

## Press Release

Swami Atulanand Rachana Parishad

June 28, 2019

### Rating Upgraded and Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 9.00 Cr. (Enhanced from Rs. 6.00 Cr.)
<b>Long Term Rating</b>	ACUITE BBB+ / Outlook: Stable (Upgraded & Assigned)

\* Refer Annexure for details

### Rating Rationale

Acuite has upgraded the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) to the Rs. 4.00 crore bank facilities of Swami Atulanand Rachana Parishad (SARP). The outlook is '**Stable**'.

Further, Acuite has assigned the long term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) to the Rs. 5.00 crore bank facilities of SARP. The outlook is '**Stable**'.

The rating upgrade reflects improvement in society's business and financial risk profile. The operating income increased to Rs. 37.44 crore in FY2019 (Provisional) as against Rs. 28.15 crore in FY2018 and Rs. 21.96 crore in FY2017 which is marked by an increase in student intakes. Further, commencement of a new school from April 2019 will augment the growth prospects for the society. The operating profitability (EBITDA) margins improved to 46.08 per cent during FY2019 from 39.35 per cent in FY2018. The upgrade also reflects society's healthy financial risk profile marked by healthy net worth, gearing and debt protection metrics.

Varanasi-based, Swami Atulanand Rachana Parishad (SARP) is an association of persons, registered under Uttar Pradesh Society Act, 1860 and was established in 1980. The society is headed by Mr. Rahul Singh as the secretary of the society. The society is operating three schools under the name, 'Sant Atulanand Convent School, Gilat Bazar', 'Sant Atulanand Residential Academy' and 'Sant Atulanand Convent School, Koirajpur' and an undergraduate college named as 'Swami Atulanand Hindu Mahavidyalaya'. Sanctioned intakes for the three schools: 10,801 students; Sanctioned intakes for the college: 1,860.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the SARP to arrive at this rating.

### Key Rating Drivers

#### Strengths

- Long track record of operations and experienced management**

SARP was established in 1980 and is headed by Mr. Rahul Singh, Secretary of the society. Late Shri Chandrashekhhar Ji (Former Prime Minister of India) who was the Founder President of the society, Professor L.N. Tripathi (Former Chairman, Higher Education Commission, Government of U.P.), Professor Shiv Swarath Singh, a noted Gandhian (Former registrar of Gandhian Institute of Studies, Rajghat, Varanasi) and Dr. Raj Singh, a renowned educationist (Former H.O.D. Chemistry, U.P. Autonomous College, Varanasi) have contributed in formulation of this society. Sant Atulanand Convent School located at Gilat Bazar, Varanasi started its operations in 1986 and was the first school that was affiliated by Central Board of Secondary Education in Varanasi. Acuite believes that the society will benefit from its experienced management and long track record of operations.

- **Healthy financial risk profile**

The financial risk profile of the society remained healthy marked by moderate net worth, debt protection metrics and coverage indicators. The net worth of SARP stood at Rs. 70.46 crore as on 31 March, 2019 (Provisional) as against Rs. 53.93 crore as on 31 March, 2018, owing to healthy accretion to reserves due to healthy profitability. The gearing (debt-equity) stood at 0.08 times as on 31 March, 2019 (Provisional) as against 0.00 times as on 31 March, 2018. The total debt of Rs. 6.00 crore as on 31 March, 2019 (Provisional) mainly comprises Rs. 0.71 crore of working capital borrowings, Rs. 5.21 crore of long-term debt and Rs. 0.08 crore of unsecured loans. The coverage indicators are healthy marked by Interest Coverage Ratio (ICR) which stood at 61.84 times for FY2019 (Provisional) as against 305.90 times for FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 3.06 times in FY2019 (Provisional) and 71.01 times in FY2018. Debt to EBITDA stood at 0.32 times in FY2019 (Provisional) as against 0.01 times in FY2018. Acuite believes that the financial risk profile of the society is expected to remain healthy backed by healthy net cash accruals and in the absence of any major debt funded capex in near to medium term.

- **Improvement in revenue growth and profitability margins**

The operating income of the society increased to Rs. 37.44 crore in FY2019 (Provisional) from Rs. 28.15 crore in FY2018 resulting in a growth of 33.00 per cent. Further, the operating income has increased at a CAGR of 27.02 per cent over the previous 4 years. The growth in profitability margins is marked by operating profit margin of 46.08 per cent in FY2019 (Provisional) as against 39.35 per cent in FY2018 and net profit margin of 44.15 per cent in FY2019 (Provisional) as against 42.85 per cent in FY2018.

- **Healthy liquidity position**

The society has healthy liquidity position marked by healthy net cash accruals of Rs. 18.36 crore to its maturing debt obligations of Rs. 0.42 crore during FY2019 (Provisional). The unencumbered cash and bank balances of Rs. 10.15 crore as on 31 March, 2019 (Provisional) also supports the liquidity of the society.

## **Weaknesses**

- **Intense competition and stringent regulatory framework for the education sector in India**

The society is subjected to stringent regulatory framework for the educational sector in India as it is affiliated with Central Board of Secondary Education. Any changes in the regulatory environment will have a bearing effect on SARP. Further, SARP, which runs three schools up to class XII, faces competition from other senior secondary schools in Varanasi. However, the risk is mitigated to an extent on account of established track record of operations.

## **Liquidity position:**

The society has healthy liquidity marked by healthy net cash accruals to its maturing debt obligations. The society generated cash accruals of Rs. 18.36 crore for FY2019 (Provisional) against debt obligations of Rs. 0.42 crore for the same period. The cash accruals of the society are estimated to remain in the range of around Rs. 22.65 crore to Rs. 28.59 crore during FY2020-22 against repayment obligations ranging from Rs. 0.83 crore to Rs. 0.98 crore. The society's working capital operations are moderate marked by gross current asset (GCA) of 109 days for FY2019 (Provisional). The society maintains unencumbered cash and bank balances of Rs. 10.15 crore as on 31 March, 2019 (Provisional). The current ratio stood at 7.90 times as on 31 March, 2019 (Provisional). Acuite believes that the liquidity of the society 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 SARP will maintain a 'Stable' outlook over the medium term on the back of its experienced track record of operations. The outlook may be revised to 'Positive' in case the society registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. 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 or significant elongation in working capital cycle.

### About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	37.44	28.15	21.96
EBITDA	Rs. Cr.	17.25	11.08	7.71
PAT	Rs. Cr.	16.53	12.06	7.51
EBITDA Margin	( per cent)	46.08	39.35	35.12
PAT Margin	( per cent)	44.15	42.85	34.21
ROCE	( per cent)	25.70	25.01	19.56
Total Debt/Tangible Net Worth	Times	0.08	0.00	0.01
PBDIT/Interest	Times	61.84	305.90	161.10
Total Debt/PBDIT	Times	0.32	0.01	0.04
Gross Current Assets (Days)	Days	109	61	123

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Service Entities - <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 (Up to last three years)

Date	Name of the instrument/ facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
August 30, 2018	Proposed Term Loan	Long-Term	6.00	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
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB+/ Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB+/ Stable (Upgraded)

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### About Acuité Ratings & Research:

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