

Press Release
Raman Education Society

April 27, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	43.60	ACUITE BB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	43.60	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB+ (read as ACUITE double B plus)**' to the Rs. 43.60 Cr bank facilities of Raman Education Society. The outlook is '**Stable**'.

Rationale for the rating

The rating is driven by stable business risk profile of the society marked by increase in the operating income, an improvement in profitability arising from growth in student admission and adequate liquidity. The rating also factors in its experienced members of the society coupled with established track record of the society. These strengths are, however, partly offset by its exposure to intense competition and stringent regulatory framework for the educational sector in India.

About the Company

Raman Education Society (RES) was established with the CV Raman College of Engineering (CRCE) in Bhubaneswar on August 9, 1989, in accordance with the Society Registration Act of 1860. The institute offers 17 UG programs in engineering, and many post-graduate (PG) programs in engineering, management, science, literature as well as Ph.D. courses. It has created many centers of excellence for facilitating specialised training and research in various subjects, in collaboration with renowned industry partners. At present, C.V. Raman Global University, Odisha established as per "Odisha Act 01 of 2020" C.V. Raman Global University operates under RES. The Society is managed by Mr. Sarat Chandra Bhadra, Mr. Sanjib kumar Rout, Mrs. Shailja Rout and Mr. Rabi Narayan Barik

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profiles of RES to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of the society

In 1997, the four undergraduate (UG) programmes offered by the educational institution run by RES were the foundation of its operations. The All India Council for Technical Education (AICTE) and BPUT have granted the society affiliation and approval to open the C.V. Raman College of Engineering. In 2011-12, it became Odisha's first autonomous engineering college. The society expanded over a 33-year period, and in February 2020 it established C. V. Raman

Global University, Odisha. It inherits 22 nos. of Centers of Excellence (CoEs) in collaboration with National and International organizations and 15 departments from C.V. Raman College of Engineering, Bhubaneswar. Acuité believes that the reasonable market position of the institute regionally will aid RES's business risk profile over the medium term.

Moderate scale of operations and profitability margins

The scale of operations of the society has remained moderate. The revenues stood at Rs. 55.97 Cr for FY2022 as against Rs.44.96 Cr in FY2021. RES reported a muted revenue growth in FY2021 owing to the Covid-19 induced lockdown, which adversely impacted the business performance in FY2021. The performance of the society improved in FY2022 as the impact of the pandemic weakened. Continued focus on cost optimisation resulted in improved profitability margins. The PAT margin stood at 12.21 per cent as on FY2022 as against 4.30 per cent as on FY2021. The operating margin also improved to 38.76 per cent in FY22 as compared to 35.73 per cent in the previous year. The RoCE levels stood at a comfortable level of 8.40 per cent in FY2022 as against 5.14 per cent in FY2021. Supported by higher intake of students and revised fee structure from FY22, the topline is expected to improve over the medium term. Acuité believes that the revenue is expected to improve backed by its established presence in Bhubaneswar and profitability margins are expected to remain stable over the medium term.

Above average financial risk profile

RES's above financial risk profile is marked by healthy networth base, moderate gearing and debt protection metrics. The tangible net worth of the society improved to Rs.92.71 Cr as on March 31, 2022 from Rs.81.72 Cr as on March 31, 2021 due to accretion of reserves and issuance of share capital. Gearing of the society stood below unity at 0.74 times as on March 31, 2022 as against 0.82 times as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.98 times as on March 31, 2022 as against 1.08 times as on March 31, 2021. The debt protection metrics of the society is marked by Interest Coverage Ratio at 3.65 times as on March 31, 2022 and Debt Service Coverage Ratio at 1.42 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.24 times as on March 31, 2022. Acuité believes that the financial risk profile of the society is expected to improve over the medium term.

Weaknesses

Exposure to Intense competition and stringent regulatory framework inherent to educational sector

The society faces intense competition from the institutions offering similar courses. The competition level limits the number of enrolments with respect to the sanctioned intake capacity. The education sector is highly regulated and consequently subject to stringent regulatory framework with specific operational and infrastructure norms set by regulatory bodies. Any regulatory changes that impact the flexibility of the trust to fix fees for the management quota seats may adversely impact the revenue profile and cash accruals.

Significant exposure to group companies

The society has extended loans and advances to related parties to the tune of Rs. 31.84 crore FY2022 as compared to Rs. 19.84 crore in the previous year. Such high advances have impacted the liquidity position of RES. Acuité believes that any further investment/advances in group companies would have a negative bias in the rating.

Rating Sensitivities

Scaling up of operations while maintaining their profitability margin
Addition of new curriculum leading to increase in number of enrolments
Exposure to group companies

Material covenants

None

Liquidity Position

Adequate

RES's liquidity is adequate marked by the net cash accruals which stood at Rs.16.74 Cr in March 31, 2022 as against debt repayment of Rs.9.73 Cr over the same period. The current ratio also stood at 1.33 as on 31st March, 2022. The fund based limit remains utilised at 65 per cent over the eight months ended December, 2022. The cash and bank balances of the society stood at Rs.4.68 Cr in FY2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of steady cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuité believes that RES will maintain a Stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the trust's scale of operations increases on the back of further increase in fee receipts, while maintaining its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if the trust fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded capital expansions.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	55.97	44.96
PAT	Rs. Cr.	6.84	1.93
PAT Margin	(%)	12.21	4.30
Total Debt/Tangible Net Worth	Times	0.74	0.82
PBDIT/Interest	Times	3.65	3.16

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

None

Any other information

None

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Karnataka Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	11.90	ACUITE BB+ Stable Assigned
Karnataka Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	2.60	ACUITE BB+ Stable Assigned
Karnataka Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	26.21	ACUITE BB+ Stable Assigned
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.89	ACUITE BB+ 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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