

Nagar Yuwak Shikshan Sanstha Airoli

May 26, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	68.60	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Assigned
Total Bank Facilities	68.60 (Rs. Sixty-Eight Crore and Sixty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Nagar Yuwak Shikshan Sanstha Airoli (NYSSA) derives strength from the long track record and well-established presence of the trust (10 institutes under its umbrella), well-experienced management and governing council coupled with qualified faculty members. The ratings also take cognizance of having an established brand image along with diversified portfolio in terms of wide spectrum of courses offered backed with well-established infrastructure facilities, satisfactory enrolment with higher student teacher ratio with favourable demographic and socio-economic factors favouring the education sector.

Further, the ratings favorably factors in the healthy surplus margins, comfortable solvency position/debt coverage indicators and strong liquidity profile maintained by the trust.

The above rating strengths, however continue to be tempered by geographical reach of the trust, intense competition from established and upcoming educational institutes, regulated nature of the education sector in India and project related risks. The ratings take cognizance of the moderation in total income of the trust during FY21 (refers to the period from April 1 to March 31) on the back of COVID-19 pandemic led disruptions necessitating an online mode of classroom and affecting the transportation income of the trust.

Rating Sensitivities

Positive Factors

- Sustained improvement in enrolment rates across courses leading to improvement in surplus before interest and depreciation (SBID) margin above 50% on sustained basis
- Sustained and significant improvement in income on the back of addition of new courses/ opening up of new institutes under the trust and higher enrolment ratio, while maintaining the comfortable capital structure and liquidity profile
- Increase in scale of operations above Rs. 200.00 crore on sustained basis.

Negative factors

- Lower than envisaged revenue or operating margins falling below 30%, leading to significant lower cash accruals thereby impacting the financial risk profile of the trust.
- Overall gearing exceeds 0.75x on sustained basis
- Substantial decline in revenue on account of decline in enrolments and/or any regulatory action leading to decline in number of seats offered by the educational institutes under the trust.
- Any changes in government regulation which adversely impacts fee structure and/or student enrolment affecting the income and surplus of the trust.
- Any higher than envisaged withdrawal of funds through donation to support group entities.

Detailed description of the key rating drivers

Key rating Strengths

Long track record and established operations managed by experienced members of NYSSA

Mrs. Gauri Banerjee Bhattacharya, President, NYSSA has more than a decade of experience in the field of education and is associated with the trust since 2010. The other advisory board members too have academic experience of more than a decade thereby, the trust benefits by their experience. The secretary, treasurer and trustees all are professionally qualified and hold rich experience in their respective fields which helps the trust in the day to day operations and managing all activities of the trust.

Further, the two-decade long track record of NYSSA has helped it to attract reputed entities viz. Godrej, IGate, Tech Mahindra, Reliance, TOYO Engineering, TCS, Capgemini, HCL, TATA Power, HCL, Burns McDonnell and others to provide placement opportunities for the final year students of all streams. Furthermore, NYSSA has the privilege of having a number of experienced and well qualified faculty members holding degrees of B.E., M.B.A, Ph.D, which is essential in building a established brand name and attracting quality students.

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

Wide spectrum of courses offered by the society with all statutory approvals in place and adequate infrastructure facilities

NYSSA offers nursery to HSC, undergraduate and post graduate courses in diverse fields of education through its schools and colleges. It offers various programs in various educational streams including Engineering, Accounts and Finance, Banking and Insurance, Management, B. Com and M. Com and Nursery. Apart from this, the trust is also running various schools under its name. Over the years, the trust has established different educational institutes along with increase in the intake capacity of existing courses. NYSSA consists of 1 Engineering college with varied streams like chemical engineering, civil engineering, computer engineering, electronic engineering, IT engineering, mechanical engineering, Ph.D along with M.Com, BAF, BMS, BBI courses in one college. All the institutes are approved by All India Council for Technical Education (AICTE), New Delhi and University of Mumbai along with all schools being affiliated to Central Board of Secondary School (CBSE).

Satisfactory enrolment with higher student teacher ratio

NYSSA has well established presence in Navi Mumbai region and is managing 4 institutes and 2 colleges. NYSSA follows CBSE syllabus for all the classes from K-12 and has a total strength of 18,980 students for FY21 which has increased to 19,984 students in H1FY22. Further the student strength has continuously increased y-o-y during FY19 to FY21.

Healthy profitability margins albeit moderate scale of operations

The profitability margins of NYSSA stood in the range of 31.26% in FY19 to 45.11% in FY21. The profitability margins of NYSSA reflected y-o-y growth during FY19 to FY21. The operating profitability margin of NYSSA improved and stood at 45.33% in FY21 vis-à-vis 39.65% in FY20 owing to decrease in the employee cost along with reduction in salary expense of teachers. Also, the SAT margin stood at 28.76% in FY21 vis-à-vis 23.53% in FY20 in line with the improvement in SBILDT margins and due to savings in interest and depreciation cost.

The scale of operations of the trust are modest with total operating income in the range of Rs. 107.50 crore to 119.93 crore during FY19 to FY21. Further, the same has slightly declined from Rs. 119.93 crore in FY20 to Rs. 109.93 crore in FY21 on account of decline in the enrolment in various institutions along with decline in bus fees backed by classes conducted online.

However, the tangible networth of the trust remained robust at Rs. 132.19 crore as on March 31, 2021 (vis-à-vis Rs. 100.24 crore as on March 31, 2020).

Comfortable capital structure and debt coverage indicators

The capital structure of NYSSA stood comfortable during past three years ending March 31, 2021 owing to healthy net worth base and lower debt level as against the same. Led by improvement in net worth base backed by accretion of profits to reserves and decline in debt level led by repayment of term loan and reduced dependence on working capital bank borrowings, the capital structure marked by overall gearing ratio stood comfortable at 0.37x as on March 31, 2021 vis-à-vis 0.68x as on March 31, 2020. Similarly, due to reduced debt level and better cash accruals of Rs. 41.42 crore in FY21 vis-à-vis Rs. 38.91 crore in FY20, the total debt to GCA stood at 1.19x as on March 31, 2021 as against 1.76x as on March 31, 2020. Interest coverage ratio stood comfortable at 5.92x in FY21 vis-à-vis 5.50x in FY20 owing to improvement in operating profitability in FY21.

Favourable demographic & socio-economic factors

The emerging Indian economy supported by the growing service sector has led to an increase in personal disposable income. This rise in personal disposable income along with awareness about the importance of education has in turn led to increase in Private Final Consumption Expenditure (PFCE).

India's education sector offers a great opportunity with approximately 29 per cent of India's population in the age group of 0 to 14 years. India's higher education segment is expected to increase to Rs 2,44,824 crore (US\$ 35.03 billion) by 2025. India has over 250 million school going students, more than any other country. It also has one of the largest networks of higher education institutions in the world.

The Central Government plans to disburse US\$ 1 billion to states for introducing skill development initiatives. Skill India Mission 2015 is aimed at skilling 400 million Indian youths by 2022.

Key rating Weaknesses

Limited geographical reach

NYSSA operates ten educational institutions comprising of 4 schools along with their respective pre-school sections under the name of Penguin Kids, one engineering college and one commerce college. All the infrastructure is located in Navi Mumbai and Thane. Though NYSSA offers diverse stream of courses through its schools, colleges or institutes, limited geographic presence hinders the penetration level and ability to tap opportunities as well as growth of student strength to an extent.

Intense competition from established and upcoming educational institutes

NYSSA faces high competition from other established and upcoming educational institutes located in and around Navi Mumbai and Thane. The education industry is highly competitive and is highly dependent on the quality of faculty, infrastructure and course curriculum. With higher number of upcoming schools, universities and colleges coming up in Mumbai, Navi Mumbai and Thane, the competition is expected to intensify further.

Regulated nature of the education sector in India

Despite the increasing trend of privatisation of education sector in India, the sector continues to operate under stringent regulatory control requiring various statutory approvals with specific operational and infrastructure norms from controlling entities like AICTE (All India Council for Technical Education), UGC (University Grants Commission of India) etc. Thus, the trust needs to regularly invest on its workforce and infrastructure as per the norms issued by these bodies. Furthermore, due to its affiliation to

universities, the revenue realization also depends upon the schedules prepared and changed by the university. This apart, tuition fee fixation for both government and management quota is also regulated by these Universities giving limited flexibility to the institutions. These factors have significant bearing on the revenues and surplus levels of the institutions and resultantly on the financial risk profile of trust. NYSSA is operating in a highly regulated industry. In addition to AICTE, the educational institutions are regulated by respective State Governments with reference to matters such as determining the number of management quota seats, amount of tuition fee charged for government quota and management quota giving limited flexibility to the institutions. The technical education sector also requires regular approvals from various government bodies for addition of new courses/seats as well as continuation of the existing courses which exposes it to high regulatory risk. These factors have significant bearing on the revenues and surplus levels of the institutions and resultantly on NYSSA's financial risk profile.

Project risk

The trust has undertaken the work of rebuilding of Phase A (Building No. 2) and Phase B (Building No. 3) on Plot No. 98, Sector 3, Airoli of Datta Meghe College of Engineering and construction of new building at New Horizon Scholars School, Vasant Lawns at Thane. The total project cost is Rs. 78.60 crore, which would be funded through internal accruals of Rs. 49.20 crore and remaining would be funded through term loan from the bank which is yet to be tied up.

Phase A (Building No.2) - it would be completed by June 30, 2022 and O.C shall come by Dec 2022 and operations is expected to commence operations from Jan 2023 while the work is in process for Phase B (Building No.3). It is expected that the new construction of Phase B will start in Q1FY23. The building is expected to be completed by April / June 2024.

Thus, as these projects form around 59% of the network as on March 31 2021, the project risk prevails for NYSSA and timely execution of projects without time and cost overrun is critical from credit perspective.

Liquidity Analysis: Strong

Liquidity position of NYSSA is strong marked by strong accruals against its repayment obligations and liquid investments (cash and bank balance) to the tune of Rs. 35.38 crore as on March 31, 2021 along with GCA of Rs. 41.42 crore in FY21. With the present liquidity being around Rs.33 crore in the form of cash and bank balance and OD limit of Rs. 3 crore offered by the bank remaining unutilised, and the repayments projected for FY23 and FY24 being lower as compared to the cash accruals generated, liquidity seems to be strong. Further, with comfortable gearing of 0.37 times as of March 31, 2021, the issuer has sufficient gearing headroom, to raise additional debt for its capex. Its unutilized bank lines are more than adequate to meet its incremental working capital needs over the next one year. Its bank overdraft limits of Rs. 3.00 crore is on an average utilized at 98% to 100% during past twelve months ended December 2021 with CC utilization being utilized on an average at 49.27% during past twelve months. NYSSA collects fees for its courses on quarterly basis for all its courses and any pending fees during the year is received at the time of enrolment by students for examination. Timely receipt of full tuition fee for FY22 shall remain crucial.

Analytical approach: Standalone

Applicable criteria:

[Criteria on assigning 'outlook' and 'credit watch' to credit ratings](#)

[CARE's policy on default recognition](#)

[Rating Methodology: Consolidation](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology – Education Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

About the Company

Nagar Yuwak Shikshan Sanstha Airoli is a trust established in the year 1994. It is registered with the Registrar of Societies on 20th January 1994 vide registration number MAHA/54-94/Thane and with the office of Charity Commissioner on 16th April 1994 vide registration number F-3745/Thane. The Trust has 10 educational institutions [4 schools (with their respective pre-school sections)], 1 engineering college and 1 commerce college) such as Datta Meghe College of Engineering, Airoli, New Horizon Scholars School, Airoli, Neo Kids, Airoli, New Horizon Public School, Airoli, Penguin Kids, Airoli, New Horizon Public School, New Panvel, Penguin Kids, New Panvel, New Horizon Scholars School, Vasant Lawns, Thane, Neo Kids, Vasant Lawns, Thane, New Horizon College of Commerce, Airoli.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (Prov.)
Total operating income	119.93	109.56	NA
PBILDT	47.55	49.43	NA
PAT	28.22	31.14	NA
Overall gearing (times)	0.68	0.37	NA
Interest coverage (times)	5.50	5.82	NA

A: Audited; Prov.: Provisional; NA: Not Available

As per the management, the revenue derived by NYSSA in FY22 is around Rs. 109.00 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not Applicable

Disclosure of Interest of Managing Director & CEO: 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	-	-	-	February 2029	44.90	CARE BBB+; Stable
Fund-based - LT-Cash Credit	-	-	-	-	14.70	CARE BBB+; Stable
Fund-based - LT-Bank Overdraft	-	-	-	-	9.00	CARE BBB+; Stable

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	44.90	CARE BBB+; Stable				
2	Fund-based - LT-Cash Credit	LT	14.70	CARE BBB+; Stable				
3	Fund-based - LT-Bank Overdraft	LT	9.00	CARE BBB+; Stable				

*Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	
1. Minimum DSCR	Greater than or equal to 1.25 in each year during the IBL loan tenure.
2. Debt/TNW	Shall not exceed 2x.
3. Interest Coverage	Shall be above 3x.
B. Non-financial covenants	
1. Prepayment charges	Prepayment of the facility not allowed for 48 months from the date of first disbursement. Beyond 48 months, if any prepayment is done, then a prepayment penalty of 2% will be 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
2	Fund-based - LT- Cash Credit	Simple
3	Fund-based - LT- Bank Overdraft	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:

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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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