



**Press Release**  
**NACHIMUTHU INDUSTRIAL ASSOCIATION**  
**January 28, 2025**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BBB   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple B**) on the Rs. 50.00 crore bank facilities of Nachimuthu Industrial Association (NIA). The outlook is ‘**Stable**’.

**Rational for rating reaffirmation**

The rating reaffirmation considers NIA’s healthy financial risk profile and adequate liquidity position. The rating continues to derive comfort from the established presence of the association in the education sector. However, the rating is constrained due to the moderation in operating performance, as reflected by a decline in profitability, and the challenges posed by the regulated education sector in India.

**About the Company**

NIA established in 1956, part of Sakthi group of companies based out of Coimbatore (Tamil Nadu). NIA is promoted by Shri P. Nachimuthu and family. It currently operates 6 schools and 3 colleges under its umbrella offering undergraduate and post-graduate courses in various streams in engineering, polytechnic, agriculture, along with primary and secondary education.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

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

**Key Rating Drivers**

**Strengths**

**Experienced management and established track record of operations**

NIA was founded by Mr. P. Nachimuthu in 1956 and has an established brand presence in Tamil Nadu region over the last six decades. It offers diverse courses through nine institutes from pre-primary school to master’s degree across various domains; including engineering, polytechnic and agriculture streams.

Acuité believes that established presence of the association in the education sector and established brand image of NIA aids in steady enrolment levels in all schools and colleges.

**Healthy Financial Risk Profile**

The financial risk profile of NIA is healthy, marked by a strong net worth, low gearing, and comfortable debt protection metrics. The company's net worth stood at Rs. 191.09 crore as of 31 March 2024, compared to Rs. 186.50 crore as of 31 March 2023, reflecting the accretion of profits to reserves. The gearing (debt-equity) ratio remained low at 0.05 times as of 31 March 2024, compared to 0.06 times as of 31 March 2023. Although the

interest coverage ratio and DSCR moderated, they remained comfortable at 13.11 times and 8.46 times for FY24, compared to 23.70 times and 19.45 times for FY23. The Net Cash Accruals to Total Debt ratio stood at 1.83 times for FY24, compared to 1.86 times for FY23.

Acuité believes that the financial risk profile of NIA will remain healthy over the medium term due to its low gearing, healthy tangible net worth and comfortable debt protection metrics.

### **Moderate Working capital management**

NIA has a moderate working capital management marked by Gross Current Assets (GCA) of 227 days for FY2024 as against 190 days for FY2023. The GCA Days stood marginally higher due to increase in the current assets of the company which mainly comprises cash and bank balance. The inventory cycle stood at 5 days in FY24 against 7 days in FY23. The average utilization of fund-based bank limits stood at ~44% for the six months ending December 2024.

Acuité believes that the ability of NIA to maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

### **Weaknesses**

#### **Declining profitability margins albeit improvement in operating income**

NIA reported increase in revenues which stood at Rs. 80.98 crore for FY2024, compared to Rs. 71.16 crore in FY2023, reflecting a growth of approximately 13.81%. This growth was primarily driven by an increase in the sanctioned versus actual intake of students, rising from ~87.50% in FY23 to ~89.41% in FY24 across all its institutes. Additionally, total fee receipts grew to Rs. 49.77 crore in FY24 from Rs. 44.43 crores in FY23. The revenue growth also reflects the increased accommodation of students in hostel facilities during the year, resulting in higher collections of related fees in the 2023-24 academic year compared to 2022-23. In 8MFY2025, NIA reported fee receipts of Rs. 48.73 crore and revenue from other fees and allied income of Rs. 22.89 crore, totalling to Rs. 71.62 crore.

Despite the increase in overall revenue, the company's operating margin remained relatively stable at 16.28 per cent in FY24, compared to 17.12 per cent in FY23, primarily due to higher employee costs and increased administrative expenses in FY24. However, the PAT margin dropped to 5.98 per cent in FY24 from 15.44 per cent in FY23, mainly driven by higher interest costs and increased depreciation charges. The association also secured an additional Rs. 15.00 crore OD facility in February 2024, which contributed to the rise in interest costs, largely due to processing and documentation charges associated with the facility.

#### **Highly regulated education sector**

Education sector is highly regulated with the government deciding on the maximum student intake, fees, mandatory facilities, faculty strength. Any adverse change in government regulations may impact NIA's ability to generate sustained revenue growth and accruals. The institutions run by NIA faces stiff competition from other reputed institutions in the nearby vicinity, which may inhibit the company's ability to attract fresh students.

### **Rating Sensitivities**

- Ability to maintain scale of operations while improving the profitability margins
- Movement in student occupancy levels

### **Liquidity Position Adequate**

Liquidity is adequately supported by its net cash accruals, which were Rs. 16.44 crore as of March 31, 2024. Looking ahead, net cash accruals are expected to range from Rs. 15 crore to Rs. 19 crore for FY2025- FY2026, while repayment obligations are projected to be around Rs. 1.00 crore to Rs. 1.20 crore for the same period. NIA's unencumbered cash and bank balance was Rs. 42.67 crore as of March 31, 2024. The current ratio stood at 2.14 times in FY24. The average utilization of fund-based bank limits stood at ~44% for the six months ending December 2024.

Acuite believes that the liquidity of NIA is likely to remain adequate over the medium term on account of healthy cash accruals and lower reliance on external debt for its working capital requirements.

**Outlook: Stable**

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	80.98	71.16
PAT	Rs. Cr.	4.84	10.98
PAT Margin	(%)	5.98	15.44
Total Debt/Tangible Net Worth	Times	0.05	0.06
PBDIT/Interest	Times	13.11	23.70

### 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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook	
31 Oct 2023	Secured Overdraft	Long Term	15.00	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE BBB	Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	25.00	ACUITE BBB	Stable (Reaffirmed)
02 Aug 2022	Secured Overdraft	Long Term	15.00	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	10.80	ACUITE BBB	Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	24.20	ACUITE BBB	Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BBB   Stable   Reaffirmed
Karur Vysya Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB   Stable   Reaffirmed
Karur Vysya Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2032	10.00	Simple	ACUITE BBB   Stable   Reaffirmed

## Contacts

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### About Acuité Ratings & Research

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