

## Step by Step Shiksha Samiti

February 20, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	17.59	<b>CARE BBB; Stable (Triple B; Outlook: Stable)</b>	<b>Reaffirmed</b>
<b>Total facilities</b>	<b>17.59</b> <b>(Rs. Seventeen crore and fifty-nine lakh only)</b>		

### Detailed Rationale & Key rating Drivers

The rating of Step By Step Shiksha Samiti (SBS) continues to derive comfort from favourable enrolments of the students in the last four Academic Years (refers to the period April 01 to March 31) ended 2018 with continuous increase in total operating income (TOI) and its financial risk profile marked by healthy surplus margins and comfortable solvency and liquidity position. The rating, further, continues to derive strength from experienced management and established presence of the schools having good infrastructural facilities. The rating also factors in completion of its ongoing project for construction of new additional building in high school.

The rating, however, continues to remain constrained on account of risk associated with planned capex, increasing competition in private education sector and highly regulated nature of the industry.

SBS's ability to increase the number of students while maintaining profitability and solvency position is the key rating sensitivity. Furthermore, planned capex and its funding mix would also act as a rating sensitivity.

### Detailed description of the key rating drivers

#### Key Rating Strength

##### *Experienced management*

SBS is managed by a team of qualified and experienced professionals. Mr K. S. Gehlot is the Chairman of SBS. Dr Jaysree Periwal, Secretary of SBS and director of SSGS, has completed B.A. (Honors) in Psychology from Indraprastha College; New Delhi, B. Ed from Indira Gandhi National Open University, New Delhi and M.A. from University of Rajasthan. She has been recognized for her work done in education field and has received various awards for the same. Mr Rupendra Periwal, Treasurer of the society, has qualified B.com and LLB degree from University of Rajasthan, Jaipur and currently handles all finance and general administration function of SBS. Mr Rupendra Periwal and Dr Jaysree Periwal are associated with the society since inception and have a wide experience of more than a decade in the education industry.

##### *Healthy enrolment across school as well as revision in tuition fees leading to continuous growth in TOI and improvement in surplus margins*

Being present in the education industry since 1998, the group has created its brand name and enjoys good reputation in Jaipur.

With an increase in number of students along with upward revision in average fees realisation, TOI of SBS has increased by 20.90% as per FY17 over last financial year. The surplus margin of the society stood healthy with SBID and surplus margin of 39.20% and 18.69%, respectively, in FY17.

##### *Comfortable solvency and liquidity position*

The capital structure of the society stood comfortable at 0.66 times as on March 31, 2017, mainly due to accretion of profit to reserve as well as scheduled repayment of long-term debt. Furthermore, total debt to GCA stood at 2.00 times as on March 31, 2017.

The fees realization structure of the school is quarterly basis, i.e. in the month of July, October, January and April. Furthermore, its major repayment of term loans is also quarterly. Prior to any other operating expenses, the cash generated in its peak period is utilized in servicing of its debt liability which results in timely servicing of its debts. It has utilized 32.21% average working capital during past 12 trailing months ended January 2018.

##### *Completion of project for construction of building in high school*

During FY15, SBS undertook an expansion project for construction of additional school building adjacent to existing premises of JPMS which will increase the student capacity by 1,500 students. The new building became operational by end of FY16 except construction of auditorium which was completed in FY17.

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

### Key Rating Weakness

#### ***Project Implementation risk associated with planned capex***

In FY18, the society has purchased a piece of land at Jagatpura, Jaipur, with an overall consideration of Rs.35 crore and paid Rs.16.71 crore as part payment which was funded through unsecured loans from the promoters as well as internal accruals. The balance payment would be arranged through additional unsecured loans and term loan for the project. The society is planning to undertake a project for construction of new higher secondary school (CBSE 10+2). The same would be funded through mix of promoters' contribution and term debt. However, the funding mix and timeline is yet to be finalised.

#### ***Highly regulated education industry with regard to approvals and accreditations along with increasing competition in private education sector***

The higher education in India is placed in the concurrent list of the constitution and thus comes under the purview of both Central and State Government. The sector is regulated by Ministry of Human Resources at the national level by the education ministries in each state, as well as by Central bodies like University Grant Commission (UGC) and 14 other professional councils like All India Council of Technical Education (AICTE), Directorate of Technical Education (DTE), etc, the operating and financial flexibility of the higher education sector are limited, as regulations governs almost all aspects of operations, including fee structure, number of seats, changes in curriculum and infrastructure requirements.

**Analytical Approach:** Standalone

### Applicable Criteria

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

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

[Rating Methodology: Factoring Linkages in Ratings](#)

[Rating Methodology-Education Sector](#)

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

### About the Society

Jaipur-based (Rajasthan) SBS was incorporated as a society in 1998 with the objective of imparting education. SBS is running one high school, Jaishree Periwal High School (JPHS: earlier named as Step by Step High School) and two pre-primary schools in Jaipur. JPHS is affiliated to Central Board of Secondary Education (CBSE).

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	35.38	42.78
PBILDT	14.92	16.77
PAT	6.54	7.99
Overall gearing (times)	0.96	0.67
Interest coverage (times)	4.47	5.48

A: Audited

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** None

**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 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	-	-	April, 2019	0.81	CARE BBB; Stable
Fund-based - LT-Cash Credit	-	-	-	1.50	CARE BBB; Stable
Fund-based - LT-Term Loan	-	-	October, 2020	10.81	CARE BBB; Stable
Fund-based - LT-Term Loan	-	-	June, 2021	4.47	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 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	0.81	CARE BBB; Stable	1)CARE BBB; Stable (07-Jul-17)	1)CARE BBB (17-May-16)	1)Suspended (08-Mar-16)	1)CARE BBB (09-Feb-15)
2.	Fund-based - LT-Cash Credit	LT	1.50	CARE BBB; Stable	1)CARE BBB; Stable (07-Jul-17)	1)CARE BBB (17-May-16)	1)Suspended (08-Mar-16)	1)CARE BBB (09-Feb-15)
3.	Fund-based - LT-Term Loan	LT	10.81	CARE BBB; Stable	1)CARE BBB; Stable (07-Jul-17)	1)CARE BBB (17-May-16)	1)Suspended (08-Mar-16)	1)CARE BBB (09-Feb-15)
4.	Fund-based - LT-Term Loan	LT	4.47	CARE BBB; Stable	1)CARE BBB; Stable (07-Jul-17)	1)CARE BBB (17-May-16)	-	-

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