

Press Release

Unacco School

January 08, 2020



Rating Reaffirmed

Total Bank Facilities Rated	Rs. 15.00 crore
Long Term Rating	ACUITE BBB-/ Stable (Reaffirmed)

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs.15.00 crore 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 East Imphal district, Manipur. The school is affiliated to Central Board of Secondary Education (CBSE). The school is managed by 3 trustee members – Sri Ningombam Irabanta Singh, Sri Ningombam Kuber Singh and Sri Longjam Shyamananda Singh. The school has two unit, one is Unacco School (Khongman), located in east Imphal and Unacco School (Meitram), located in west Imphal. The Unacco School (Khongman) is a higher-secondary co-educational school located on a 2-acre land. The Unacco School (Meitram) has been operational since April, 2019, where three blocks have been completed. Currently, the trust is undertaking construction of one block of hostel in Meitram, 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 key trustee of the Unacco Social Development Trust, Sri Ningombam Irabanta Singh has 11 years of experience in microfinance business and promotes 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 academician 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.

• Growth in student admission

The school has witnessed growth in student admission from 3601 students in FY2020 to 3934 students till December 2020. Modern infrastructure, smart classroom and other facilities have enhanced the student enrolment. The new school Meitram has been operational since April, 2019 and currently has 1177 students compared to 806 students in FY2020. Currently, the Khongman school is operating at 100 per cent capacity and the Meitram school is operating at 85 per cent capacity and is expected to improve further.. 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 healthy debt protection metrics. The corpus fund stood at Rs. 25.12 crore as on March 31, 2020 as against Rs. 20.41 crore in the previous year due to retention of profits and donation received of Rs.0.95 crores. The gearing stood comfortable at 0.65 times in FY2020 as against 0.42 per cent in the previous year. The total debt of Rs.16.26 crore as on March 31, 2020 comprises of long term loan of Rs.15.49 crore and maturing obligation of Rs.0.77 crore. The healthy debt protection metrics are marked by interest coverage ratio and debt service coverage ratio(DSCR) both stood at 6.52 times in FY2020 compared to 1226.39 times in FY2019 on account of increase in interest cost.Net Cash Accruals to Total debt (NCA/TD) stood at 0.89 times in FY2020 as against at 0.72 times in the previous year. Acuité believes the school's financial risk profile to remain comfortable over

the medium term.

Weaknesses

- **Ongoing expansion project**

The school is currently undertaking extension of one block and hostel in Meitram, located in west Imphal on a 4-acre land. The total cost of the project stands at ~Rs. 24.71 crore, which is financed by bank loan of Rs.12.00 crore and Rs.12.71 crore of promoters' contribution and accruals. The project for school is completed whereas the hostel block is expected to be completed by 2023. Acuité believes that the school's ability to complete the project on time without any significant time 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 the vicinity and government school.

Rating Sensitivity

- Timely completion of the ongoing capex.

Material Covenants

None

Liquidity Profile: Adequate

Unacco School has adequate liquidity marked by healthy net cash accruals of Rs.5.65 crore against maturing debt obligations of Rs.0.77 crore over the same period. The school maintained unencumbered cash and bank balances of Rs. 5.42 crore as on March 31, 2020. The school has not availed moratorium but has availed covid loan of Rs.2.65 crore. Acuité believes that the liquidity of the school is likely to remain at similar levels over the medium term on account of healthy cash accrual driven by an 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 a 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 project.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	15.48	10.89
PAT	Rs. Cr.	3.75	3.40
PAT Margin	(%)	24.22	31.18
Total Debt/Tangible Net Worth	Times	0.65	0.42
PBDIT/Interest	Times	6.52	1226.39

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Services Entities – <https://www.acuite.in/view-rating-criteria-50.htm>

- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Oct-2019	Term Loan	Long Term	3.00	ACUITE BBB-/Stable (Assigned)
	Proposed Term loan	Long Term	12.00	ACUITE BBB-/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs.) Crore	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB-/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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