



Press Release

Sanaka Educational Trust

September 30, 2020

Rating

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action
Long Term Bank Facilities – Term Loan	37.79 (reduced from 39.74)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Revised from IVR BB+/Stable (IVR Double B Plus with Stable Outlook)
Total	37.79 (Rupees Thirty seven crore and seventy nine lakhs only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the rating assigned to the bank facilities of Sanaka Educational Trust (SET) is driven by improvement in its scale of operation attributable to revision in the fess structure in its existing courses during FY20 (provisional) along with increase in hospital revenue leading to improvement in cash accruals and debt protection metrics fuelled by healthy profitability along with improvement in its capital structure as on March 31, 2020 (Prov.). The revision in the rating also factors in significant improvement in its revenue from hospital driven by Covid related treatments and consequent improvement in the financial risk profile during 5MFY21. Infomerics also notes enforcement of new medical education regulator, the National Medical Commission (NMC) and its ruling that no further approval will be required for medical college for five years. Further, the rating also continues to derive comfort from its experienced Board of Trustees, satisfactory infrastructure and enrolment rates in educational institutes and moderate placement history. However, these rating strengths are constrained by its modest scale of operations, limited brand image and susceptibility to regulatory and reputational risks.

Key Rating Sensitivities

Upward Factors

- Substantial and sustained growth in operating income and improvement in profitability
- Improvement in the capital structure and improvement in debt protection metrics

Downward Factors



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- Moderation in operating income and/or cash accrual or deterioration in operating margin
- Deterioration in the capital structure and debt protection metrics
- Any unplanned capex impacting the capital structure and/or liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Board of Trustee**

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.

- **Enforcement of new medical education regulator, the National Medical Commission (NMC)**

India's new medical education regulator, the National Medical Commission (NMC), came into force from September 25, 2020 with the Centre abolishing the 87-year-old Medical Council of India, which was marred by corruption in its later years. As per NMC, no further approval will be required for five years; which stands in the favour of private educational institutes like SET.

- **Improvement in scale of operation coupled with higher operating profit**

The total operating income of SET grew at a CAGR of ~40% during last three years FY17-FY19; it improved at a y-o-y growth rate of ~59% in FY19 and stood at Rs.59.23 crore vis-à-vis Rs.37.30 crore in FY18. The same further grew by ~28% to Rs.76.05 crore in FY20 (provisional). The growth in total operating income in FY19 and FY20 (Provisional) is attributed to sharp increase in the revenue from hospital on account of improved occupancy and increase in fees from the medical students. The EBITDA increased on an absolute basis from



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Rs.14.81 crore in FY18 to Rs.25.66 crore in FY19 and further to Rs.35.38 crore as per FY20 (provisional) in line with the increase in total operating income. The EBITDA margin improved from 39.69% in FY18 to 43.32% in FY19 and to 46.52% in FY20 provisional on account of sharp increase in operating income coupled with decline in operating expenses. Owing to the decline in capital charges and finance charges, the surplus has increased from Rs.1.96 crore in FY18 to Rs.15.95 crore in FY19 and to Rs.25.93 crore in FY20 (provisional). The trust has achieved considerable improvement during 5MFY21. The topline of the trust has improved 52.83% y-o-y to Rs.53.23 crore and EBITDA margin has improved to 77.23% in 5MFY21.

- **Improvement in the capital structure and debt protection parameters**

The capital structure of the trust improved considerably with steady accretion of profit and scheduled repayment of term loans. The overall gearing ratio improved from 2.09x as on March 31, 2019 to 1.01x as on March 31, 2020 (Prov.). Further, the total indebtedness of the trust also improved from 2.62x as on March 31, 2019 to 1.51x as on March 31, 2020 (Prov.). With steady increase in profitability, debt protection metrics of the trust also improved considerably over the years. The interest coverage improved to 5.47x in FY20 (Prov.) as against 4.08x in FY19. Total debt to GCA also remained comfortable at 1.80x in FY20.

- **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.

- **Satisfactory enrolment rates in educational institutes along with moderate placement history**

The enrolment rates in B.Tech, Diploma, Architecture and MBBS courses have been increasing over the years. The enrolment rate remained at 68% in FY19 and FY20, for B. Tech course, increased from 81% in FY19 to 86% in FY20 for Diploma Course and remains 100% in FY19 and FY20 for Architecture and MBBS Courses. Further, SET has also maintained a moderate placement rate over the years.

Key Rating Weaknesses



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- **Modest small scale of operations**

Though, SET has recorded considerable growth in scale of operations over the past three years with satisfactory enrolment rate in its institutes and occupancy rate in its hospital, the scale of operation continues to be modest with revenue of Rs.76.05 crore in FY20 provisional.

- **Limited brand image**

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.

- **Susceptibility to regulatory risks**

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.

- **Reputational risk**

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.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

SET's liquidity position is expected to remain adequate in the near to medium term with adequate gross cash accruals as against its debt repayment obligations. The trust has earned a cash accrual of Rs.29.90 crore in FY20 (Prov.) and is expected it earn gross cash accruals in the range of Rs.45-74 crore as against its repayment obligations in the range of ~Rs.6.67-14 crore during FY21-23. Further the trust has adequate gearing headroom on the back of its overall gearing at 1.01x as on March 31,2020 (Prov.). The capex requirements will be met from internal cash accruals.



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About the Trust

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 the 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.

SET has also started a project for creating the requisite infrastructure for setting up a Medical College cum Hospital, Sri Ramkrishna Institute of Medical Sciences (SRIMS) and Sanaka Hospitals in phases at Durgapur, West Bengal.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	59.23	76.05
EBITDA/SBITDA	25.66	35.38
PAT/Surplus	15.95	25.93
Total Debt	56.31	53.72
Tangible Net worth	26.98	52.94
EBITDA/SBITDA Margin (%)	43.32	46.52
PAT/Surplus Margin (%)	26.93	33.66
Overall Gearing Ratio (x)	2.09	1.01

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Care Ratings moved the rating into issuer non cooperating category vide its press release dated September 16,2019.

Any other information: Nil

Rating History for last three years with Infomerics:



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	37.79	IVR BBB- / Stable Outlook	IVR BB+ / Stable Outlook (February 05, 2020)	IVR B+ / Stable Outlook (February 21, 2019)	-

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	2024-25	37.79	IVR BBB- ; Stable Outlook