to meet the term loan repayment schedule will remain key monitorable from credit perspective.

Limited geographical reach with intense competition

Both the group's campuses operate in Mohali (Punjab), which limits penetration level and ability to tap opportunities. The group faces intense competition from institutes in-and-around Mohali and from reputed private players elsewhere in India.

Highly regulated nature of the education sector

The Indian education sector comes under the purview of central and the state governments. It is regulated by the Ministry of Human Resources at the national level, by the education ministries in each state, central bodies such as UGC and other professional councils such as AICTE among others. The education industry faces regulatory challenges as these institutions are bound by the regulations pertaining to fee structure, number of seats and changes in curriculum laid down by authorities.

Liquidity: Adequate

The group's combined liquidity position remains adequate. Apart from term loans in CES, the group has no major external term debt obligation. As of March 31, 2024, the combined free cash and bank balance of both societies stands at ~₹10 crore. Fee collections are mainly concentrated in the July-September and December-February periods each year. CES has scheduled half-yearly term loan repayments to coincide with these fee collection times. The group expects a gross cash accrual (GCA) of ~₹63 crore for FY26, against which repayment obligation is projected at ~₹15 crore. The group's collection period for FY24 was ~47 days, due to fee receivables being booked in March. Average maximum utilisation of CES's working capital limit remained at ~53% in 12-months ending February 2025.

The group plans to incur capital expenditure (capex) of ~₹250-300 crore in the next three years, as mentioned. Although, capex will be carried out in phases, depending on availability of funds, managing cashflow availability will remain a critical factor to monitor.

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](#)

About the company and industry

Industry classification

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

Registered in 2009, CES is part of ~25-year-old 'Chandigarh Group of Colleges' (CGC), with SGRD being the group's oldest entity. SGRD established the first campus of the CES group in Landran, Mohali with first academic session in 2001-2002, while 2012-2013 was the first academic session at the campus managed by CES at Jhanjheri-Punjab. Together, SGRD and CES offers ~30 graduate and post graduate courses in a wide range of fields including engineering, pharmacy, management, commerce, and agriculture, among others.

Combined financials (CES & SGRD):

Brief Financials (₹ crore)	March 31, 2023 (UA)	March 31, 2024 (UA)	9MFY25 (UA)
Total operating income	166.84	240.31	221.43
SBID	43.41	52.72	NA
Surplus	21.08	21.55	NA
Overall gearing (times)	0.30	0.43	NA
Interest coverage (times)	6.24	5.46	NA

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

Basis of combination: Numbers have been combined through row-by-row addition of all line items of all entities mentioned under Analytical approach after excluding intra-group transactions and balances.

Standalone financials of CES:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	65.43	112.81	129.18
SBID	16.29	33.54	NA
Surplus	6.62	15.81	NA
Overall gearing (times)	0.85	1.31	NA
Interest coverage (times)	4.21	5.83	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-Bank Overdraft	-	-	-	-	50.00	CARE BBB+; Stable
Fund-based - LT-Term Loan	-	-	-	31/03/2034	196.10	CARE BBB+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings		Rating History				
		T Y P E	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	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
1	Fund-based - LT-Term Loan	LT	196.10	CARE BBB+; Stable	1)CARE BBB+; Stable (03-Apr-25)	1)CARE A-; Stable (03-Apr-24)	1)CARE A-; Stable (21-Mar-24) 2)CARE A-; Stable (03-Apr-23)	-
2	Fund-based - LT-Bank Overdraft	LT	50.00	CARE BBB+; Stable	1)CARE BBB+; Stable (03-Apr-25)	1)CARE A-; Stable (03-Apr-24)	1)CARE A-; Stable (21-Mar-24) 2)CARE A-; Stable (03-Apr-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-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](#)

Annexure-6: List of entities consolidated

S. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Chandigarh Educational Society	Full	Operational and financial linkages
2	Shri Guru Ramdas Educational Society	Full	Operational and financial linkages

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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About us:

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