

Press Release

Shri Modi Shikshan Sansthan

November 02, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	36.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	36.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of "**ACUITE A-**" (read as Acuite A Minus) on the Rs.36.00 crore bank facilities of Shri Modi Shikshan Sansthan (SMSS). The outlook is '**Stable.**'

Rationale for Rating Reaffirmation

The rating on SMSS takes into account the growth expected in the income and stability in operating margins over the medium term. The rating is supported by the experienced management, long track record of operations and healthy financial risk profile.

About the Company

Jaipur-based Shri Modi Shikshan Sansthan was founded in 2001 by Mr. Saurabh Modi, chairman of the Society and Mrs. Neerja Modi, who is a treasurer. The Society runs a school under the name 'Neerja Modi School' (NMS) with classes from kindergarten to 12th standard with total student strength of 6270 for the academic year (AY) 2022-23. NMS is an International General Certificate of Secondary Education (IGCSE), International Baccalaureate Diploma Programme (IBDP) and Central Board of Secondary Education (CBSE) affiliated school. Besides, 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 financial and business risk profiles of SMSS to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

SMSS has an established brand presence in Jaipur region demonstrated by their ~2 decades of track record of operations. The increasing brand presence coupled with the rich experience of the management in the education industry has enabled NMS in increasing their student strength every year and attract students along the lines of their sanctioned intake.

Further SMSS is currently under the process of expanding their student intake capacity by construction of an extra wing.

Acuité believes the society's established brand presence and experienced management would continue to support the improvement in student intake going ahead.

Financial Risk Profile

SMSS has healthy financial risk profile marked by healthy net worth and strong debt protection metrics. SMSS's net worth stood at Rs. 88.13 Cr as on 31st March 2022 as against Rs. 78.50 Cr as on 31st March 2021. The company's gearing position (debt to equity ratio) continues to remain below unity. Gearing levels (debt-to-equity) stood at 0.05 times as on March 31, 2022 as against 0.06 in FY 2021 and Total outside liabilities to total net worth (TOL/TNW) stood at 0.22 times as on FY2022 vis-à-vis 0.26 times as on FY2021. Higher net worth, lower debt level supported the improvement in SMSS' gearing position. Further, Debt-EBITA improved and stood at 0.28 times as on 31st March 2022 as against 0.38 times as on 31st March 2021.

The coverage indicators of the company stood comfortable as is apparent from the interest coverage ratio which stood strong at 35.26 times for FY2022 as against 19.06 times in FY2021 and Debt service coverage ratio which improved and stood at 12.06 times in FY2022 as compared to 8.59 times in FY2021.

Increasing demand prospects for education industry

There has been a thrust on education by the government. The private sector is playing a significant role in the education sector, especially professional education, in the country. With popularization of private self-financing colleges and deemed universities, the role of the private sector in education has been accepted and recognized. Increasing urbanization with rising income levels will demand quality education resulting in improving occupancies in reputed schools and colleges. The quality of the education becomes an important factor and the effectiveness of education depends on qualitative variables such as characteristics of schools, teachers and classrooms. Acuité believes that private institutions are likely to witness healthy student enrolment over the medium term due to increase in importance of education.

Weaknesses

Stringent regulations of the educational sector in India and competitive industry

The Indian education industry is highly regulated and SMSS is subjected to the regulatory framework, which is to be followed by Society operated institutes. 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 society. Further the institute faces competition from other private institutions offering similar courses. Various agencies under the State and Central Government prescribe regulatory framework depending on the professional courses offered. Hence, the group is subject to the stringent regulatory framework for the educational sector in India. Apart from the regulatory framework in India, the various affiliations with international boards like IGCSE also impacts and limits the group's day-to-day business activities.

Rating Sensitivities

Inability to increase student intake

Material covenants

None

Liquidity Position

Strong

Liquidity position of the Society continues to remain strong marked by healthy cash accruals to maturing debt obligations. SMSS generated cash accruals of Rs.15.31 crore for FY22 compared to debt obligations of Rs.0.86 crore. Going ahead too cash accruals are expected to be sufficient to the debt repayment obligations. Further society has fixed deposits of Rs 10.78 crore and Cash & Bank Balance of Rs 5.16 crores as on March 31, 2022 hence Trust has

strong liquidity.

Outlook: Stable

Acuité believes that SMSS would maintain a 'Stable' outlook over a medium term on the back of its established track record of operations, extensive experience of the management in the education sector and strong presence of NMS in the region of Jaipur. The outlook may be revised to 'Positive' in case the society registers higher than expected growth in its revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case the society registers lower than expected growth in revenues and profitability, that'd affect the financial risk profile.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	72.13	48.88
PAT	Rs. Cr.	9.63	6.85
PAT Margin	(%)	13.35	14.02
Total Debt/Tangible Net Worth	Times	0.05	0.06
PBDIT/Interest	Times	35.26	19.06

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-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. Acuite' 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Aug 2021	Secured Overdraft	Long Term	18.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	18.00	ACUITE A- Stable (Reaffirmed)
	Secured Overdraft	Long Term	2.00	ACUITE A- (Withdrawn)
	Term Loan	Long Term	1.26	ACUITE A- (Withdrawn)
06 Jan 2020	Proposed Long Term Loan	Long Term	2.47	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	18.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	1.26	ACUITE A- Stable (Assigned)
	Secured Overdraft	Long Term	2.00	ACUITE A- Stable (Reaffirmed)
	Secured Overdraft	Long Term	12.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	0.27	ACUITE A- Stable (Reaffirmed)
31 Dec 2018	Secured Overdraft	Long Term	12.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE A- Stable (Assigned)
	Proposed Term Loan	Long Term	17.00	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	18.00	ACUITE A- Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Himanshu . Senior Analyst-Rating Operations Tel: 022-49294065 himanshu.mehta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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