

Press Release

RAIPUR KERALA SAMAJAM

December 04, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	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. The outlook is **'Stable'**.

Raipur Kerala Samajam (RKS) has been into operation since 1957 and registered under the Society Act 1969. Currently, the society operates four co-educational schools under the name Adarsh Vidyalaya, in Devendra Nagar, Tatibandh, Mowa and Adarsh International School which are close to 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). Currently, the society is managed by Mr. K.A. Sasidharan, president along with Mr. T.C. Shaji (Vice President), Mr. Thomas Mathew (General Secretary) and Mr. K.K. Vishwambharan Nair (Treasurer).

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 and long track record of operation

The president, Mr. K. S. Sashidharan, has more than four decades of experience in the education industry. The key management personnel also 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. Currently, the society operates four co-educational schools in and around Raipur, Chhattisgarh.

Comfortable financial risk profile

The financial risk profile of the society is marked by moderate net worth, low gearing and strong debt protection metrics. The net worth of the society stood moderate at Rs.18.55 crore in FY 2020 as compared to Rs 16.85 crore in FY2019. This improvement in network is mainly due to the retention of current year surplus. The gearing of the society stood low at 0.25 times as on March 31, 2020 when compared to 0.36 times as on March 31, 2019. This improvement in gearing is on account of repayment of long term debt along with improvement in network of the society. Interest coverage ratio (ICR) stood at 6.51 times in FY2020 as against 4.71 times in FY 2019. The debt service coverage ratio (DSCR) stood healthy at 1.90 times in FY2020 as compared to 4.71 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.67 times in FY2020 as compared to 0.46 times in the previous year. Going forward, Acuite believes the financial risk profile of the group will remain healthy backed by no major debt funded capex plan over the medium term and steady net cash accruals.

Healthy profitability margin

RKS has consistently reported healthy profitability margins as reflected from operating margins at 26.85 per cent in FY2020 as compared to 27.30 per cent in the previous year. However, this deterioration is on account of increase in administrative cost during the period. The net profitability margin of the society also stood healthy at 12.60 per cent in FY2020 as compared to 10.93 per cent in the previous year.

Weaknesses

Moderate scale of operation

Though the society has been into operation since 1957, the revenue of the society stood moderate at 13.51 crore in FY2020 as compared to Rs.12.81 crore in the previous year. The society has booked Rs.2.00 crore till 31st October in FY2020 (Provisional).

Exposure to intense competition and stringent regulatory framework for the educational sector in India

The society faces intense competition from other private institutions offering similar courses. Given the competition, the ability of the society to attract requisite students in tune with its sanctioned intake would be a challenge. Further, the Indian education industry is highly regulated and consequently subject to the stringent regulatory framework, which is to be followed by group operated institutes. Any major change in regulatory framework by the Government of India or change in policy by affiliated boards will have major impact on the revenue, financial and operating performance of the society. Acuite believes that RKS's ability to scale up its operations while maintaining profitability will be a key rating monitorable.

Rating Sensitivity

- Scaling up of operations while maintaining their profitability margin
- Sustenance of their conservative capital structure

Material Covenant

None

Liquidity Position: Adequate

The society has adequate liquidity marked by healthy net cash accruals of Rs.3.18 crore as against Rs.1.40 crore long term debt obligations in FY2020. The cash accruals of the society are estimated to remain in the range of around Rs. 3.20 crore to Rs. 4.26 crore during 2021-23 against Rs.1.40 crore in FY2021, Rs.1.69 crore in FY2022 and Rs.0.29 crore in FY2023 of long term debt obligations respectively. Further, the liquidity of the society is also strengthened by the unencumbered cash of Rs.0.52 crore and free investment of Rs.2.40 crore with the bank. Moreover, the society has also been sanctioned a COVID19 emergency credit line of Rs.0.87 crore. The said loan is to be repaid over a period of 4 years, including 1 year of moratorium. Hence, Acuite believes that this short term funding will further ease the liquidity position of the society. The society has also availed of loan moratorium till the end of August 2020 for TL. However, the current ratio of the society stood low at 0.98 times in FY2020 on account of high amount of advance fees received during the period. Acuite believes that the liquidity of the society is likely to remain adequate over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuite believes RKS will continue to benefit over the medium term from the extensive experience of its promoters in the education sector. The outlook may be revised to 'Positive' if there is a substantial increase in the RKS's operating income while maintaining its profitability leading to improvement in its financial risk profile. The considerable increase in the number of students would result in increased operating income. Conversely, the outlook may be revised to 'Negative' in case of a sharp decline in accruals, deterioration in profitability margin, deterioration in debt protection metrics or if the student enrolment witnesses a significant drop.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	13.51	12.81
PAT	Rs. Cr.	1.70	1.40
PAT Margin	(%)	12.60	10.93
Total Debt/Tangible Net Worth	Times	0.25	0.36
PBDIT/Interest	Times	6.51	4.71

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector – <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
19-Sep-2019	Term Loan	Long Term	8.50	ACUITE BBB-/Stable (Reaffirmed)
03-Jul-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 (Rs. Crore)	Ratings/Outlook
Term Loan	August 2015	9.25%	March 2024	8.50	ACUITE BBB-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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