

Press Release

Reva (Sunil) Education Society

May 15, 2019



Rating Reaffirmed

| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 7.50 Cr. |
| Long Term Rating | ACUITE B / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs. 7.50 crore bank facilities of Reva (Sunil) Education Society (RES). The outlook is '**Stable**'.

RES (registered under M.P. Society Registration Act, 1973) was established in 2015. RES is a non-profit organisation that has set up a CBSE affiliated co-educational school under the name 'Saket International School (SIS)' at Barwani (Madhya Pradesh). The society is promoted by Mr. Sunil Patidar, Mr. Sunil Dora, Mr. Narendra Kumar Gole and Mr. Ishwar Patidar.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of RES to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The Trustees, Mr. Sunil Patidar, Mr. Sunil Dora, Mr. Narendra Kumar Gole and Mr. Ishwar Patidar have around a decade of experience in running educational institutions. They are already running three other educational societies under the names of Rudresh Education Society, Himani Education Society and Patidar Education Society. Their first school, Paramount Academy, was set up in 2006. The schools are affiliated with the Central Board of Secondary Education (CBSE) and have classes up to 12th Standard.

- **Average financial risk profile**

The financial risk profile of the society stood average marked by average net worth, debt protection metrics and coverage indicators. The net worth of RES stood at Rs. 10.29 crore as on 31 March, 2019 (Provisional) as against Rs. 8.38 crore as on 31 March, 2018. The gearing (debt-equity) stood comfortable at 0.73 times as on 31 March, 2019 (Provisional) as against 0.97 times as on 31 March, 2018. The total debt of Rs. 7.56 crore as on 31 March, 2019 (Provisional) is entirely long term debt. The coverage indicators are average marked by Interest Coverage Ratio (ICR) at 1.68 times for FY2019 (Provisional) as against 1.41 times for FY2018. NCA/TD (Net Cash Accruals to Total Debt) stood at 0.15 times in FY2019 (Provisional) as against 0.09 times in FY2018. Debt to EBITDA stood at 2.71 times in FY2019 (Provisional) as against 3.40 times in FY2018.

Weaknesses

- **Susceptibility to regulatory changes**

The education sector is highly regulated by the government. Any changes in the regulatory environment will have a bearing effect on SIS. The society is exposed to the unfavourable changes in regulations governing the educational sector in India from time to time.

- **Limited track record of operations**

The society was established in 2015 and the school started in June 2016, thus have an operational track record of only three years in the education industry.

Liquidity Position

RES has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The society generated cash accruals of Rs. 1.13 crore for FY2019 (Provisional). The society maintains unencumbered cash and bank balances of Rs. 0.26 crore as on 31 March 2019 (Provisional). The current ratio stands low at 0.72 times as on 31 March 2019 (Provisional). Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accruals against its maturing debt obligation.

Outlook: Stable

Acuite believes that RES will maintain 'Stable' outlook over the medium term on the back of experienced management. The outlook may be revised to 'Positive' in case the society registers higher-than-expected growth in revenues while improving profitability along with improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the society registers lower-than-expected growth in revenues and profitability or in case of deterioration in the society's financial risk profile.

About the Rated Entity - Key Financials

| | Unit | FY19 (Provisional) | FY18 (Actual) | FY17 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 6.55 | 5.67 | 4.12 |
| EBITDA | Rs. Cr. | 2.79 | 2.39 | 2.25 |
| PAT | Rs. Cr. | 0.50 | 0.23 | 0.38 |
| EBITDA Margin | (%) | 42.59 | 42.11 | 54.55 |
| PAT Margin | (%) | 7.67 | 3.98 | 9.20 |
| ROCE | (%) | 12.55 | 12.19 | 13.89 |
| Total Debt/Tangible Net Worth | Times | 0.73 | 0.97 | 1.31 |
| PBDIT/Interest | Times | 1.68 | 1.41 | 1.79 |
| Total Debt/PBDIT | Times | 2.71 | 3.40 | 3.75 |
| Gross Current Assets (Days) | Days | 138 | 152 | 145 |

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|-----------|------------------|--|
| 22-Feb-2018 | Term Loan | Long Term | 7.50 | ACUITE B / Stable (Upgraded from ACUITE B-) |
| 24-Oct-2017 | Term Loan | Long Term | 7.50 | ACUITE B- (Indicative) |
| 24-May-2016 | Term Loan | Long Term | 7.50 | ACUITE B- / Stable (Assigned) |

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-----------------------------|--------------------------------|
| Term loans | Not Applicable | Not Applicable | Not Applicable | 7.50 | ACUITE B / Stable (Reaffirmed) |

Contacts

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|--|---|
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About Acuité Ratings & Research:

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