



Rating Rationale

Sitwanto Devi Mahila Kalyan Sansthan

25Jan2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 100.00 Crores of Sitwanto Devi Mahila Kalyan Sansthan (SDMKS or the “Society”).

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Term Loan	100.00	Long Term	BWR BB+ (BWR Double B Plus) Outlook:Stable
Total	100.00	(INR Hundred Crores Only)	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon Sitwanto Devi Mahila Kalyan Sanstha’s audited financials upto FY18, and projected financial statements for FY19 and FY20, publicly available information and information/clarifications provided by the management of the Society.

The rating factors, interalia, the over two decade experience of the main members of Sitwanto Devi Mahila Kalyan Society in the Education industry, established presence of the Society in Bihar and Jharkhand since its inception in 1996, the upcoming medical college with accommodation and a general hospital in Bihata, Bihar named Netaji Subhash Medical College and Hospital, number of facilities to be provided by the proposed hospital, professionally qualified doctors associated with the Hospital, the debt free status of the Society until FY18 and the support from the Society to service debt obligations of the proposed medical college and hospital, if required.

The rating is however constrained by the time and cost overrun due to the extension of the commercial date of operations of the Medical college and Hospital, the project being still in the execution stage, with the hospital likely to commence operations only in the second half of FY20 and the college another year later, the expected relatively low levels of cash flows in the initial years leading to dependence on the cash surplus of the Society from other institutions for meeting debt obligations, competition from already established similar educational institutes in vicinity, challenges of adhering to regulations of its



affiliations to various organisations and the risk associated with successfully running the hospital, being a new business venture.

Going forward, successful implementation of the hospital and medical college without further extension of commercial date of operations, achieve the projected level of sales and profitability and timely meeting of debt and interest obligations from the cash flows of the proposed college & hospital will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- *Experience of the Management:* The Chairman, Mr.M.K Jha is the Chairman and Mr. M.M. Singh is the Secretary of the Society. Both of them are professionally skilled and have over two decades of experience in the field of education. Mr. M.M. Singh is the founder of many engineering colleges in Bihar and Jharkhand. The management appointed Mr. Krishna Murari as the Managing Director of Netaji Subhas Medical College & Hospital who is actively involved in the management of Hospital & Medical College. He is professionally skilled and is associated with the Society since 2009 as Registrar of Netaji Subhas Institute of Technology.
- *Established position of the Society:* Sitwanto Devi Mahila Kalyan Society is operational since 1996. The Society has been providing engineering courses for the last two decades and has managed to establish itself in the industry. The Society can leverage on the extensive experience in the education industry to run the medical college.
- *Upcoming Medical College and Hospital:* The Society is building a Medical College and a general hospital in Bihata, Bihar. The proposed Hospital shall be a general hospital with most of the medical facilities available including General Medicine, Pediatrics, TB & Chest Pain, Skin V.D., Psychiatry, General Surgery, Orthopedics, Ophthalmology, ENT and Gynecology. The total bed capacity of the hospital is 300 general beds and 30 casualty beds with expected initial capacity utilisation of 60%. The Out Patient Department is expected to treat 400 patients per day. The hospital also proposes to have a Diagnostic Centre and a Pharmacy.
- *Medical College with accommodation:* The Medical College shall have initial intake of 100 students and will start with its first batch in 2021-22. The Medical college is proposed to be affiliated with the Aryabhatt Knowledge University, Patna. The college will get permit for intake of students into MBBS course from MCI on completion of construction. The college shall also have accommodation for the students and faculties in the same premises.
- *Professionally Qualified Doctors and faculties:* The proposed Medical College and hospital expects to have association of highly qualified doctors. .
- *Debt-Free Status of the Society:* The Society has negligible debt as on March 31,2018. The cash accruals of the Society shall be used to service the debt obligations of Netaji Subhash Medical College and Hospital, if required.



Credit Risks:

- *Project implementation risk:* SDKMS is exposed to the risk of time and cost overruns due to the extension of the commercial date of operations of both the proposed Hospital and Medical college. The commercial date of operations of the Hospital is extended by 6 months to October 2019 while the medical college will start with its first batch in 2021-22 as against the earlier scheduled batch of 2020-21. The extension of CODs was due to delay in the financial tie up for the project.
- *Operations at the Out Patient Department:* The Hospital's OPD started in April 2017. Although the OPD started well ahead of schedule, the operations are at a very initial stage and most of the services are reportedly provided as charity.
- *Capital Intensive Nature of Business:* The business involves high capital expenditure in the construction of the buildings for Hospital and Medical college. Also, the equipments and beds installed at the hospital requires high expenditure.
- *Exposure to Regulations in the Industry:* SDKMS is exposed to the risk related to the regulated market of the education industry. The Education institutes needs to be affiliated from the respective universities and the fees to be as per the norms of these universities. The curriculum is also uploaded by these Universities.
- *Competitive Environment:* Consistently maintaining the educational standards through retention of qualified faculty and increasing the students in a competitive environment are the challenges of this Industry. Also, there are existing 12 medical colleges in Bihar. Hence the proposed medical college is likely to face stiff competition from existing players.
- *Management of Hospital:* SDKMS is primarily into running of Engineering colleges. There is no prior experience of the management in running a hospital. The proposed hospital shall be new in business. Hence it will take time to establish credibility and win the trust of local population.
- *Increase in debt:* From a debt-free status, the Society has been exposed to a debt burden of Rs. 100 Crs and given the projected operational levels, managing debt repayment obligations in the initial years at least may pose challenges.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Sitwanto Devi Mahila Kalyan Sansthan** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained



improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Sitwanto Devi Mahila Kalyan Sansthan is a registered society under the Society Registration Act 21, 1860 on 11th December 1996. The Society is promoted by Mr. M.K. Jha as the Chairman, Mr. M.M. Singh as the Secretary, Ms. Y. Manga Lakshmi as Treasurer and Mr. R.N. Sharma and Mr. Sri Nath Singh as the members of the Society. The Society runs educational institutes in Bihar and Jharkhand namely Netaji Subhas Institute of Technology, Netaji Subhas Institute of Polytechnic, Netaji Subhas Public Schools, Netaji Subhas Institute of Business Studies, Netaji Subhas Institute of Hotel Management. These institutes offer various courses like engineering, polytechnic, hotel management, business management etc. Presently, the number of students, who study in these educational institutions is 10,000 (approximately).

As part of its focus on uplifting women, the Society provides scholarships to more than 200 girl students every year in various Institutes established by the Society. On an average 25-30 women are employed every year in various Institutes established by the Society. The activities are done on Charity and is supported by the other Institutes running under the Society.

The Society is setting up a 300-bed hospital and medical college (initial capacity- 100 students) under Netaji Subhash Medical College and Hospital in Bihta, Bihar to be built on a total area square feet of 34017sq ft. The total cost of project is Rs.150.52 crs funded by Term loans of Rs.100.00 crs under a consortium arrangement with Oriental Bank of Commerce, Vijaya Bank and Bank of Baroda.

Company Financial Performance

Sitwanto Devi Mahila Kalyan Sansthan reported gross receipts of Rs.31.59 Crs in FY18 against FY17: Rs.27.24 Crs with increase in students strength, from its functioning institutions. The Society reported operating surplus of Rs.10.79 Crs in FY18 as against Rs.10.43 Crs in FY17. Operating surplus margin was at 40.00% in FY18 as against 43.00% in FY17. Net Surplus margins were at 34.00% in FY18 compared to 38.00% in FY17. The Society reported total Corpus fund of Rs.58.15 Crs as on March 31, 2018.



Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based Term Loans	Long Term	100.00	BWR BB+ (BWR Double B plus) (Outlook:Stable)	Not Rated	Not Rated	Not Rated
	Total		100.00	(₹One Hundred Crores Only)			

Status of non-cooperation with previous CRA (if applicable)-Not Applicable

Any other information:Not Applicable

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Aud.	Aud.
Operating Revenue	₹ Cr	31.59	27.24
SBITDA	₹ Cr	12.55	11.87
SAT	₹ Cr	10.79	10.43
Total Corpus Funds	₹ Cr	58.15	47.84
Total Debt/ Total Corpus Fund	Times	0.04	0.05
Current Ratio	Times	11.08	6.07

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)



- [Service Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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