

Press Release

Unacco School

October 22, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) to the Rs. 15.00 Cr. bank facilities of Unacco School (US). The outlook is '**Stable**'.

Founded in 2010, Unacco School is run by Unacco Social Development Trust, a public educational trust based out of Imphal East district, Manipur. The school is affiliated to Central Board of Secondary Education (CBSE). The school has two unit, one is Unacco School (Khongnam) – located in Imphal East – and new Unacco School (Meritram) – located in Imphal West.

The Unacco School (Khongnam) is a senior-secondary co-educational school located on a 2-acre land. The new Unacco School (Meritram) has been operational since April, 2019, where two blocks have been completed. Currently, the trust is undertaking construction of one block and hostel in Meritram, located in Imphal west on a 4-acre land.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of US to arrive at the rating.

Key Rating Drivers:

Strengths

- **Experienced trustees**

The school is managed by 3 trustee members – Sri Ningombam Irbanta Singh, Sri Ningombam Kuber Singh and Sri Longjam Shyamananda Singh. The key trustee of the Unacco Social Development Trust, Sri Ningombam Irbanta Singh, has 11 years of experience in microfinance business and has promoted UNACCO Financial Services Private Limited. Sri Longjam Shyamananda Singh has 30 years of teaching experience and Mr. Kuber Singh is a businessman by profession. The principal of the school- Mr. Sri Potshangbam Surachandra Singh is a leading academicians of the state and has 19 years of teaching and administrative experience of various other institutes. Acuité believes that the trustee's extensive experience has helped the school to establish its position in the state of Manipur.

- **Healthy growth in student enrollment**

The school has witnessed healthy growth in student admission from 2061 students in FY17 to 2792 students till August 31, 2019. Modern infrastructure, smart classroom and the achievements in the form of state topper from the school has enhanced the student enrolment. Currently, the Khongnam school is operating at 85 per cent capacity and is expected to improve further. Moreover, the new school Meritram has been operational since April, 2019 and currently has 796 students. The student to teacher ratio stands healthy at 22:1 and 16:1 for Khongnam and Meritram school respectively. Thus, healthy growth in student admission coupled with modern infrastructure and continuous teacher's training is expected to enhance enrollment going forward.

- **Comfortable financial risk profile**

Unacco School has comfortable financial risk profile marked by moderate corpus fund, comfortable gearing and debt protection metrics. The corpus fund stood at Rs. 20.41 crore as on March 31, 2019 as against Rs. 16.91 crore in the previous year. The gearing stood at 0.42 times in FY2019 as against 0.30 per cent in the previous year. The total debt of Rs. 8.50 crore as

on March 31, 2019 comprises of long term loan. The interest coverage stood at 1226.39 times in FY2019 on account of lower interest cost. NCA/TD stood at 0.55 times in FY2019 as against at 0.77 times in the previous year.

Weaknesses

- **Debt funded capex plan**

The school is currently undertaking extension of one block and hostel in Meritram, located in Imphal west on a 4-acre land. The total cost of the project stands at ~Rs. 24.71 crore, which will be financed by bank loan of Rs.12.00 crore and Rs.12.71 crore of promoters' contribution. The project is expected to be completed by 2022.

Acuité believes that the school's ability to complete the project on time without any significant delay and cost overruns would remain key rating sensitivity.

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

Unacco School is affiliated to Central Board of Secondary Education and has to adhere to regulation pertaining to student faculty ratio and intake capacity. Further the school also faces competition from other schools in vicinity and government school.

Rating Sensitivity

- The school's ability to timely complete its extension is a key rating sensitivity.

Material Covenants

None

Liquidity Profile

Unacco School has adequate liquidity marked by healthy net cash accruals against no maturing debt obligations. The school has generated cash accruals of Rs. 4.71 crore in FY2019 against no maturing debt obligations over the same period. Further, Acuité believes the school will have sufficient accruals to pay its annual obligation which begins from April FY 2020-21. The school maintains unencumbered cash and bank balances of Rs. 0.96 crore as on March 31, 2019. Acuité believes that the liquidity of the group is likely to remain strong over the medium term on account of healthy cash accrual driven by increase in student strength over the medium term.

Outlook: Stable

Acuité believes that Unacco School will maintain a 'Stable' outlook over the medium term owing to its experienced management and its established position in the city of Imphal. The outlook may be revised to 'Positive' if the scale of operations increases on the back of further increase in number of new admission, while maintaining its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if the liquidity profile and financial risk profile deteriorates on account of more than expected debt funded capex.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	10.89	8.68	6.98
EBITDA	Rs. Cr.	4.55	3.94	2.80
PAT	Rs. Cr.	3.40	3.04	1.74
EBITDA Margin	(%)	41.76	45.39	40.04
PAT Margin	(%)	31.18	35.03	24.91
ROCE	(%)	13.38	17.52	26.42
Total Debt/Tangible Net Worth	Times	0.42	0.30	1.70
PBDIT/Interest	Times	1226.39	18.91	10.50
Total Debt/PBDIT	Times	1.80	1.23	3.32
Gross Current Assets (Days)	Days	34	255	49

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities in Service Sector - <http://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 (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. Cr.)	Ratings/Outlook
Term Loans	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB-/Stable (Assigned)
Proposed Term Loans	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB-/Stable (Assigned)

Contacts

Analytical	Rating Desk
Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Priyanka Rathi Analyst - Rating Operations Tel: 033-66201210 priyanka.rathi@acuite.in	

About Acuité Ratings & Research:

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