Khaja Education Society (Revised)

April 08,2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	72.73 (Reduced from 89.05)	CARE BB+; Positive	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Khaja Education Society (KES) continues to remain constrained on account of continuous delay in the completion of ongoing project with increase in cost as well as additional debt funded capex of Rs.40 crore planned in FY26, and presence in the intensely competitive and highly regulated industry. However, these rating weaknesses are partially offset by the society's long track record of operations in the education sector, continuously improving revenues and improved SBID margins and comfortable capital structure and coverage indicators.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial improvement in Total Operating Income (TOI) over Rs.200, while maintaining SBID margins at current level on a sustained basis.
- Timely completion of ongoing capex without cost and time overrun

Negative factors

- Significant time and cost overruns of ongoing project leading to overall gearing more than 1.5x
- Reduction in the enrolments leading to less than ₹70 crore TOI.

Analytical approach: Consolidated

Consolidated approach is taken due to the operational and financial linkages between the institutions under KES and the inherent cash flow fungibility exist among them. The list of entities under KES which are considered for consolidation are mentioned in Annexure-6.

Outlook: Positive

The outlook continues to remain 'positive' on account of CARE Ratings' expectation of KES continuing to achieve growth in TOI and SBID margins and anticipated improvement in capital structure on account of expected improvement in networth base lead by improvement in profitability margins. CARE takes note of the society's delay in completion of the ongoing project, rise in project cost and additional debt funded capex of Rs.40 crore planned in FY26 over and above its ongoing hospital expansion. The outlook maybe revised to 'Stable' if anticipated income and SBID margins are not achieved leading to lower than anticipated improvement in net worth base coupled with significant increase in debt levels leading to deterioration in capital structure.

Detailed description of key rating drivers:

Key weaknesses

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

Continuous delay in the completion of the ongoing project and debt funded capex planned for university campus development

KES is constructing the multi-speciality hospital to support the incremental medical seats sanctioned in FY22.The project was supposed to be completed by June/July-2024. However the project is still ongoing and the cost of the project has been revised from Rs. 120 crore to Rs. 145 crore on account of addition of new equipment with latest medical technologies. As per project progress report shared by the society , as on 27th November,2024 out of total cost of Rs. 145 crore , Rs. 107.73 crore has been incurred which was funded through term debt of Rs. 80.80 crore and internal accruals of Rs. 26.93 crore. The balance cost of Rs. 37.27 crore remains to be incurred and the same shall be incurred for equipment's , civil works and interior works. The society plans to fund the same through undrawn term loan of Rs. 10-15 crore and the society might avail additional debt for funding the balance cost. This apart, KES is also planning for additional capex of ~ Rs. 40 crore for university campus development and is planning to undertake term loan to the tune of ~Rs. 30 crore for the same. Thus, timely completion of project and the impact of additional debt on the capital structure remains to be seen and shall remain a key rating monitorable.

Intense competition and regulated industry

Despite the increasing trend of privatisation in the education sector in India, the sector continues to operate under stringent regulatory purview. In addition to the University Grants Commission (UGC) and AICTE norms, higher education institutes such as colleges and universities are regulated by the respective state governments with respect to the number of management seats and amount of the tuition fees charged for the government quota and management quota giving limited flexibility to the institutions. These factors resultantly have significant impact on the institutions' revenue generating capacity and profitability.

Key strengths

Continuous improvement in the total income and SBID margins

The Total Operating Income(TOI) improved by 44% from Rs. 77 crore in FY23 to Rs. 114 crore in FY24 on account of increase in revenues from the medical college.i.e KBN Institute of Medical sciences. The medical college revenue increased from Rs. 60 crore in FY23 to Rs. 97 crore in FY24 on account of higher fees collection due to increase in number of seats. The number of MBBS (UG) seats increased from 100 to 150 in FY22 and PG seats increased from 32 to 37 in FY25. The revenue has further improved to Rs. 159 crore in YTDFY25(1st April,2024 to 27th March,2025) The SBID margins of KES also improved from 26% in FY23 to 31% in FY24 due to addition of new MBBS seats and less incremental fixed costs.

Comfortable capital structure and coverage indicators

Despite the society's ongoing debt-funded capex,the capital structure stood comfortable however deteriorated marginally marked by overall gearing of 0.56x as on 31st March,2024 as against 0.44x as on 31st March,2023 on account of increase in term debt and working capital borrowings during the year. Further TOL/TNW stood comfortable at 0.62x as on 31st March 2024 as against 0.50x as on 31st March,2023. Interest coverage ratio stood comfortable at 5.64x in FY24 as against 5.69x in FY23.

Established track record of operations in education and healthcare sectors

KES has an established track record of operations with more than six decades of experience in the education sector and three decades of experience in the healthcare sector and is currently led by Dr Syed Shah Khusro Hussaini. KES achieved the private university status for its institutions in August 2018 under Khaja Bandanawaz University bill 2018. KES offers wide array of courses ranging from primary and secondary educations, higher education courses such as Engineering, Medical, and Law among others. KES also has a 750-bed Teaching & General Hospital providing an opportunity to medical students for on-the-job trainings and internships.

Liquidity: Adequate

Liquidity of KES is adequate marked by projected GCA of Rs 60-65 crore as against repayment obligations of Rs. 14-15 crore in FY25 and FY26. As per banker interaction , the fund-based working capital limits are fully utilized. The Cash and liquid investments stood at Rs. 31 crores as of March 31, 2024. KES has an ongoing project and debt-funded capex plans in the near term. The impact of the same on the liquidity profile of the society shall remain a key rating monitorable.

Applicable criteria
Consolidation
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

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

KES was established in 1958 by Late Padmashree Syed Shah Muhammad Al Hussaini Saheb and registered in 1966 under Mysore Societies Registration Act 1960. From April 2007 onwards, KES is headed by Dr Syed Shah Khusro Hussaini who manages several educational institutes affiliated to Khaja Bandanawaz University. As on March-2025, , KES has 7225 students studying across its various educational institutions managed by KES. KES also has a Teaching & General Hospital, which was established with a 60-bed capacity in 1988 and expanded into a totally integrated 750-bed hospital with state-of-the-art medical equipment under various hospital divisions. With more than 80% of KES' revenues coming from Medical College & General Hospital, KES is constructing a 250-bed multi-specialty corporate hospital as an extension to the existing teaching hospital with estimated project cost of around ₹145 crore and is likely to be completed by June 2025.

Brief Financials (₹ crore) Consolidated	March 31, 2023 (A)	March 31, 2024 (A)	YTDFY25(UA)
Total operating income	76.87	113.37	159.00
SBILDT	19.98	35.05	NA
SBT	12.66	26.47	NA
Overall gearing (times)	0.44	0.56	NA
Interest coverage (times)	5.69	5.64	NA

A: Audited UA: Unaudited NA: Not Available YTDFY25 – Refers to 1st April,2024 to 27th March,2024; 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-Bank Overdraft		-	-	-	11.00	CARE BB+; Positive
Fund-based - LT-Term Loan		-	-	March 2028	61.73	CARE BB+; Positive

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	61.73	CARE BB+; Positive	1)CARE BB+; Positive (04-Apr-24)	-	1)CARE BB+; Stable (08-Mar-23)	1)CARE BB+; Positive (31-Dec-21)
2	Fund-based - LT-Bank Overdraft	LT	11.00	CARE BB+; Positive	1)CARE BB+; Positive (04-Apr-24)	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/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-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	KBN Institute of Medical Sciences (MBBS, MD, PG)	Full	Wholly owned
2	KBN College of Engineering	Full	Wholly owned
3	BiBi Raza Degree College	Full	Wholly owned
4	BiBi Raza PG Centre	Full	Wholly owned
5	KBN School of Nursing	Full	Wholly owned
6	KBN College of Nursing	Full	Wholly owned
7	Sayyid Akbar Hussayni Degree College	Full	Wholly owned
8	Sayyid Akbar Hussayni B.Ed College	Full	Wholly owned
9	Sayyid Akbar Hussayni PU College	Full	Wholly owned
10	BiBi Raza Pre University College	Full	Wholly owned
11	Sayyid Akbar Hussayni ICSE School	Full	Wholly owned

12	BiBi Raza Girls High School	Full	Wholly owned
13	Khaja High School	Full	Wholly owned
14	Nasheman High School	Full	Wholly owned

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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