

Press Release

Unacco School

April 05, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.65	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	17.65	-	-
Total Withdrawn Quantum (Rs. Cr) <small>*Refer Annexure for details</small>	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** on the Rs.17.65 Cr bank facilities of Unacco School (US). The outlook is **'Stable'**.

The rating reaffirmation takes cognizance of the established position of the school in Manipur, experienced trustees and improved infrastructure facility in the schools. The rating further draws comfort from the above average financial risk profile of the trust marked by moderate corpus fund, low gearing and comfortable debt protection indicators. These strengths are however, partly offset by the slight deterioration in the liquidity profile owing to the Covid-19 pandemic, high debt funded capital expenditure plans of the trust and stringent regulatory framework for the educational sector in the country.

About the Company

Founded in 2010, Unacco School (US) 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 three units, Unacco School (Khongman) located in east Imphal, Unacco School (Meitram) located in west Imphal and Unacco School (Chanura), 1.5 Kms from Meitram. 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. The Unacco School (Chanura) is affiliated to the Council of Higher Secondary Education, Manipur and commenced its maiden session in August, 2021. Currently, the trust is undertaking construction of one block of hostel in Meitram, located in Imphal west on a 4-acre land and construction of a fully residential fourth school.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Unacco School 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 is the promoter of 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, 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.

Above average financial risk profile

Unacco School's financial risk profile is above average marked by moderate corpus fund, low gearing and healthy debt protection metrics. The corpus fund of the trust marginally increased to Rs.26.13 Cr as on March 31, 2021 from Rs.25.12 Cr as on March 31, 2020 on account of accretion to reserves and donation received of Rs.0.12 Cr. Gearing remained below unity at 0.69 times as on March 31, 2021 as against 0.65 times as on March 31, 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.87 times as on March 31, 2021 from 0.89 times as on March 31, 2020. The healthy debt protection metrics of the company is marked by Interest Coverage Ratio at 3.04 times and Debt Service Coverage Ratio (DSCR) at 1.98 times as on March 31, 2021. NCA/TD stood at 0.16 times in FY2021 as against 0.35 times in FY2020. Going forward, Acuité believes that the financial risk profile of the company will remain at comfortable levels backed by steady accruals and no major debt funded capex plans.

Improvement in business risk position despite Covid-19

Unacco School reported a healthy revenue growth in the current financial year. The trust achieved revenues of Rs.11.96 Cr (prov.) in 9MFY22 as compared to revenues of Rs.9.45 Cr in FY2021. Covid-19 induced lockdown adversely impacted the business performance in H1 FY2021. However, continued focus on cost optimisation resulted in improved operating profitability margins, which stood at 44.81 per cent in FY21. However, the PAT margin lowered to 9.45 per cent in FY2021 as against 24.22 per cent in FY2020. The trust has duly paid interest on its long term borrowings with reduced topline which led to dip in the PAT margins. Further, fee concessions were also given to students. Supported by revised fee structure and resuming of hostel facility from mid Nov'21, the topline is expected to improve over the medium term.

Weaknesses

Ongoing expansion project

The school is currently undertaking extension of hostel in Meitram, located in west Imphal on a 4-acre land and construction of fourth fully residential school in Chanung, East Imphal. The total cost of the capex stands at ~Rs.30.00 Cr, which is financed partly by bank borrowings and remaining from promoters' contribution and accruals in 1:1 ratio. In FY2021, school has already completed capex of a new block-C in Meitram and hostel extension in Khongman, and these have been put to use in the current financial year. The Meitram hostel extension got delayed by two years due to Covid-19 pandemic leading to paucity of enough funds. Acuité believes that the school's ability to complete the ongoing projects on time without any significant time and cost overruns would remain key rating sensitivity.

Exposure to intense competition and stringent regulatory framework for the educational sector in India

The trust faces intense competition from other private institutions offering similar courses. Given the competition, the ability of the trust to attract requisite students in tune with its sanctioned intake would be a challenge. Further, the Indian education industry is highly regulated and consequently subject to the stringent regulatory framework, which is to be followed by group operated institutes. Any major change in regulatory framework by the Government of India or change in policy by affiliated boards will have major impact on the revenue, financial and operating performance of the trust.

Rating Sensitivities

- Growth in the scale of operations
- Improvement in the liquidity position
- Timely completion of the ongoing capex without cost overrun.

Material covenants

None

Liquidity Position: Moderate

Unacco School has a moderate liquidity position marked by net cash accruals of Rs.2.93 Cr in FY21 against maturing debt obligations of Rs.0.77 crore over the same period. The school has unencumbered cash and bank balances of Rs.1.56 crore as on March 31, 2021. The current ratio stood below unity in FY21 due to the low cash & bank balance in FY21 on account of low admission fee, tuition fee and advances for hostel for the next session. The school has availed a Covid loan of Rs.2.65 Cr but no loan moratorium. Acuite believes that the liquidity of the school is likely to improve over the medium term on account of steady cash accruals driven by an increase in student strength as Covid-19 norms have been now been relaxed.

Outlook: Stable

Acuite believes that Unacco School will maintain a 'Stable' outlook over the medium term owing to its experienced management, established position in the city of Imphal and comfortable financial risk profile. The outlook may be revised to 'Positive' if the scale of operations increases along with an 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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	9.45	15.48
PAT	Rs. Cr.	0.89	3.75
PAT Margin	(%)	9.45	24.22
Total Debt/Tangible Net Worth	Times	0.69	0.65
PBDIT/Interest	Times	3.04	6.52

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

Not Applicable

Any other information

Not Applicable

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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Jan 2021	Term Loan	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
22 Oct 2019	Proposed Term Loan	Long Term	12.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
North Eastern Development Finance Corporation Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	15.00	ACUITE BBB- Stable Reaffirmed
North Eastern Development Finance Corporation Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	2.65	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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