Sanaka Educational Trust

December 30, 2024

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	159.19 (reduced from 164.78)	IVR BBB+; Stable (IVR Triple B Plus with Stable Outlook)	IVR BBB; Stable (IVR Triple B with Stable Outlook)	Upgraded	Simple
Short Term Bank Facilities	65.00 (enhanced from 10.25)	IVR A2 (IVR A Two)	IVR A3+ (IVR A Three Plus)	Upgraded	Simple
Total	**224.19 (Rupees Two hundred twenty-four and nineteen lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The upgrade in the ratings assigned to the bank facilities of Sanaka Educational Trust (SET) derive comfort from improvement in the business performance of the entity in FY24 (FY refers to the period from April 1 to March 31) marked by growth in scale of operation coupled with improvement in profitability and gross cash accruals. The rating also notes SET's satisfactory capital structure and healthy debt protection parameters. Further the rating continues to consider its experienced board of trustees, satisfactory infrastructure with association of experienced faculties and reputed doctors. However, these rating strengths continue to remain constrained by its limited brand image, exposure to reputational risk and susceptibility to regulatory risks. Further, these rating strengths also remain constrained by SET's exposure to project implementation risk in view of its ongoing project for expansion and its constitution as a trust.

The stable outlook reflects expected stable business performance of the trust in the near to medium term.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income and improvement in profitability

- Sustained improvement in the capital structure and improvement in debt protection metrics

Downward Factors

- Moderation in operating income and/or in moderation in cash accrual impacting the debt protection metrics on a sustained basis
- Deterioration in the capital structure with moderation in overall gearing to over 1x with moderation in interest coverage to below 5x
- Any time or cost overrun in execution of capex and/or any unplanned capex impacting the capital structure and/or liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced board of trustees

SET started its operations in 2008 with a single institute named Institute of Engineering & Industrial Technology (IEIT) in Durgapur. Further, two more institutes named Swami Vivekananda School of Diploma and Rani Rashmoni School of Architecture respectively started as part of integrated campus. The Trust also started running a hospital with effect from January, 2016 with 350 beds and has tie-up arrangements with the Central government for its schemes like ESIC, Rashtriya Swasthya Bima Yojna (RSBY) and the state government for its scheme, 'Sastho Sathi'. The entire operation of the Trust is looked after by Mr. Partha Pobi (President, Son of Mr. Tapan Kr Pobi), who is a B.Tech by qualification, having about a decade long experience in the organization with required support from other experienced and qualified trust members.

Satisfactory infrastructure with association of experienced faculties and reputed doctors

SET has the privilege of having a number of experienced faculty members, which is essential in building a strong brand name and attracting quality students. Further, all the institutes under SET have modern infrastructure including furnished hostels for boys and girls, transport & canteen facilities and latest tools & technologies. Further, Sanaka Hospitals have qualified and reputed doctors, research laboratories and well-trained staff.

Improvement in business performance

The total operating income (TOI) of the trust has increased by ~46% y-o-y in FY24 to Rs.199.01 crore from Rs.136.62 crore in FY23 mainly attributed to improvement in the revenue from hospital on account of increase in number of beds in hospital from 530 beds in FY23 to 630 beds in FY24, resulting in higher revenue from hospital along with better enrolment in B-Tech and Diploma courses. Driven by improvement in TOI and decline in other operating expenses, the EBITDA margin remain healthy and improved to 52.66% in FY24 from 50.03% in FY23. Aided by increase in EBITDA, the PAT margin also improved from 38.84% in FY23 to 41.32% in FY24. Aided by improvement in profitability the trust has witnessed sharp rise in its gross cash accruals to ~Rs.96 crore in FY24 (~Rs.63 crore in FY23). During H1FY25, trust has achieved a revenue of ~Rs.121 crore.

Satisfactory capital structure and healthy debt protection parameters

The capital structure of the trust continues to remain satisfactory though moderated as on March 31, 2024 due to increase in term debt to finance the cancer hospital. The overall gearing ratio though remained comfortable moderated to 0.44x as on March 31, 2024 from 0.36x as on March 31, 2023. Further, the total indebtedness of the trust, marked by TOL/TNW also moderated but remains comfortable at 0.49x as on March 31, 2024 as against 0.48x as on March 31, 2023. The debt protection metrics of the trust continued to remain satisfactory though moderated due to rise in interest outgo attributable to elevated debt level. The interest coverage ratio stood healthy 8.28x in FY24 (9.54x in FY23). Further, Total debt to EBITDA and Total debt to GCA also stood satisfactory at 1.23x and 1.35x respectively as on March 31, 2024, as against 1.09x and 1.19x respectively as on March 31, 2023.

Key Rating Weaknesses

Limited brand image, reputational risk and susceptibility to regulatory risks

All the institutes under SET offers a variety of courses and moderate placement opportunities; still it has a limited brand image unlike other more renowned universities, due to which its ability is limited in attracting students on pan-India basis. Further, the medical education sector is highly regulated and compliance with specific operational and infrastructure norms set by regulatory bodies is important. Thus, regular investment in the workforce and infrastructure is needed to conduct the operations efficiently. Further, all the healthcare providers need to monitor each case diligently and maintain high operating standard to avoid the occurrence of any unforeseen incident which can damage the reputation of the hospital to a large extent.

Project implementation risk

In April 2024, the Trust has started a project to develop a university and administrative building, along with additional facilities such as lecture halls, an examination hall, an auditorium, and an expansion of the teaching hospital by 350 beds. The project also includes construction of a nursing hostel, intern hostel, and doctors' residences. The estimated cost of the project is Rs. 75.95 crores, to be funded at a debt equity ratio of 3.76x. As on November 30, 2024, the trust has already incurred around Rs. 30.00 crore i.e. ~39% of the estimated project cost and expects to achieve the COD by June 2025. The project is being financed by a term loan of Rs.60.00 crores and internal accruals of Rs. 15.95 crores. Financial tie up for entire debt has been done. The leverage ratios marked by the debt equity ratio and overall gearing ratio is expected to remain comfortable notwithstanding the expected rise in term debt for the CAPEX.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

SET's liquidity position is expected to remain adequate marked by its strong gross cash accruals as against its debt repayment obligations. SET has earned gross cash accruals of Rs.95.68 crore in FY24 and has projected to earn gross cash accruals in the range of Rs.140.95 crore to Rs.255.83 crore as against its debt repayment obligations in the range Rs.22.85 crore to Rs. 33.84 crore during FY25-FY27. Moreover, on the back of its healthy capital structure the trust has high gearing headroom. Further, the average working capital utilization for last 12 months ended October 2024 also remained on the lower side at ~42% indicating a satisfactory liquidity buffer.

About the Company

Sanaka Educational Trust (SET), registered under Indian Trust Act, 1882, was established in December 2006 by Mr.Tapan Kr Pobi for the purpose of imparting education and other charitable purposes. The trust commenced its operation in August 2008 with an engineering college, named Institute of Engineering & Industrial Technology (IEIT), Durgapur. Currently, the college is affiliated to Maulana Abul Kalam Azad University of Technology (MAKAUT) and is approved by All India Council for Technical Education (AICTE), Directorate of Technical Education (DTE) and Department of Higher Education, Govt. of West Bengal. Further, Sanaka Hospitals also started operations from January 24, 2016 with 330 beds and has tie-up arrangements with the Central government for its schemes like ESIC, Rashtriya Swasthya Bima Yojna (RSBY) and the state government for its scheme, 'Sastho Sathi'.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	136.62	199.01
EBITDA	68.35	104.80
PAT	53.66	83.68
Total Debt	74.64	128.73
Tangible Net Worth	207.76	291.43
EBITDA Margin (%)	50.03	52.66
PAT Margin (%)	38.84	41.32
Overall Gearing Ratio (x)	0.36	0.44
Interest Coverage (x)	9.54	8.28

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Oct 03, 2023	July 08, 2022	Dec 22, 2021
1.	Term Loans/ GECL	Long Term	149.19	IVR BBB+; Stable	IVR BBB; Stable	IVR BBB; Stable	IVR BBB; Stable
2.	Cash Credit	Long Term	10.00	IVR BBB+; Stable	IVR BBB; Stable	IVR BBB; Stable	-
3.	Overdraft	Short Term	30.00	IVR A2	IVR A3+	-	-
4.	Bank Guarantee	Short Term	30.00	IVR A2	IVR A3+	-	-
5.	Interest Rate Derivative	Short Term	5.00	IVR A2	-	-	-

Analytical Contacts:

Name: Nidhi Sukhani Tel: (033) 46022266 Email: nsukhani@infomerics.com	Name: Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loans/ GECL	-	-	-	Sep 2032	149.19	IVR BBB+; Stable
Cash Credit	-	-	-	-	10.00	IVR BBB+; Stable
Overdraft	-	-	-	-	30.00	IVR A2
Bank Guarantee	-	-	-	-	30.00	IVR A2
Interest Rate Derivative	-	-	-	-	5.00	IVR A2

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-sanaka-educational-dec24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.