

## Press Release

### Sanvi Education Society

March 28, 2022

### Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BB   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	10.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB**' (read as ACUITE double B) on the Rs.10.00 crore bank facilities of Sanvi Education Society (SES). The outlook is 'Stable'

### About the Company

Shimla based, Sanvi Education Society was formed under Himachal Pradesh Society Registration Act, 2006. Currently, Sanvi Education Society runs a school in Shimla under the name of Ivy International School. The school is located at Kamla Nagar, Shimla. The school has partnered with Cambridge University (U.K.), Pearson Education (U.K.) and iDiscoveri (Xceed Foundation for life). The society consists of eight members, from various professional backgrounds.

### Analytical Approach

Acuite has taken the standalone view of the business and financial risk profile of Sanvi Education Society for arriving at this rating.

### Key Rating Drivers

#### Strengths

#### Established track record and experienced management

Sanvi Education Society was formed in the year 2006 and has an operational track record of more than one decade. Currently, Sanvi Education Society runs a school in Shimla under the name of Ivy International School. The institution is managed by the members of the society headed by Mr. Vishal Chauhan who has over 17 years of work experience in organizations of repute. The extensive experience of the governing body members in the education and horticulture industries is expected to continue to support the business risk profile.

#### Tie ups with international educational institutions, state of the art facilities, physical security and innovative methods of teaching:

Ivy International school has partnered with Cambridge University (U.K.), Pearson Education (U.K.) and iDiscoveri (Xceed Foundation for life) The school imparts teaching with new tools and technologies in the field like through digital mediums, activity based models, outbound activities for greater exposure, exchange programmes for quick learning etc. The school has one of the best infrastructures in Himachal Pradesh (HP) with respect to sports and

extracurricular activities. The school has the first and the only Robotics Lab in HP. It is the only private day school in HP which provides in-house lunch to the kids and teaches a foreign language i.e. French. Each student has been provided a personal locker to keep their books, note books, sports kit and other personal belongings.

### **Weaknesses**

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

The society will face intense competition from other private institutions offering similar courses. Given the competition, the ability of the society 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 Government of India or change in policy by affiliated boards will have a major impact on the revenue, financial and operating performance of the group. Acuité believes that society's ability to scale up its operations while maintaining profitability will be a key rating monitorable.

#### **> Moderate Financial Risk Profile**

The company has moderate financial risk profile marked by moderate net worth and moderate debt protection metrics. The company's net worth stood at Rs. 4.02 Cr as on 31st March 2021 (Prov.) which includes Rs. 2.45 Cr of Unsecured Loans from directors as against net worth of Rs. 3.69 Cr as on 31st March 2020. Gearing levels (debt-to-equity stood moderate at 2.30 times as on March 31, 2021 as against 2.16 times as on March 31, 2021 (Prov.). Further, interest coverage ratio stood at 2.29 times in FY2021 (Prov.) as against 2.64 times in FY2020 and debt service coverage ratio stood slightly lower at 1.02 times in FY2021. Total outside liabilities to total net worth (TOL/TNW) stood at 2.36 times as on 31 st March 2021 and NCA/TD stood at 0.12 times in FY21 (Prov.).

### **Rating Sensitivities**

- > Deterioration in profitability margins.
- > Significant decline in scale of operations
- > Dip in overall occupancy to below 85%, thereby weakening operating efficiencies

### **Material covenants**

None

### **Liquidity Position: Poor**

Sanvi Education Society has poor liquidity. The society generated net cash accruals of 1.07 crore in FY2021 (Prov.) as against Rs.1.03 Cr repayment obligation for the same period. The liquidity is further supported by unencumbered cash and bank balances of Rs. 0.11 Cr. However, moderate net worth has made the society dependent on short term borrowings for working capital management. The average bank limit utilization remains high at 96.38% for eight months ended December 2021. However, Current ratio stood at 0.97 times as on March 31, 2021 (Prov.). Acuité believes that the liquidity of the society is likely to remain poor over the medium term on account of moderate cash accruals.

### **Outlook: Stable**

Acuité believes that Sanvi Education Society will maintain a 'Stable' outlook over the medium term on the back of promoters' extensive experience in the industry, moderate financial risk profile. The outlook may be revised to 'Positive' in case the society registers higher-than expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the society registers lower-than expected growth in revenues and profitability or in case of deterioration in the society's financial risk profile or further deteriorating enrollment.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	3.02	3.20
PAT	Rs. Cr.	0.32	0.37
PAT Margin	(%)	10.61	11.61
Total Debt/Tangible Net Worth	Times	2.30	2.16
PBDIT/Interest	Times	2.29	2.64

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

Brickwork, vide its press release dated October 23, 2020 had denoted the rating of Sanvi Education Society as 'CARE B+;DOWNGRADED & ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

## 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

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

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
J&K Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.05	ACUITE BB   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.06	ACUITE BB   Stable   Assigned
J&K Bank	Not Applicable	Term Loan	Not available	Not available	Not available	7.89	ACUITE BB   Stable   Assigned

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### About Acuité Ratings & Research

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