



**Press Release**  
**SHRI MODI SHIKSHAN SANSTHAN**  
**January 16, 2024**  
**Rating Reaffirmed & Withdrawn**

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Bank Loan Ratings	36.00	ACUITE A-   Reaffirmed & Withdrawn	-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Total Withdrawn Quantum (Rs.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

**Rating Rationale**

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE A-**' (read as **ACUITE A Minus**) on Rs. 36.00 crore bank facilities of Shri Modi Shikshan Sansthan (SMSS). The rating withdrawal is in accordance with Acuite's policy on withdrawal of ratings as applicable to the respected facility/ instrument. The rating is being withdrawn on account of request received from the SMSS and no objection certificate (NOC) received from the bankers.

**Rationale for Rating Reaffirmation**

The rating on SMSS takes into account the growth in the operating income and healthy financial risk profile. The rating is supported by the experienced management, long track record of operations and strong liquidity.

**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.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

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

**Key Rating Drivers**

**Strengths**

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.

### **Healthy 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. 94.28 Cr as on 31st March 2023 as against Rs. 88.13 Cr as on 31st March 2022. SMSS's gearing position (debt to equity ratio) continues to remain strong and below unity. Gearing levels (debt-to-equity) stood at 0.10 times as on March 31, 2023 as against 0.05 in FY 2022 and Total outside liabilities to total net worth (TOL/TNW) stood at 0.36 times as on FY2023 vis-à-vis 0.22 times as on FY2022. Leverage position in FY 23 increased due to additional debt taken for buses. Further, Debt-EBITA stood below unity at 0.64 times as on 31st March 2023 as against 0.28 times as on 31<sup>st</sup> March 2022.

The coverage indicators of the society stood strong as same is apparent from the interest coverage ratio which stood at 31.64 times for FY2023 as against 35.26 times in FY2022 and Debt service coverage ratio stood at 10.46 times in FY2023 as compared to 12.06 times in FY2022.

### **Improved scale of operation with Dip in profitability**

SMSS reported operating income of Rs.89.91 Cr in FY2023 as against Rs. 72.13 Cr in FY2022. EBITDA margin stood at 14.45 % in FY23 in comparison to 21.15 % in FY22. Dip in operating margin is on account of higher employee cost. Employee cost increased from Rs 30.45 crore to Rs 43.30 crore in FY 23 on account of increment given to teaching and non-teaching staffs factoring the hold during COVID 19 phase. Further, Net Profit margin stood at 6.83% in FY2023 as against 13.35% in FY 2022. SMSS follows standard practice of hike in fees every year. Total receipts of SMSS till November 23 are Rs ~87 crores.

### **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**

Not Applicable

### **Liquidity Position**

#### **Strong**

Liquidity position of the SMSS continues to remain strong marked by healthy cash accruals to maturing debt obligations. SMSS generated cash accruals of Rs. 13.76 crore for FY23 compared to debt obligations of Rs.0.91 crore. Bank limit utilization is ~10 percent as per Banker feedback accordingly cushion available in working capital limits to meet the contingencies. Further SMSS has Cash & Bank Balance of Rs 11.59 crores as on March 31, 2023 hence SMSS has strong liquidity.

### **Outlook: Not Applicable**

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	89.91	72.13
PAT	Rs. Cr.	6.14	9.63
PAT Margin	(%)	6.83	13.35
Total Debt/Tangible Net Worth	Times	0.10	0.05
PBDIT/Interest	Times	31.64	35.26

### 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, Acuite 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Nov 2022	Secured Overdraft	Long Term	18.00	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	18.00	ACUITE A-   Stable (Reaffirmed)
05 Aug 2021	Secured Overdraft	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)
	Term Loan	Long Term	18.00	ACUITE A-   Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE A-   Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	07 Mar 2026	Simple	18.00	ACUITE A-   Reaffirmed & Withdrawn

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### About Acuité Ratings & Research

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