Krishna Sai Educational Society

April 21, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	7.77	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB+; Stable; (Double B Plus; Outlook: Stable)
Total Bank Facilities	**7.77 (Rs. Seven Crore and Seventy-Seven Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. had, vide its press release dated February 05, 2021, placed the rating(s) of Krishna Sai Educational Society (KSES) under the 'issuer non-cooperating' category as KSES had failed to provide information for monitoring of the rating. KSES continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls dated April 14, 2022, April 13, 2022, April 07, 2022. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating of KSES's bank facilities revised from CARE BB+; Stable; ISSUER NOT COOPERATING and will now be denoted as CARE BB; ISSUER NOT COOPERATING.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The ratings have been revised on account of non-availability of requisite information due to non-cooperation by KSES with CARE's efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk

Detailed description of the key rating drivers

At the time of last rating on February 05, 2021, the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Decline in SBID margin

The SBID margin of the society declined by 641 bps from 39.27% during FY18 to 32.86% during FY19 due to increase in employee costs as the management has hired additional specialized faculties for various advance courses and increase in student mess expenditure. The employee cost accounts 37.75% of the total operating income during FY19 (33.40% during FY18). Nevertheless, the surplus margin of the society remained stable and in line with the previous year at 8.85% during FY19 (8.88% during FY18) on account of lower finance cost.

Higher collection period

The State Government of AP introduced the tuition fees reimbursement scheme in 2008 for the backward and economically backward sections of the state, pursuing professional courses viz. engineering, medicine, MBA, MCA and B.Ed. courses. Around 70% of the total students in society are eligible for Fee Reimbursement scheme, thus, the society has higher debtors. Further, Due to delay in realization of fee from the Government of AP during FY19, the outstanding debtors of the society has increased from Rs. 6.83 crore as on March 31, 2018 to Rs. 7.94 crore as on March 31, 2019 thus resulting in higher collection period of 278 days in FY19 (as against 216 days in FY18). However, the society has realized Rs.4.41 crore from April 2019 to January 2020 out of total debtors outstanding as on March 31, 2019.

Regulatory framework for educational sector in India

The education sector remains highly regulated with constant intervention from the central government and other regulatory bodies. In addition to the UGC (University Grants Commission) and AICTE norms, higher education institutes like 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 have a significant impact on the revenue and profitability of the institutions.

Key Rating Strengths

Experienced and resourceful promoter members

The members of the society have established experience in their respective fields and the promoter member; Mr. Miriyala Nara Hari Rao has been in the education sector for more than a decade. He is also supported by Mr. M Naga Prasada Rao (Director)

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

who has around seven years of experience in field of management. The promoter members have also been providing financial support to the society to expand & upgrade the infrastructural requirement of Guntur Engineering College as and when required.

Status of statutory approvals and affiliates
All the colleges providing technical education in India come under the purview of All India Council for Technical Education (AICTE) and require statutory approvals from the same. Guntur Engineering College has received accreditation from AICTE. The college is affiliated to Jawaharlal Nehru Technological University (JNTU), Kakinada (for Undergraduate and Post Graduate courses); a renowned university in the country and State Board of Technical Education and Training, Hyderabad (for Diploma courses).

Wide spectrum of courses offered in GEC with ungraded infrastructure facilities and expansion capex
KSES offers undergraduate and postgraduate courses in the field of Engineering, Business administration & Management and diploma courses, which helps the society to attract more students by reducing dependence on any one discipline. Also, the society has been continuously engaged in upgrading its facilities in order to comply with the requirements of statutory bodies like AICTE and NAAC. Further during FY19, the society had completed renovating its engineering college's (which is in the name of Guntur Engineering College) labs and college infrastructure as per the AICTE norms, and also added 8 college buses, thereby incurring Rs. 2.78 crore for the same.

Satisfactory enrolment ratio
GEC offers various courses and has been maintaining a high enrolment ratio of above 90% for the past three years. The total sanctioned intake stood at 966 seats during AY20 with actual intake being 913 seats, thereby resulting in a gross enrolment ratio of 94.51% for the period vis-à-vis 92.03% in AY19. The enrolment ratio increased on account of increase in the enrolment of students in B.tech and diploma courses. The enrolment ratio for B.tech and diploma courses was improved from 91.43% and 93.75% in FY19 to 95.71% and 97.92% in FY20 respectively. The enrolment ratio of the MBA courses declined from 93.89% in AY19 to 88.33% in AY20. While, the enrolment ratio for M.Tech courses remained in line with that of the previous year at 88.10% in AY20 (88.10% in FY19).

Satisfactory financial performance with growth in TOI during FY19
The total operating income (TOI) of the society increased by 9.47% from Rs.11.62 crore during FY18 to Rs.12.72 crore during FY19 backed by increase in revenue from tuition fee and skill development receipts. The tuition fee increased marginally by 1.83% from Rs. 7.65 crore during FY18 to Rs. 7.79 crore during FY19. The revenue from Skill development receipts increased by 69.46% from Rs. 1.67 crore during FY18 to Rs. 2.83 crore during FY19, contributing 22.25% of the total operating income during FY19 (14.37% of TOI during FY18).

Satisfactory overall financial risk profile with improved debt protection metrics
The debt profile of the society primarily comprises of rupee term loans, asset backed loan and unsecured loans. The overall gearing ratio of the society remains satisfactory and improved to 0.50x as on March 31, 2019 from 0.64x as on March 31, 2018) on account of scheduled repayment of term loans and asset backed loan coupled with accretion of surplus to Net worth. The society's debt protection metrics improved during FY19 on account of lower finance costs and relatively higher cash accruals. The SBID interest coverage ratio of the society improved from 3.63x during FY18 to 4.50x during FY19 backed by lower finance costs. The total debt to GCA also improved from 3.16x during FY18 to Rs. 2.59x during FY19 on account of increase in GCA level coupled with lower debt levels backed by scheduled repayment during FY19.

Analytical approach: Standalone

Applicable criteria
Criteria on assigning Outlook to Credit Ratings
Policy in respect of Non-cooperation by issuer
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities
Rating Methodology-Education Sector

About the Company
Krishna Sai Educational Society (KSES) was established in the year 2007 at Guntur by Mr. M. Nara Hari Rao, founder & chairman of the society; to provide education for aspirant engineering and management students. The Society started with the setting up of Guntur Engineering College (GEC) in the year 2008 in Guntur District, Andhra Pradesh. KSES provides both undergraduate courses (B. Tech) and post graduate courses (i.e. M.B.A and M. Tech) in GEC. The institution was started with an intake of 240 seats which has been increased to 420 seats with addition of different branches. The institution is affiliated to Jawaharlal Nehru Technological University (JNTU), Kakinada and approved by All India Council for Technical Education (AICTE).

Brief Financials (Rs. crore)	31-03-2018 (A)	31-03-2019 (A)	9MFY2020(UA)
Total operating income	11.62	12.72	NA
PBILDT	4.56	4.18	NA
PAT	1.03	1.10	NA
Overall gearing (times)	0.64	0.50	NA
Interest coverage (times)	3.63	4.50	NA

A: Audited, UA: Unaudited, NA: Not Available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2039	7.77	CARE BB; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	7.77	CARE BB; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (05-Feb-21)	1)CARE BBB-; Stable (13-Feb-20)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company
To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:
Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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