

Press Release

Kaalaangi Infrastructure Private Limited

October 18, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	60.00	ACUITE BB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	60.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB-**'(to be read as **ACUITE double B minus**) to the Rs.60.00 Cr term loan of Kaalaangi infrastructure Private Ltd (KIPL). The Outlook is '**Stable**'.

The Rating assigned considers experienced management in managing school business, affiliation to Cambridge International Schools and strategic location of the school. Rating, however, is constrained by nascent stage of project and moderate financial risk profile.

About the Company

Kaalaangi Infrastructure Private Ltd (KIPL) was incorporated in 2012 by J.S. Satish Kumar and D. Balasubramanian with an objective to build and manage international residential school named "Yercaud international school" at Yercaud Salem. Since Government of Tamil Nadu has laid stringent regulations for approvals for construction activities in hilly areas, there was a delay in obtaining required approvals from "Tamil Nadu Hill area conservation Authority" and "Architectural and Aesthetic Aspects committee". In June 2021, KIPL has acquired all the required approvals for the construction of the proposed school from the concerned authorities. Due to the delay in obtaining approvals, the company started managing operations of Hostel and Mess facilities of Annapoorna Medical college and Hospital, salem from August 2019.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the KIPL to arrive at the rating.

Key Rating Drivers

Strengths

Affiliation with Cambridge International School

Proposed international school is affiliated with Cambridge International school, United Kingdom, for “O” level certification, which is equivalent to 10 th grade and “A” level certification which is equivalent to 12 th grade. The company has obtained in principal approval from Regional manager, South Asia, Cambridge assessment Singapore for the proposed school. Associations of Indian Universities has acknowledged the equivalency of the Cambridge IGCSE certificates with school services provided by the other boards like CBSE, ICSE and state boards.

Strategically located at Yercaud hill station, Salem

Proposed international school is strategically located at Yercaud hill station in Salem district located at shevaroy hills in eastern ghats. It has a potential to tap the of immediate catchment of salem and surrounding districts of Erode, Tirupur and hosur which has less concentration of residential schools. The proposed site is well connected with road and rail network. Acuité believes that company will be benefited from its strategic location of the school.

Growing popularity of International schools

International schools are witnessing significant growth in recent past due to rising interest in international curriculum, quality standards, global acceptance and affiliation with foreign examination boards. They are expected to continue experiencing this growth in medium and long term.

Weaknesses

Ongoing Construction of the project

The company is currently engaged in construction of International school at Yercaud. The total estimated cost of construction of project is Rs.90 Cr, which is financed partially by bank loan of Rs ~60 Cr and Rs.30 Cr of promoters contributions and internal accruals. The project is expected to complete by March 2025. Acuité believes that company would complete the project on time without any significant delay in time and cost overrun would remain key rating sensitivity.

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

The company faces intense competition from other private institutions offering similar courses. Given the competition, the ability of the company 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 company.

Rating Sensitivities

- Timely completion of ongoing construction of school.
- Ability school to attract admissions after completion
- Timely infusion of promoter's fund

Material covenants

None

Liquidity: Adequate

The firm is expected to have adequate liquidity as moratorium is sanctioned on principal

repayment for 47 months up to June 30 th, 2026 and principal repayment would start from 30.06.2026 and a secured payment mechanism with DSRA for 1 instalment and 6 months' interest to be created and maintained post COD. Quarterly instalments repayments start 15 months after COD. Promotors have given an undertaking to bank stating that any cost overrun or shortfall in cash accruals will be met by promotors by infusing of additional funds to service the debt. Acuité expects KIPL will generate healthy surplus cash flows from its promotors infusion and fee receipts in the near to medium term to meet its repayment obligations.

Outlook: Stable

Acuité believes that the outlook of KIPL will remain 'Stable' over the medium term on account of experienced management. The outlook may be revised to 'Positive' in case the company registers significant progress after completion of construction of the school and increase in number of admission while maintain its operational profitability and coverage indicators. Conversely outlook can be revised to 'Negative' if the company faces any regulatory hindrances and roadblocks in completion of the project.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	7.63	4.31
PAT	Rs. Cr.	2.83	1.34
PAT Margin	(%)	37.01	31.03
Total Debt/Tangible Net Worth	Times	0.19	1.17
PBDIT/Interest	Times	0.00	0.00

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

None

Any other information

None

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

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

Rating History:

None

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	60.00	ACUITE BB- Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Gnanreddy Rakesh Reddy Analyst-Rating Operations Tel: 022-49294065 rakesh.reddy@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.