

Krishna Sai Educational Society

January 05, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	10.81 (reduced from 12.63)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Revised from CARE BB+; Positive (Double B Plus; Outlook: Positive)
Total Facilities	10.81 (Rupees Ten crore and Eighty One Lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facility of Krishna Sai Educational Society (KSES) takes into account increase in overall enrollment ratio, improvement in overall gearing and growth in total operating income during FY17 (refers to the period April 1 to March 31).

The rating, further continue to derive strength from experienced promoter members, comfortable liquidity position, timely realization of fee reimbursement from the Government of Andhra Pradesh and adequate infrastructure facilities with requisite statutory approvals in place. The rating, however, is offset by relatively small scale of operation, decline in profitability margin, elongated operating cycle, geographical concentration with presence in a single region and high competition.

The ability of the society to improve collection efficiency with recovery of fees reimbursement from the Government of Andhra Pradesh in a timely manner is the key rating sensitivities.

Detailed description of the key rating drivers

Key rating strengths

Improvement in enrollment ratio

The overall enrollment ratio of society has increased from 90.58% in AY16 to 92.96% in AY17. Further the same has increased from 92.96% in AY17 to 94.72% in AY18.

Satisfactory financial risk profile and comfortable liquidity position

The overall gearing ratio of the society remains satisfactory and has improved from 0.98x as on March 31, 2016 to 0.79x as on March 31, 2017 due to schedule repayment of existing term loan, asset backed loan and unsecured loan coupled with accretion of surplus into Net worth. The SBID interest coverage ratio and SBI interest coverage ratio of the society also remains satisfactory at 3.44x in FY17 (3.88x in FY16) and 1.68x in FY17 (1.79x in FY16) respectively.

Growth in total operating income during FY17

The total operating income of the society has shown growth of 12.06% from Rs.9.67 crore in FY16 to Rs.10.84 crore in FY17 backed by increase in revenue from tuition fee and hostel fee.

Experienced promoter member

The members of the society have established experience in their respective fields and the promoter members; Mr Miriyala Nara Hari Rao has been associated with the education sector for more than a decade in running other businesses viz. refined oil factories, rice mills and edible oil.

Adequate infrastructure facilities and statutory approvals

The society 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). JNTU ensures required infrastructure facilities in terms of Land & Building, Laboratory, Equipment, Library, Staff, Hostels etc and quality of education is assured to an extent by virtue of accreditation from AICTE. Further society has received NAAC accreditation during FY17 which assess and accredit higher education institution.

Key rating Weaknesses

Decline in profitability margin

The society in order to get JNTU affiliation, has incurred JNTU affiliation fee and renewal fee which has led to increase in other expenses and resulted in deterioration in SBID margin by 191 bps to 42.77% in FY17 (as against 44.68% in FY16).

Elongated operating cycle

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Around 70% of the total students in society are eligible for Fee Reimbursement scheme, thus the society has higher debtors. Due to increase in number of student under reimbursement scheme during FY17, the collection period of the society is high at 200 days in FY17 (as against 199 days in FY16) and operating cycle at 183 days in FY17 (131 days in FY16).

Geographical concentration with presence in a single region and high competition

Guntur Engineering College is the only institution under KSES located at Guntur, Andhra Pradesh. Hence, the entire revenue of the society is dependent upon the business/ education potential in Andhra Pradesh. Also majority of the students belong to Andhra region. Regional presence limits the reach and penetration level of KSES from tapping opportunities outside the region.

Analytical approach: Standalone

CARE has analysed KSES's credit profile by considering the standalone financial statements as company doesn't have subsidiaries.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Education Sector](#)

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

About the Company

Krishna Sai Educational Society (KSES) was established in the year 2007 under Society Registration Act, of 35 of 2001 at Guntur by Mr. Miriyala 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 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) under the colleges; Guntur Engineering College. 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).

Consolidated Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	9.68	10.84
PBILDT	4.32	4.64
PAT	0.88	0.92
Overall gearing (times)	0.98	0.79
Interest coverage (times)	3.88	3.44

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-LT-Term Loan	-	-	January 2031	10.81	CARE BBB-; Stable
Fund-based-LT-Cash Credit	-	-	-	0.00	Withdrawn

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based-LT-Term Loan	LT	10.81	CARE BBB-; Stable	-	1)CARE BB+; Positive (01-Mar-17)	1)CARE BB+ (19-Feb-16)	1)CARE BB (31-Mar-15)
2.	Fund-based-LT-Cash Credit	LT	0.00	Withdrawn	-	1)Withdrawn (01-Mar-17)	1)CARE BB+ (19-Feb-16)	1)CARE BB (31-Mar-15)

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