

**Vindhya Shiksha Samiti**  
**February 25, 2020**

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	13.04	CARE BB; Stable; <b>ISSUER NOT COOPERATING*</b> [Double B; Outlook: Stable; Issuer not cooperating]	<b>Issuer not cooperating;</b> <b>Revised from CARE BB+; Negative</b> <b>(Double B Plus; Outlook: Negative)</b> <b>on the basis of best available</b> <b>information</b>
<b>Total facilities</b>	<b>13.04</b> <b>(Rs. Thirteen crore</b> <b>and Four lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale, Key Rating Drivers**

CARE has been seeking information from Vindhya Shiksha Samiti (VSS) to monitor the rating vide e-mail communications/letters dated December 10, 2019, January 02, 2020, January 13, 2020, January 31, 2020, February 13, 2020, February 14, 2020 and numerous phone calls. However, despite our repeated requests, VSS has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, VSS has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on VSS's bank facilities will now be denoted as **CARE BB; Stable; ISSUER NOT COOPERATING\***.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).***

**Detailed description of the key rating drivers**

The rating have been revised on account of continuous decline in Total operating Income (TOI) in a highly competitive industry, its presence in a highly regulated industry and stretched liquidity position. The rating, further, constrained on account of deterioration of solvency position.

These weaknesses, however, offset to an on account of the well qualified & experienced management with long track record of operation and continuous increase in enrolment of students during last three financial years ended FY18 (FY refers to the period from April 1 to March 31) and healthy surplus margins.

**Key Rating Weakness*****Continuous decline of Total Operating Income (TOI) with Gross cash accruals***

The society's scale of operations as indicated by Total Operating Income (TOI) stood modest at Rs.7.74 crore in FY18 and remained stagnant in FY18 over FY17. TOI of the society has declined continuous since last 3 financial years ended FY18. During FY18, surplus of the society stood healthy with SBID and Surplus margin of 43.04% and 14.23% respectively. However, surplus margin has declined by 707 bps in FY18 over FY17 mainly on account of increase in depreciation and interest expenses. With decline in Surplus margin, Gross Cash Accruals (GCA) of the society has declined by 5.14% in FY18 against FY17 and stood at Rs.1.84 crore in FY18 as against Rs.2.26 crore in FY17.

***Deterioration of solvency position***

The capital structure of the society stood moderate with an overall gearing of 0.99 times as on March 31, 2018, declined from 0.72 times as on March 31, 2017 mainly on account of increase in term loan as on balance sheet date which offset to some extent by accretion of profits to reserves. Further, debt coverage indicators stood moderate with total debt to GCA stood at 7.74 times as on March 31, 2018, deteriorated from 4.29 times as on March 31, 2017 owing to increase in total debt level as well as decline in GCA level. Further, interest coverage ratio stood moderate at 2.22 times in FY18.

***Presence in highly regulated industry***

Despite the increasing trend of privatization of education sector in India, regulatory challenges continue to pose a significant threat to the educational institutes. Regulatory bodies are responsible for the regulation, coordination and development of higher education in India. Further, each Institution offering Post Graduate or Under Graduate Technical Program are required to submit an application to the AICTE council, every year for extension of approval of courses offered by the Institution. Any delay or rejection of approval request may result into under-achievement of projected revenue streams. VSS being in the

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

education sector is also highly regulated by the norms of governing bodies. These regulations on operations of VSS put limitation on the revenue growth of VSS.

### Key Rating Strengths

#### ***Well qualified and experienced key management***

VSS has a team of highly qualified and well experienced professionals. Mr. Diwakar Singh, President, is B.E. (Electronics and Communication) by qualification. He has vast experience of two decades in the education industry and looks after overall management of VSS. Miss Swati Jaiswal, Vice President, and Post Graduate (M. Tech.) by qualification, has two decades of experience in the industry and currently working as Principal of the college situated in Dongariya campus. Mrs. Seema Singh, Secretary, Post graduate in Science, has around two decades of experience in industry, look after management function of the society. Mr. Anshuman Singh, Joint Secretary, Post graduate in commerce, has around three decades of experience in the industry, look after administrative function of the society. Mr. Vireshwar Singh, Treasurer, Post-Graduate in commerce, has around two decades of experience in the industry and looks after finance function of the society.

#### ***Long track record of operations with continuous increase in enrolment of students***

Being present in the education industry since 2000, the society has long standing presence in the industry. The same is reflecting with continuous growth in enrolment of students. The total number of students enrolled in AY17 for colleges was 1283 which increased to 1349 students in AY19. Further, the society has started Sardar Patel University where the enrolments in first year stood at 1847 students in AY19. However, enrolment of students in school declined marginally from 256 students in AY18 to 226 students in AY19.

#### ***Liquidity: Stretched***

The fees realization structure of college is half yearly basis. The majority of fees are realized in the month of June and December. However, the operating expenses of the society are spread evenly throughout the year. Further, the repayment of term loan is scheduled to be repaid monthly. Hence, liquidity position of the society stood stressed and further, VSS has 90% utilized its working capital bank borrowings in last 12 months ending December, 2018. It has cash & bank balance of Rs.1.05 crore as on March 31, 2018.

**Analytical approach:** Standalone

### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

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

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

[Rating Methodology - Education Sector](#)

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

### About the Society

Balaghat (Madhya Pradesh) based Vindhya Shiksha Samiti (VSS) is registered as a society in 2000 under M.P. Society Registration Act, 1973 with an objective to impart education. The society is presently operating nine colleges in Balaghat, Mandla and Dongariya district of Madhya Pradesh and offers degree courses in Engineering and Technology, Medical and Pharmaceutical sciences, basic science, nursing education, commerce and Polytechnic as well as post graduate course in M.Sc (IT) stream, M.Ed. It also offers diploma course in electrical mechanical & civil engineering courses to students under its colleges, Sardar Patel College of Technology and Sardar Patel Polytechnic College which are affiliated with Rajiv Gandhi Pradyogiki Vishwavidyalaya (RGPV) and Rani Durgawati Vishwavidyalaya University, Jabalpur and has taken approval from All India Council for Technical Education (AICTE), Pharmacy Council of India (PCI) and NCTE.

The society is also running a school namely Mount Litera Zee Learn School in Balaghat from nursery to seventh. The school became operational from academic year 2017-18.

The society is also running a university namely Sardar Patel University in Balaghat in Madhya Pradesh. University became operational from academic years 2018-19 and here are more than 70 courses in university.

Brief Financials (Rs. crore)	FY17(A)	FY18(A)
Total operating income	7.79	7.74
PBILD	3.17	3.33
PAT	1.66	1.10
Overall gearing (times)	0.72	0.99
Interest coverage (times)	3.48	2.22

A: Audited

**Status of non-cooperation with previous CRA:** None.

**Any other information:** Not Applicable

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

**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	-	-	June – 2024	3.17	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Negative on the basis of best available information
Fund-based - LT-Bank Overdraft	-	-	-	9.87	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Negative on the basis of best available information

*\*Issuer did not cooperate; on the basis of best available information*

**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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	3.17	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Negative on the basis of best available information	-	1)CARE BB+; Negative (04-Mar-19)	1)CARE BB+; Stable (15-Nov-17)	-
2.	Fund-based - LT-Bank Overdraft	LT	9.87	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Negative on the basis of best available information	-	1)CARE BB+; Negative (04-Mar-19)	1)CARE BB+; Stable (15-Nov-17)	-

*\*Issuer did not cooperate; on the basis of best available information*

**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.

## Contact us

### Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

### Analyst Contact

Group Head Name - Mr Abhishek Jain

Group Head Contact no. - 0141-4020213/14

Group Head Email ID- [abhishek.jain@careratings.com](mailto:abhishek.jain@careratings.com)

### Business Development Contact

Name: Mr. Nikhil Soni

Contact no. : +91-141-402 0213 / 14

Email ID: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)

### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.