

## Patna Sahib Charitable Educational Trust

April 16, 2018

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	21.75	CARE D (Single D)	Assigned
<b>Total Facilities</b>	<b>21.75</b> <b>(Rs. Twenty one crores and seventy five lakhs only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale

*The ratings assigned to the bank facilities of Patna Sahib Charitable Educational Trust (PSCET) factor in the ongoing delays in the debt servicing owing to the stressed liquidity position of the trust.*

### Detailed description of the key rating drivers

#### Key rating weaknesses

**Ongoing delays in the servicing of the debt obligations:** There are ongoing delays in the servicing of the repayment obligation of the term loans due to the stressed liquidity position of the trust arising from insufficiency in the cash flow generation.

**Weak financial risk profile:** The scale of operations of the trust remained small with a total income of Rs.7.05 Cr. in FY17 (refers to the period April 01 to March 31). The same declined by ~25% from FY16 on the back of lower student enrolment during the year. The student enrolment ratio remained low and declined on a year-on-year basis to ~33% in academic year 2016-2017 (AY2016-2018). This coupled with stable level of expenses led to a decline in the SBID margins in FY17. Owing to the high depreciation and interest expenses the trust also reported a cash deficit in FY17. In 9MFY18 (Provisional) the trust reported a total income of Rs.4.65 Cr. which declined by ~4% from the corresponding period last year on account of the further decrease in student enrolments. The debt coverage indicators of the trust also remained weak, in FY17, on account of poor surplus generation.

**High level of competition along with limited geographical reach and course offerings:** PSCET operates from a single campus in Bihar which limits the penetration level. Further, the two colleges operated by the trust have limited course offerings viz. degree and diploma courses in engineering only. The trust also faces a high level of competition from various government and private education institutes located in Bihar and elsewhere.

**Highly regulated nature of the educational sector:** The Indian education sector faces a high level of regulation by the Ministry of Human Resources at the national level, the education ministries in each state, central bodies like University Grants Commission and other professional councils like All India Council for Technical Education (AICTE) etc.

### Key Rating Strengths

**Experienced trustees and qualified faculty:** The main functionaries of the trust include its current chairman, Mr. J.S. Dhaliwal, who holds a rich industry experience of around four decades. He also acts as the chairman of Desh Bhagat Memorial Educational Trust (rated, 'CARE BBB-; Stable/CARE A3') which is also engaged in the higher education sector. Other functionaries of the trust, including Mr. HS Batth the current Vice-Chairman, are also members of the Doaba Khalsa Trust (rated 'CARE D') which operates the Doaba Group of colleges in Punjab, since 1998. The trust has also employed qualified and experienced staff members at the two colleges.

**Analytical Approach:** Stand Alone

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications.

### Applicable Criteria

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

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

[CARE's methodology for education sector](#)

### Trust Background

Established in December-2010 under the Societies Registration Act XXI 1860, PSCET is engaged in the imparting of higher education. It is operating from a single campus in Vaishali, Bihar under the name 'Patna Sahib Group of Colleges'. These include two colleges: Patna Sahib Institute of Engineering and Technology offering bachelors in Engineering and Patna Sahib Polytechnic College offering diploma courses in engineering. The courses are approved by AICTE, New Delhi and are affiliated to Aryabhata Knowledge University, Patna. The college had AY2011-2012 as its first academic session.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	9.39	7.05
SBID	4.89	2.82
Surplus	-1.33	-2.86
Overall gearing (times)	1.87	1.65
Interest coverage (times)	1.61	1.00

A: Audited

**Status of non-cooperation with previous CRA:** India Ratings has reviewed the ratings on the best available information and classified PSCET as "Non-cooperating" vide press release dated February 23, 2017.

**Any other information:** Not Applicable

**Rating History (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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

### Analyst Contact

Name: Mr Sudeep Sanwal

Tel: 0172-4904002

Cell: +91 9958043187

Email: [sudeep.sanwal@careratings.com](mailto:sudeep.sanwal@careratings.com)

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### About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**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	-	-	March-2024	21.75	CARE D

**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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	21.75	CARE D	-	-	-	-

**CONTACT****Head Office Mumbai**

**Ms. Meenal Sikchi**  
Cell: + 91 98190 09839  
E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)

**Mr. Ankur Sachdeva**  
Cell: + 91 98196 98985  
E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)

**Ms. Rashmi Narvankar**  
Cell: + 91 99675 70636  
E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)

**Mr. Saikat Roy**  
Cell: + 91 98209 98779  
E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)

**CARE Ratings Limited**

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022  
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)

**AHMEDABAD**

**Mr. Deepak Prajapati**  
32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015  
Cell: +91-9099028864  
Tel: +91-79-4026 5656  
E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)

**JAIPUR**

**Mr. Nikhil Soni**  
304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.  
Cell: +91 – 95490 33222  
Tel: +91-141-402 0213 / 14  
E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)

**BENGALURU**

**Mr. V Pradeep Kumar**  
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.  
Cell: +91 98407 54521  
Tel: +91-80-4115 0445, 4165 4529  
Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**KOLKATA**

**Ms. Priti Agarwal**  
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.  
Cell: +91-98319 67110  
Tel: +91-33- 4018 1600  
E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)

**CHANDIGARH**

**Mr. Anand Jha**  
SCF No. 54-55,  
First Floor, Phase 11,  
Sector 65, Mohali - 160062  
Chandigarh  
Cell: +91 851111-53511/99251-42264  
Tel: +91- 0172-490-4000/01  
Email: [anand.jha@careratings.com](mailto:anand.jha@careratings.com)

**NEW DELHI**

**Ms. Swati Agrawal**  
13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.  
Cell: +91-98117 45677  
Tel: +91-11-4533 3200  
E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)

**CHENNAI**

**Mr. V Pradeep Kumar**  
Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.  
Cell: +91 98407 54521  
Tel: +91-44-2849 7812 / 0811  
Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**PUNE**

**Mr. Pratim Banerjee**  
9th Floor, Pride Kumar Senate,  
Plot No. 970, Bhamburda, Senapati Bapat Road,  
Shivaji Nagar, Pune - 411 015.  
Cell: +91-98361 07331  
Tel: +91-20- 4000 9000  
E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

**COIMBATORE**

**Mr. V Pradeep Kumar**  
T-3, 3rd Floor, Manchester Square  
Puliakulam Road, Coimbatore - 641 037.  
Tel: +91-422-4332399 / 4502399  
Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

CIN - L67190MH1993PLC071691

**HYDERABAD**

**Mr. Ramesh Bob**  
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.  
Cell : + 91 90520 00521  
Tel: +91-40-4010 2030  
E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)