

Press Release

PHR Invent Educational Society (PIES)

April 11, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

ACUITE has reaffirmed long term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the Rs. 10.00 crore bank facilities of 'PHR Invent Educational Society' (PIES). The outlook is '**Stable**'.

Vijayawada-based, PHR Invent Educational Society (PIES) was established in 2004 by Mr. Hanumantha Rao. In 2007, PIES joined hands with Delhi Public School Society (DPSS), New Delhi to cater to students from pre-primary to Class XII. The school is affiliated to Central Board of Secondary Education (CBSE). PIES has a campus spread across 10.3 acres. It also provides hostel facility to the students.

Analytical Approach

ACUITE has considered the standalone business and financial risk profile of PIES to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and association with reputed brand DPSS:**

PIES was established by Mr. Hanumantha Rao and family who possess over a decade of experience in the aforementioned line of business. The Dean, Mr. S B Rao was the former assistant commissioner in Navodaya Vidyalaya Samiti (Under Ministry of H.R.D, Govt. of India), in-charge of Arunachal Pradesh, Sikkim, Assam and Tripura. Further, he was former principal in Vivekananda Kendra Vidyalaya and Kakatiya Public School. Student's occupancy rate stood around 80-85 percent in the academic year 2018-19. The association with the reputed 'DPSS' brand lends the school an established brand name and provides operational and managerial expertise. ACUITE believes that the business risk profile of the PIES will be comfortable on account experienced management and strong brand of 'DPSS'.

- **Healthy net cash accruals:**

PIES has reported healthy net cash accruals (NCA) on account of improved operational performance as same stood at Rs. 10.29 crore on operating income of Rs. 20.87 crore in FY2018 as against NCA of Rs. 8.59 crore on operating income of Rs. 20.87 crore in FY2017. Further, operating income of the society has increased at a CAGR of 19 percent between FY2016 to FY2018. Going forward, the yearly principal repayment is expected to be around Rs. 1.50 crore. Hence, the PIES is expected to maintain sufficient buffer in its net cash accruals to absorb any future capital expenditure plan and/or any other debt obligation.

- **Healthy financial risk profile:**

PIES has healthy financial risk profile marked by healthy debt to equity ratio and coverage indicators. The net worth stood at Rs.26.83 crore as on 31 March, 2018 as against Rs.19.01 crore as on March 2017 on account of healthy accumulated profits. The gearing (debt-to-equity) was comfortable at 0.24 times as on 31 March, 2018 as against 0.40 times as on 31 March, 2017. Further the interest coverage ratio stood at 14.68 times for FY2018 as compared to 10.66 times for FY2017. Total outside liabilities to total net worth (TOL/TNW) is comfortable at 0.46 times as on 31 March, 2018 as against 0.71 times as on 31 March, 2017.

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 PIES.

• Exposure to intense competition:

PIES, which runs a school from LKG to 12th faces competition from other schools in Vijayawada. Increase in intakes will largely depend on their ability to provide quality education through continuous development in the infrastructure, diversity in the course offering.

Liquidity position

The society has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. PIES generated cash accruals of Rs.7.94 crore to Rs.10.29 crore during the last three years through 2017-18, while there were no significant maturing debt obligation for the same period. The cash accruals of the society are estimated to be more than Rs.11.00 crore during 2019-21 while its repayment obligation are estimated to be around Rs. 1.50-2.00 Crore. The overdraft limit in the society remains utilized at 50-60 percent during the last 6 months period ended March 2019. The society maintains cash and bank balances of Rs.3.23 crore as on March 31, 2018. The current ratio of PIES stand at 0.58 times as on March 31, 2018. Acuite believes that the liquidity of the society is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

ACUITÉ believes that PIES will maintain a Stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the society's scale of operations increases on the back of further increase in fee receipts, while maintaining its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if the society fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded capital expansions.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	20.87	17.58	14.62
EBITDA	Rs. Cr.	10.96	9.44	9.01
PAT	Rs. Cr.	7.81	5.89	5.20
EBITDA Margin	(%)	52.53	53.69	61.62
PAT Margin	(%)	37.44	33.48	35.55
ROCE	(%)	28.68	26.04	49.30
Total Debt/Tangible Net Worth	Times	0.24	0.40	0.94
PBDIT/Interest	Times	14.68	10.66	8.28
Total Debt/PBDIT	Times	0.58	0.79	1.37
Gross Current Assets (Days)	Days	60	58	148

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

Not applicable

Any other information

Not available

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities in Service Sector- <https://www.acuite.in/view-rating-criteria-8.htm>
- Application of financial ratio and adjustments - <https://www.acuite.in/view-rating-criteria-40.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	Over draft	Long Term	1.00	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	9.00	ACUITE BBB-/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
Over draft	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB- / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB- / Stable (Reaffirmed)

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About Acuite Ratings & Research:

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