

## St. Peter's Society

April 5, 2019

### Rating

Facility	Amount (Rs. crore)	Rating <sup>[1]</sup>	Rating Action
Long-term Bank Facilities	5.66	CARE BB+; Stable (Double B Plus ; Outlook: Stable)	Assigned
Long-term/Short-term Bank Facilities	2.34	CARE BB+; Stable/CARE A4+ (Double B Plus ; Outlook: Stable/A Four Plus)	Assigned
<b>Total facilities</b>	<b>8.00</b> <b>(Rs. Eight crore only)</b>		

*Details of instruments/facilities in Annexure-1*

### **Detailed Rationale and key rating drivers**

The ratings assigned to the bank facilities of St. Peter's Society are constrained by its small, though growing scale of operations, intense competition from established and upcoming educational institutions and regulatory risk associated with the education sector. The ratings, however, draw comfort from experienced and qualified members of the society, well established infrastructure, moderate enrollment ratio moderate surplus margins, liquidity position and comfortable solvency position.

Going forward; the ability of the society to further increase its scale of operations while improving its surplus margins and maintaining its solvency position shall be its key rating sensitivity.

### **Detailed description of the key rating drivers**

#### **Key Rating Weaknesses**

##### ***Small, though growing scale of operations***

The scale of operations of society stood small marked by a total operating income (TOI) and gross cash accruals of Rs. 10.85crore and Rs. 2.40crore respectively in FY18 (refers to period from April 01 to March 31). The small scale limits the society's financial flexibility in times of stress and deprives it of scale benefits. Furthermore, the society achieved a total revenue of ~Rs.6.5crore in 9MFY19 (based on the provisional results).

##### ***Intense competition from established and upcoming educational institutes***

St. Peter's society has its three schools under operations which limits the reach penetration level for the trust to tap opportunities. The society is expected to face high competition from the existing schools in nearby areas. The fee structure of the school is very competitive as it is regulated by the Society. The ability of St. Peter's Society to enroll the projected number of students at a competitive fee structure depends on its capability to distinguish itself and leverage on its established brand name in the market.

##### ***Regulatory risk associated with education sector***

The main driver for growth in the education sector is India's booming population increasing at more than 2% annual rate and the increasing propensity of the middle income class to spend on education. Current spending on education in India is not more than 3.5% of GDP and only 0.4% of GDP is spent on higher education. Developed countries like USA spend 1.5% of GDP on higher education, whereas UK spends about 1% on higher education. In India, private sector participation in education was limited till a few years ago. However, since the privatization of education commenced in India, several private schools have been established in different parts of country. There is an increasing preference for quality private educational institutions amongst the urban population.

#### **Key Rating Strengths**

##### ***Experienced trustees and management***

Sr. Jancy Maria is the current president of the society who is a post graduate by qualification and is associated with the St. Peter Society since inception and thereby has an experience of more than three decades in the educational industry. She is further supported by other trustees i.e. Sr. Aleyamma Zachariah (Vice-President), Sr. Nirmal Mary (Secretary) along with around 10 members of the society who are all well versed in educational sector and support in overall functions. They are all further assisted by teaching and non-teaching staff of 143 and 82 respectively to look after the daily operations of all three schools.

##### ***Well established infrastructure***

The society has its three school campuses located at Faridabad and Jaipur-Agra Highway. The campus environment and facilities are conducive to professional studies with ample facilities such as sports, science labs, medical rooms, dance

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

rooms, Amphitheatre, computer centers including conference halls, multi-media projectors, well stocked libraries etc. The campus is well equipped with seminar halls, laboratories, computer centers, to ensure holistic development of students.

**Moderate surplus margins**

The SBID (surplus before interest, and tax) net surplus margin of the society stood moderate at 25% and 7.44% respectively for FY18 (as against 39.70% and 25.24% for FY17). The decrease in margins in FY18 was on account of increased operational expenses due to hiring of additional teaching and administrative staff.

**Comfortable solvency position and moderate liquidity position**

The capital structure of the society stood comfortable as marked by an overall gearing of 0.39x as on March 31, 2018, on account of limited reliance on external borrowings (as against 0.10x as on March 31, 2017).

Further, owing to comfortable gearing level and moderate surplus margin, the coverage indicators as marked by interest coverage and total debt to GCA stood comfortable at 7.06x and 3.39 years respectively as at the end of FY18. Further, the current ratio of the society stood at 1.76x as on March 31, 2018.

**Moderate enrollment ratio**

The society has been successfully able to fill its seats over the years of its operations with 91% seats being filled in the academic session of 2018-2019. The school registered total students of 3261 in 2018 as against 2742 in 2017 as against total Sanctioned seats of 3600 and 3100 in 2018 and 2019 respectively thereby having an enrollment ratio of nearly 90%.

**Analytical Approach: Standalone**

**Applicable Criteria:**

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

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

[Criteria for Short Term Instruments](#)

[CARE's methodology for Educational Sector](#)

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

**About the company**

St. Peter Society was registered as an educational society in 1983 under Society Registration Act, 1957 with an objective to provide education services by establishing and operating an educational institute. The trust is managing 3 schools under the name St. Peter School, Faridabad, St. Peter Convent, Faridabad and Mount Carmel Convent, Jaipur.

(In crores)

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	9.32	10.85
PBILDT	3.70	2.78
PAT	2.35	0.81
Overall gearing (times)	0.10	0.39
Interest coverage (times)	155.83	7.06

A-Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**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.

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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 company 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	-	-	January 2024	5.66	CARE BB+; Stable
Fund-based/Non-fund-based-LT/ST	-	-	-	2.34	CARE BB+; Stable / CARE A4+

#### 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	5.66	CARE BB+; Stable	-	-	-	-
2.	Fund-based/Non-fund-based-LT/ST	LT/ST	2.34	CARE BB+; Stable / CARE A4+	-	-	-	-

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