

## Press Release

### Raipur Kerala Samajam (RKS)

July 03, 2018

## Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 8.50 Cr.
<b>Long Term Rating</b>	ACUITÉ BBB-/Stable

\* Refer Annexure for details

## Rating Rationale

Acuite has assigned long-term rating of '**ACUITÉ BBB-**' (read as **ACUITÉ triple B minus**) on the Rs. 8.50 crore bank facilities of Raipur Kerala Samajam (RKS). The outlook is '**Stable**'.

RKS presently operates four co-educational schools, under the name Adarsh Vidyalaya, in Devendra Nagar, Tatibandh, Mowa and Adarsh International School all near Raipur, Chhattisgarh. The schools in Devendra Nagar and Adarsh International School are affiliated to the Chhattisgarh Board of Secondary Education whereas the school in Mowa and Tatibandh are affiliated to the Central Board of Secondary Education (CBSE). Mr. K.A.Sasidharan is the president of the society. The society has been into operation since 1957 and registered under the Society Act 1969.

## Key Rating Drivers

### Strengths

#### Experienced management and long track record of operation

The president Mr. K. S. Sashidharan, has more than four decades of experience in the education industry. Along with the president, Mr. T C Shaji (Vice President), Mr. Thomas Mathew (General Secretary) and Mr. K.K. Vishwambharan Nair has more than 30 years of experience in similar industry. The society has been into operation since 1957 and registered under the Society Act 1969. Since inception, the society has been into education service. Currently the society operates four co-educational schools in and around Raipur, Chhattisgarh.

#### Healthy financial risk profile

The financial risk profile of the society is marked by moderate net worth, comfortable gearing and healthy debt protection measures. RKS has a modest net worth of Rs 13.92 crs as on 31st March'2017 as compared to Rs.12.54 crore in FY2016. The gearing of the company stood comfortable at 0.40 times in FY2017 as compared to 0.42 times in the previous year. The total debt of Rs 5.52 crs consists mainly of term loan from the bank. The debt protection measures of the company stood healthy with interest coverage of 4.70 times in FY'17 as compared to 22.26 times in FY'16. Debt service coverage ratio (DSCR) stood comfortable at 4.45 times in FY2017 as compared to 22.26 times in previous year. The NCA/TD levels of the company stood at 0.48 times in FY'17 as compared 0.56 times in the previous year.

#### Healthy liquidity position

The society has healthy liquidity position marked by adequate cash accrual of Rs. 2.63 crore in FY2017 as against of current portion of long term debt of Rs.1.00 crore in FY2017. The unencumbered cash and cash equivalents of Rs.1.27 crore as on March 31, 2017 also support the liquidity of the society.

#### Healthy profitability

The operating margin of the company is healthy and stands at 31.72 per cent in FY2017 as compared to 35.57 per cent in the previous year. Though the margin of the society has declined due to increase in the employee cost, but still it stands comfortable. The PAT margin of the company stands comfortable at 13.26 per cent in FY2017 as compared to 25.86 per cent in previous year. The PAT margin of the society has gone down mainly on account of decrease in operating margin in FY2017.

## Weaknesses

### Intense competition

The society faces intense competition from other private institutions offering similar courses. Given the competition, the ability of the institute to attract requisite students in tune with its sanctioned intake would be a challenge.

### Stringent regulatory framework for educational sector in India

The society is subject to the stringent regulatory framework for the educational sector in India.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the society.

### Outlook: Stable

SMERA believes RKS will continue to benefit over the medium term from the extensive experience of its promoters in the education sector and long track record of operations. The outlook may be revised to 'Positive' if there is a substantial increase in the society's operating income while maintaining its profitability leading to further improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' if it intense competition, or if the student enrolment witnesses a significant drop.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	10.45	8.70	7.53
EBITDA	Rs. Cr.	3.31	3.09	2.66
PAT	Rs. Cr.	1.39	2.25	2.15
EBITDA Margin	(%)	31.72	35.57	35.30
PAT Margin	(%)	13.26	25.86	28.49
ROCE	(%)	11.24	17.00	41.76
Total Debt/Tangible Net Worth	Times	0.40	0.42	-
PBDIT/Interest	Times	4.70	22.26	-
Total Debt/PBDIT	Times	1.66	1.70	-
Gross Current Assets (Days)	Days	21	34	56

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Entities in service sector- <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

Not Applicable

**\*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 Loan	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITÉ BBB-/Stable (Assigned)

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