



Press Release
SANVI EDUCATION SOCIETY
June 22, 2023
Rating Reaffirmed

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

Rating Rationale

Acuite has reaffirmed 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**'

Rationale for Reaffirmation

The rating on SES takes into account the expected growth in the operating income and stability in operating margins over the medium term. The rating is supported by the experienced management, long track record of operations. These strengths are, however, partly offset by the moderation in margin, modest scale of operation and competition in the Industry.

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.The School is affiliated to Central Board of Secondary Education.

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 18 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 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

Financial Risk Profile – Moderate

SES has Moderate financial risk profile marked by low net worth and moderate debt protection metrics. SES's net worth stood at Rs. 5.36 Cr (Prov.) as on 31st March 2023 as against Rs.4.02 Cr as on 31st March 2022. Company follows moderate leverage policy. Gearing levels (debt-to-equity) improved by 54 bps and stood at 1.64 times as on March 31, 2023 (Prov.) as against 2.18 times in FY 2022. Improvement in Gearing Ratio in FY 23 is on account of profit accretions and infusion of USL as quasi equity. The total debt outstanding of the Society is Rs. 8.78 crore as on 31 March, 2023 (prov.) which consists of long term bank borrowings of Rs.6.49 crore, short term working capital limit of Rs. 1.04 crore and current maturities of long term Debt Rs 1.25 crore.

Further, the interest coverage ratio improved by 13 bps and stood comfortable at 2.67 times for FY2023 (Prov.) as against 2.54 times in FY2022 likewise Debt Service coverage ratio improved by 8 bps and stood moderate at 1.18 times for FY2023 (Prov.) as against 1.10 times in FY2022. Total outside liabilities to total net worth (TOL/TNW) stood at 1.75 times as on FY2023 (Prov.) vis-à-vis 2.29 times as on FY2022. However, Debt-EBITA stood at 3.78 times as on 31st March 2023(Prov.) as against 4.23 times as on 31st March 2022. The Net Cash Accruals to Total debt stood at 0.17 times as on FY2023 (Prov.) and 0.14 times for FY2022.

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.

Rating Sensitivities

Significant Improvement in Operating income and Profitability
Improvement in liquidity

Material covenants

None

Liquidity Position

Poor

Society has poor liquidity marked by net cash accruals to its maturing debt obligations, current ratio and Bank Limit Utilization. SES generated cash accruals of Rs. 1.46 crore for FY2023 (Prov.) as against obligations of Rs. 1.10 crores for the same period. Current Ratio stood at 0.76 times as on 31 March 2023(Prov.) as against 0.51 times in the previous year. Fund working capital limits are utilized at ~ 94 per cent during the last six months ended May 23. Cash and Bank Balances stood at Rs 0.30 crores.

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 deterioration in fresh enrollment and total head count of students.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	4.40	3.51
PAT	Rs. Cr.	0.80	0.56
PAT Margin	(%)	18.17	16.05
Total Debt/Tangible Net Worth	Times	1.64	2.18
PBDIT/Interest	Times	2.67	2.54

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

Brickworks vide its press release dated 20.02.2023, had rated the company to BWR B-/Stable; Issuer Not Cooperating.

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

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
28 Mar 2022	Term Loan	Long Term	7.89	ACUITE BB (Assigned)
	Proposed Bank Facility	Long Term	1.06	ACUITE BB (Assigned)
	Cash Credit	Long Term	1.05	ACUITE BB (Assigned)

Annexure - Details of instruments rated

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

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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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