

## Press Release

### Raipur Kerala Samajam

September 19, 2019

**Rating Reaffirmed**



<b>Total Bank Facilities Rated*</b>	Rs. 8.50 Cr.
<b>Long Term Rating</b>	ACUITE BBB-/Stable (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 8.50 crore of 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 in 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 is registered under the Society Act 1969.

### **Analytical Approach:**

Acuite has considered the standalone business and financial risk profile of RKS to arrive at the rating.

### **Key Rating Drivers:**

#### **Strengths**

##### **• Experienced management**

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, have more than 30 years of experience in the similar industry. The society has been into operation, since 1957 and is registered under the Society Act 1969. Since inception, the society has been into education service. Currently, the society operates four coeducational schools in and around Raipur, Chhattisgarh.

##### **• Healthy financial risk profile**

The healthy financial risk profile of the society is marked by healthy net worth, comfortable gearing and healthy debt protection metrics. The net worth of the society stood healthy at Rs.16.85 crore in FY2019 (Prov.) as compared to Rs.15.45 crore in FY2018. This improvement in Networth is mainly due to retention of current year profit. The gearing of the society stood comfortable at 0.36 times as on March 31, 2019 (Prov.) as compared to 0.46 times as on March 31, 2018. The total debt of Rs.6.15 crore in FY2019 (Prov.) consist of only long term debt from bank. Interest coverage ratio (ICR) is comfortable and stood at 4.72 times in FY2019 (Prov.) as against 5.02 times in FY2018. The debt service coverage ratio also stood comfortable at 1.67 times in FY2019 (Prov.) as against of 2.14 times in FY2018.

##### **• Healthy Profitability**

The operating profit margin of the society has declined at 27.33 per cent in FY2019 (Prov.) as compared to 30.81 per cent in previous year. The decrease in profitability is mainly on account of increase in employee cost and school bus running expenses. The net profitability of the society has also declined to 10.96 per cent in FY2019 (Prov.) as compared to 12.94 per cent in previous year.

#### **Weaknesses**

##### **• Stringent regulatory framework for educational sector in India and intense competition**

The society is subjected to stringent regulatory framework for the educational sector in India. The society also 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 will be a challenge.

### Liquidity Position:

The society has moderate liquidity marked by moderate net cash accruals of Rs.2.85 crore as against Rs.1.40 crore of yearly debt obligation. The cash accruals of the society are estimated to remain in the range of around Rs. 3.46 crore to Rs. 4.52 crore during 2020-22 against repayment obligations ranging from Rs. 1.40 crore. The working capital of the group is well managed, which is marked by comfortable gross current asset days of 21 in FY2019 (Prov.). Acuite believes that the liquidity of the group is likely to remain healthy over the medium term on account of healthy cash accruals against no major debt repayments over the medium term.

### Outlook: Stable

Acuite believes that RKS will continue to benefit over the medium term from its long track record of operation. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected revenues, or in case of further deterioration in the firm's financial risk profile.

### About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	12.81	11.77	10.45
EBITDA	Rs. Cr.	3.50	3.63	3.31
PAT	Rs. Cr.	1.40	1.52	1.36
EBITDA Margin	(%)	27.33	30.81	31.72
PAT Margin	(%)	10.96	12.94	13.26
ROCE	(%)	9.52	10.77	21.55
Total Debt/Tangible Net Worth	Times	0.36	0.46	0.40
PBDIT/Interest	Times	4.72	5.02	4.70
Total Debt/PBDIT	Times	1.70	1.93	1.66
Gross Current Assets (Days)	Days	21	17	21

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Service 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
03-July-2018	Term Loan	Long Term	8.50	ACUITE BBB-/Stable (Assigned)

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE BBB-/Stable (Reaffirmed)

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## About Acuité Ratings & Research:

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