

Truba Education Society

March 25, 2019

Rating			
Facilities	Amount (Rs. crore)	Rating ¹	Remark
Long-term Bank Facilities	23.63	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Reaffirmed
Total Facilities	23.63 (Rs. Twenty three Crore and sixty three lakh only)		

Detailed Rationale & Key rating Drivers

The rating assigned to the bank facilities of Truba Education Society (TES) continues to remain constrained on account of modest scale of operations, moderate solvency position and stressed liquidity position owing to high collection period. The rating, further, continue to remain constrained on regular need to capex and its presence in a highly competitive education industry.

The rating, however, continue to derives strength from the experienced management with established presence of “Agrawal Group of Companies” in diversified line of business, continuous infusion of funds by the management and recognition as private university. The rating, further, continue to drive strength from moderate profitability margins.

The ability of TES to increase in its scale of operations while maintaining of profitability margins and better management of working capital would be the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Weakness

Modest scale of operations

During FY18, Total Operating Income (TOI) of the society has increased by 39.27% over FY17, however, stood modest at Rs.14.52 crore in FY18. During FY18, 65.20% of TOI (65.07% of TOI in FY16) is contributed from academic receipts, 25.62% of TOI (34.07% of TOI in FY17) from conveyance receipts, hostel fees and remaining from other income. The total number of student enrolled in its college has decreased from 711 in AY17 to 684 students in AY18 whereas in University it has enrolled 435 students.

Till February 28, 2019 the society has registered turnover of Rs. 13.56 crore.

Moderate solvency position

The capital structure of the society stood moderate with an overall gearing of 0.91 times as on March 31, 2018, deteriorated from 0.88 times as on March 31, 2017 on account of increase in unsecured loans. The debt coverage indicators of the society stood moderate with total debt to GCA of 8.13 times as on March 31, 2018 and interest coverage ratio of 4.62 times in FY18.

Stressed liquidity position

Majority of the students that society caters are below poverty line and minority groups, where students receive scholarship for higher education from the government under Post Matric Scholarship Scheme. After receiving scholarship from government, student makes payments accordingly attributing to asymmetrical recovery of revenue receipts during the year. However, the operating expenses of the society are spread evenly throughout the year. Further, the promoters also support operations through fund infusion as and when required. The liquidity position of the society remained stressed with elongated operating cycle of 167 days in FY18, improved from 225 days in FY17 due to low collection period. The society has fully utilized its working capital bank borrowings during last 12 months ended February, 2019.

Regular need of cap-ex

The society is required to incur regular cap-ex towards infrastructure development and modernization of its existing buildings due to an increasing competition and increase in the enrolment of students. The cap-ex includes the construction of three new academic blocks including one block for hostel building, ongoing project for construction of library, building for architecture and designs course, construction of sports complex etc.

Key Rating Strengths

Experienced management with established presence of “Agrawal Group of Companies” in diversified line of business

In January 2016, Agrawal Group of Companies has taken over TES from existing trustees and changed the management. New trustees are well experienced in education society and looks after overall affairs of the society. Further, the promoters of the society are assisted by 164 permanent and 39 visiting faculty members.

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

Agrawal Group of Companies is engaged in the diversified businesses including education, civil construction and power sector through various group concerns. The group concerns include Shri Agrawal Technical Education Society (SATES), Shri Agrawal Health & Education Society (SAHES), Agrawal Power Private Limited (APPL) and Agrawal Constructions Company (AC).

Recognition of private university

In November, 2016, TES have got approval from Madhya Pradesh Private University Regulatory Commission, Bhopal for operating its own private University, "SAGE University". With approval of private university, it can start its own diploma/certificate courses with approval of concerned statutory council, wherever required. Further, the university can fix fees course-wise. It has the liberty to conduct its own examinations. After receive autonomous status, it can frame their own rules and regulations and can change in academic ways.

The trust will continue to offer courses through its affiliated college and university. Both will run separately. AY18 is first year of operations of Sage University and in first year of operations, it has enrolled total 435 students. The university has offered graduation courses in Arts, Commerce and Science and Post-graduation courses in Science, MBA and M.A. in Journalism as well as diploma in fashion designing.

Moderate profitability

During FY18, SBID margin of the society remained moderate at 27.65% in FY18 improved by 177 bps over FY17 mainly on account of lower conveyance charges and employee cost. In line with SBID margin, the society has registered surplus of Rs.1.60 crore in FY18 as against deficit of Rs.5.21 crore in FY17 owing to depreciation charged of Rs.6.40 crore for earlier years. Earlier, the society has not charged depreciation on its fixed assets.

Analytical Approach: Standalone

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 Society

Bhopal (Madhya Pradesh)-based, TES was formed in 2003 as a Society under Madhya Pradesh Societies Registrickaran Adhinyam, 1973 by Mr. Dharmendra Singh Raghuvanshi, Mr. Shyam Rathore, Mr. Shailendra Sharma and Mr. Pankaj Dandir with an object of setting up professional education institutions. However, management of TES has been changed and new members are Mr Sanjeev Agrawal, Mr Sunil Dandir, Mrs Kiran Agrawal, Mr M. R. Gupta, Mr Prashant Jain have been appointed since January 4, 2016. The society offers various graduation and post-graduation courses in Engineering and post-graduation in management through its college named "Truba College of Engineering & Technology". Subsequently, in April, 2016, name of the college has been changed from "Truba College of Engineering & Technology" to "Sagar Institute of Research and Technology (SIRT)" and is affiliated to Rajiv Gandhi Technical University (RGTU), Devi Ahilya Vishva Vidhyalaya (DAVV), Directorate of Technical Education (DTE) and All India Council of Technology & Engineering (AICTE). In November, 2016, TES have also started its own University, "SAGE University" situated at Kailot Kartal, AB Road, Indore which is approved by Madhya Pradesh Private University Regulatory Commission, Bhopal.

(In Crore)

Brief Financials (Rs. crore)	FY17(A)	FY18(A)
Total operating income	10.42	14.52
SBID	2.70	4.01
Surplus	-5.21	1.60
Overall gearing (times)	0.88	0.91
Interest coverage (times)	4.19	4.61

A-Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

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-Bank Overdraft	-	-	-	8.89	CARE BB-; Stable
Fund-based - LT-Term Loan	-	-	November 2025	14.74	CARE BB-; 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 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	-	-	-	-	1)Withdrawn (07-Jun-16)	1)Suspended (12-Feb-16)
2.	Fund-based - LT-Bank Overdraft	LT	8.89	CARE BB-; Stable	-	1)CARE BB-; Stable (29-Dec-17) 2)CARE B+; Stable (15-Nov-17)	1)CARE B (12-Aug-16) 2)CARE A4 (07-Jun-16)	1)Suspended (12-Feb-16)
3.	Fund-based - LT-Term Loan	LT	14.74	CARE BB-; Stable	-	1)CARE BB-; Stable (29-Dec-17) 2)CARE B+; Stable (15-Nov-17)	1)CARE B (12-Aug-16)	-

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