

Press Release

Unacco School

February 14, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	17.65	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	26.65	-	-

Rating Rationale

Acuité 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) and **assigned** the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 9 Cr bank facilities of Unacco School (US). The outlook is '**Stable**'.

Rating Rationale

The rating takes into account the established position of the school in Manipur, experienced trustees. The rating also factors the above average financial risk profile of the trust characterized by low gearing and healthy debt protection metrics. However, these strengths are partially offset by high debt funded capital expenditure and is highly regulated and competitive in the educational sector.

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 and Unacco School (Meitram), located in west Imphal and Unacco School (Chanura), 1.5 Kms from Meitram.

The Unacco School (Khongman) is a higher-secondary coeducational 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 new block of hostel in Meitram, located in Imphal west on a 4-acre land and construction of a fully residential fourth school, Unacco School (Chanung) in Imphal East.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record and great range of courses offered in the university**

The key trustee of the Unacco Social Development Trust, Sri Ningombam Irabanta Singh has 11 years of experience in microfinance business and 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, 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.

- **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 increased to Rs.31.04 Cr as on March 31, 2022 from Rs.26.13 Cr as on March 31, 2021 on account of accretion to reserves. Gearing remained below unity at 0.54 times as on March 31, 2022 as against 0.69 times as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.81 times as on March 31, 2022 from 0.87 times as on March 31, 2021. The healthy debt protection metrics of the company is marked by Interest Coverage Ratio at 5.14 times and Debt Service Coverage Ratio (DSCR) at 3.45 times as on March 31, 2022. NCA/TD stood at 0.43 times in FY2022 as against 0.16 times in FY2021. 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**

The trust achieved revenues of Rs.15.25 Cr in FY2022 as compared to revenues of Rs.9.45 Cr in FY2021. Moreover, In 9MFY23, the trust reported gross receipts of Rs.22.33 Cr (prov.) which is supported by revised fee structure and hostel facility resumed from mid Nov'21 in FY22, the topline is expected to improve over the medium term. However, continued focus on cost optimisation resulted in improved the operating profitability margins. The EBITDA margin has increased to 57.72 per cent as on FY2022 as compared to 44.81 per cent. The PAT margin also increased to 31.72 per cent as on FY2022 as against 9.45 per cent as on FY2021. In 9MFY23, the trust reported gross receipts of Rs.22.33 Cr (prov.) which is supported by revised fee structure and hostel facility resumed from mid Nov'21 in FY22, the topline is expected to improve over the medium term.

Further, In FY22, admission of students increased after Covid-19 pandemic and students also started living in hostel rooms. Currently, the Khongman school, Chanura school and the Meitram school is operating at 100 per cent capacity and is expected to improve further. New admission for session 2023-24 has started and the management expects a good number of new joiners. It is expected to boost the number of student admission coupled with modern infrastructure (hostel) in Khongman and new block C at Meitram, going forward.

Weaknesses

- **Project Risk**

The school is currently undertaking one new block of hostel in Meitram, located in west Imphal on a 4-acre land. The project was started in mid FY20 and will be completed by April FY23. The total cost of the project stands at Rs. 15.14 Cr, which is financed by bank loan of Rs. 7.35 Crore and Rs. 7.79 Cr from promoters' contribution and accruals.

Further, the school is in process to set up the extension of hostel at Khongman, which is going to be completed by April 2023. The total cost of the project is Rs. 3.4 Cr, which is financed by bank loan of Rs. 1.65 Cr and Rs. 1.75 Cr from promoters' contribution and accruals.

Additionally, the trust has started capex for a fourth fully residential school, Unacco School Chanung in Imphal east, 30 kms away from Khongman. Manipur faces frequent strikes and hence a fully residential campus will lead to better educational facility. The capex started in

Jan 2021 and total cost involved is Rs.23.14 Cr, which is financed by bank loan of Rs. 12 Cr and Rs. 11.14 Cr from promoters' contribution and accruals. Till April, 2023 ground floor will be completed whereas more three floors is expected to be completed by FY 24. 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.

- **Highly regulated and competitive industry**

The education sector is highly regulated with the government deciding on the maximum student intake, fees, mandatory facilities, faculty strength and even faculty salary to an extent. Any adverse government regulations may impact the society's revenue growth and accruals. The student-teacher ratio is within the stipulated norms for all the institutions. The institutions run by the society faces stiff competition from other reputed institutions in the vicinity which puts pressure to attract fresh students. However, considering that they have an established brand presence and has been consistently producing academic achievements, the society has been insulated from the competition, to some extent.

ESG Factors Relevant for Rating

Not Applicable

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

Adequate

Unacco School has an adequate liquidity position marked by net cash accruals of Rs.7.11 Cr in FY22 against maturing debt obligations of Rs.0.84 crore over the same period. The school has unencumbered cash and bank balances of Rs.2.06 crore as on March 31, 2022. The current ratio stood below unity 0.74 times in FY22 due to the low cash & bank balance in FY22 on account of low admission fee, tuition fee and advances for hostel for the next session. Acuité 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.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	15.25	9.45
PAT	Rs. Cr.	4.84	0.89
PAT Margin	(%)	31.72	9.45
Total Debt/Tangible Net Worth	Times	0.54	0.69
PBDIT/Interest	Times	5.14	3.04

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Apr 2022	Term Loan	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.65	ACUITE BBB- Stable (Reaffirmed)
08 Jan 2021	Term Loan	Long Term	15.00	ACUITE BBB- 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
North Eastern Development Finance Corporation Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.00	ACUITE BBB- Stable Reaffirmed
North Eastern Development Finance Corporation Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.65	ACUITE BBB- Stable Reaffirmed
North Eastern Development Finance Corporation Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.00	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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