

## Vindhya Shiksha Samiti

March 04, 2019

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Remark
Long-term Bank Facilities	13.04	CARE BB+; Negative (Double B Plus; Outlook: Negative)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)
<b>Total facilities</b>	<b>13.04</b> (Rupees Thirteen crore and Four lakh only)		

### Detailed Rationale & Key rating Drivers

The rating of Vindhya Shiksha Samiti (VSS) continues to remain constrained on account of continuous decline in Total operating Income (TOI) in a highly competitive industry, its presence in a highly regulated industry and stressed 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.

The ability of VSS to sustain strong enrollment ratio in view of highly competitive market scenario and stabilization of its operations in its recently started university and efficient management of liquidity position with improvement in capital structure would be the key rating sensitivity.

### Detailed description of the key rating drivers

#### 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.

#### **Stressed liquidity position**

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.

#### **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 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.

<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 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.

**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](#)

### **Outlook: Negative**

The revision in the outlook from stable to negative is on account of envisaged to take continuous debt funded project for smooth running of its newly established university which is expected to lead to further deterioration of its solvency position. The outlook, however, may be revised to 'Stable' in case of healthy enrolment in its university which helps in stabilization of its debt funded project.

### **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 Proudyogiki 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.

(Rs. In crore)

Brief Financials (Rs. Crore)	FY17 (A)	FY18 (A)
Total Operating Income	7.79	7.74
PBILDT	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

**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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**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+; Negative
Fund-based - LT-Bank Overdraft	-	-	-	9.87	CARE BB+; Negative

## 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	3.17	CARE BB+; Negative	-	1)CARE BB+; Stable (15-Nov-17)	-	-
2.	Fund-based - LT-Bank Overdraft	LT	9.87	CARE BB+; Negative	-	1)CARE BB+; Stable (15-Nov-17)	-	-

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CIN - L67190MH1993PLC071691