

## Press Release

Shri Modi Shikshan Sansthan

December 31, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 30.00 Cr.
<b>Long Term Rating</b>	ACUITE A- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) to the Rs. 30.00 crore bank facilities of Shri Modi Shikshan Sansthan (SMSS). The outlook is '**Stable**'.

SMSS, a society established in 2000, runs a school named 'Neerja Modi School' in Jaipur (Rajasthan). Founded in April 2001, Neerja Modi School (NMS) is a co-educational day school serving grades from kindergarten to 12th Standard. NMS is an International General Certificate of Secondary Education (IGCSE), International Baccalaureate Diploma Programme (IBDP) and Central Board of Secondary Education (CBSE) affiliated school.

The school is promoted by Mr. Saurabh Modi, Mrs. Neerja Modi and Mrs. Arpita Gupta who have been associated with the school since inception. Further, Mrs. Hind Modi joined the school in 2013. The promoters possess more than two decades of experience in teaching and education industry. Their extensive industry experience and knowledge has helped NMS emerge among the top international school in the region.

NMS has a total sanctioned intake of 5000 students and have about ~400 teaching faculty members. Besides running the school, it offers extra-curricular and co-curricular opportunities for the overall development of their students. The school extended its services by starting hostel facilities to its students with total capacity of 175 students in 2008. NMS has developed a Cricket Academy of their own and also runs a school named 'Nischay Girls' for imparting education to underprivileged girls as a part of its corporate social responsibility activities.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

#### • Established track record, steady revenue growth and healthy student intake

SMSS has its presence since 2000 and runs a renowned school in name of 'Neerja Modi School' with established track record of over a decade. NMS is well established school in Jaipur and was awarded the No.1 day-cum-boarding school in Rajasthan & Jaipur (2017-18) by Education World. SMSS has achieved operating revenue of Rs.52.90 crore in FY2018 which has increased from Rs.47.95 crore in FY2017 and Rs.42.23 crore in FY2016. The revenues are growing in steady rate over the years and are well supported by increase in student strength coupled with fee hikes.

Further, it offers hostels facility for its students to attract students from other states/town adding to its revenue profile. The hostel revenue and hike in hostel fees has also helped to increase the revenue receipts of the school for academic year 2017-18 and 2018-19. The school has successfully achieved 4891 student occupancy level ~97.82 percent of total sanctioned student intake. The intake of students is growing year on year. NMS also commands higher fee bracket as compared to similar schools in the region and is able to add new students at higher grades every year. Acuite believes that the school will benefit from its established brand presence and steady growth over the medium term owing to growth in student intake and fee structure.

## • Healthy financial risk profile

SMSS has healthy financial risk profile marked by healthy tangible net worth of Rs.51.06 crore as on 31 March, 2018 which has improved from Rs.43.51 crore as on 31 March, 2017 and Rs.36.51 crore as on 31 March, 2016. The school has comfortable gearing (debt to equity) ratio of 0.06 times as on 31 March, 2018 as against 0.10 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood healthy at 23.76 times for FY2018 as against 16.86 times for FY2017. Net Cash Accruals/Total Debt (NCA/TD) also stood healthy at 3.57 times as on 31 March, 2018 as against 2.48 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood comfortable at 5.08 times for FY2018. Going forward, Acuite expects the financial risk profile to be healthy over the medium term notwithstanding the expansion by debt funded capital expenditure being executed by the society at present.

## Weaknesses

### • Project implementation risk

The society has only one school which is currently operating at optimal capacity and its operations are restricted to Rajasthan and Jaipur region. On account of the growing demand for quality education, improving literacy rate and limited availability of infrastructure due to increasing occupancy levels, SMSS is expanding its student's intake capacity by adding new branch at Kalwara in Jaipur. The new expansion project will increase student intake by 2500 and will have estimated cost of Rs.27.43 crore.

The project will be funded through term loan of Rs.17.00 crore and balance by net cash accruals and society contributions. The new expansion work is yet to be initiated and is expected to commence its operations from FY2020. Any delay in project implementation due to pending approvals or unavailability of sufficient funds at any point may impact financial performance of SMSS to a certain extent. However, Acuite believes that the experienced promoters, healthy liquidity available in form of liquid investments and net cash accruals will reduce such risk to certain extent.

### • Regulatory framework for education sector in India

The Indian education industry is highly regulated and SMSS is subjected to the regulatory framework which is to be followed by school and institutes. The school has various affiliations such as C.B.S.E, IGCSE, IBDP and their continued affiliation is critical for the revenue generation of the school. Any major change in regulatory framework by Government of India or change in policy by various affiliated boards will have major impact on the revenue, financial and operating performance of the school.

## Liquidity position

SMSS has adequate working capital limits of Rs.12.00 crore which remained largely unutilised in the last six months ended November 30, 2018. Further, the society's liquidity position is supported by cash and bank balance of Rs.3.59 crore and fixed deposits of Rs.11.69 crore as on August 31, 2018 which can be liquidated to partly meet upcoming debt funded capital expenditure for ongoing expansion project. The society's cash accruals will be adequate to support future repayment obligations, considering the moderate increase in debt over near to medium term.

## Outlook: Stable

Acuite believes that SMSS will maintain a 'Stable' credit risk profile over the medium term on account of experienced promoter base, demonstrated growth in student intake and scale up in fee receipts. The outlook may be revised to 'Positive' in case the society is able to exhibit significant growth in its accruals while maintaining or improving its debt protection indicators. The outlook may be revised to 'Negative' in case the growth in accruals is substantially lower than expected, or debt protection indicators deteriorate significantly due to higher than expected debt funded capex or time/cost overrun in ongoing project.

## About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	52.90	47.95	42.23
EBITDA	Rs. Cr.	11.08	11.25	9.84
PAT	Rs. Cr.	7.56	7.00	4.85
EBITDA Margin	(%)	20.94	23.45	23.29
PAT Margin	(%)	14.28	14.59	11.49
ROCE	(%)	15.76	16.48	26.16
Total Debt/Tangible Net Worth	Times	0.06	0.10	0.24
PBDIT/Interest	Times	23.76	16.86	9.17
Total Debt/PBDIT	Times	0.27	0.38	0.89
Gross Current Assets (Days)	Days	22	44	12

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

Not Applicable

## Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services 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)

Not Applicable

## \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A- / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE A- / Stable

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**About Acuité Ratings & Research:**

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