

## Ritnand Balved Education Foundation (Amity)

January 03, 2023

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	1,983.53 (Reduced from 2,129.15)	CARE A+; Positive (Single A Plus; Outlook: Positive)	Reaffirmed; Outlook revised from Stable
Long-term / Short-term bank facilities	255.00 (Enhanced from 240.00)	CARE A+; Positive / CARE A1+ (Single A Plus; Outlook: Positive/ A One Plus)	Reaffirmed; Outlook revised from Stable
<b>Total bank facilities</b>	<b>2,238.53</b> <b>(₹ Two thousand two hundred thirty-eight crore and fifty-three lakh only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The reaffirmation of the ratings of the bank facilities of Ritnand Balved Education Foundation (Amity) (RBEF) continues to derive strength from the established track record of RBEF in the education sector, recognised brand name of 'Amity' in major metropolitan cities and 'Private University' status in nine states resulting in greater autonomy. The ratings continue to factor in its diversified presence in the entire spectrum of education services, consistent growth in the revenues led by increase in students along with strong revenue visibility and improved coverage indicators as on March 31, 2022.

However, the rating strengths are partially offset by high level of regulation by Government (Central and State) in the education sector and intense competition from established players in the education sector.

CARE has combined the financials of RBEF and RBIEF on account of strong operational and management linkages between the two societies owing to common brand name of Ritnand (Amity), same management team and in same line of service.

### Rating sensitivities (Combined)

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Reduction in the net debt levels (including guaranteed debt) leading to overall gearing below 0.50x on a sustained basis.
- Net total debt/ SBID in the range of 2-2.5x on a sustained basis.

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Decline in the scale of operations below ₹1,500 crore on a sustained basis.
- Decline in the PBILDT margin below 18% on a sustained basis.
- Increase in the net debt levels leading to overall gearing above 1x and net total debt/SBID above 3.5-4x on a sustained basis.

### Outlook: Positive

The outlook on the long-term ratings of RBEF is revised to 'Positive' on account of CARE Ratings Limited's (CARE Ratings') belief that the overall credit risk profile of RBEF will benefit from higher accruals on absolute basis and continuation of the improved debt and coverage ratios. The ability of RBEF to be able to maintain such improved leverage indicators on sustained basis will be key monitorable for enhancing its credit ratings.

The outlook may be revised to 'Stable' in case RBEF achieves lower-than-envisaged growth in its financial performance or higher-than-envisaged leverage position as reflective in its net total debt (including group exposure)/ SBID.

### Detailed description of the key rating drivers

#### Key rating strengths

**Experienced members and strong brand presence:** RBEF was founded by Dr Ashok K. Chauhan who has a total experience of more than 30 years in the education sector and has been conferred with several awards and honours in recognition of his services to this sector. RBEF is governed by an executive board currently comprising seven members, with

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

Atul Chauhan (son of Dr Ashok K. Chauhan) as the President. Amity University has a strong brand presence, globally. It has also been recognised by various statutory bodies like Bar Council of India, Council of Architecture, Pharmacy Council of India, Rehabilitation Council of India, NCTE, etc.

**Private university status and diversified curriculum:** The "Amity Universities" were established by respective state legislature acts in Uttar Pradesh, Rajasthan, Haryana, Madhya Pradesh, Maharashtra, Bihar, West Bengal and Jharkhand. The private university status of Amity provides more autonomy and results in less regulatory hurdles in deciding the fee to be charged. RBEF institutions are equipped with latest infrastructure facilities, technology and learning resources. RBEF has been offering more than 300 programmes across various campuses ranging from primary to higher education level. These courses/degree programmes in higher education encompass over 30 diverse disciplines, including engineering, management, biotechnology, nanotechnology, law, forensic sciences, psychology and interior designing, among others.

**Consistent growth in revenue along with strong revenue visibility going forward:** The institutes under Amity are well placed among the private institutes in India. Over the years, RBEF has been opening new campuses as well as increasing the student's intake in the existing institutes. The number of students has increased by 4.05% in academic session 2021-2022 at 105,629 as compared to the student strength of 101,514 in academic session 2020-2021. With the increase in number of students, there has been a consistent increase in the operating income of Society as a whole. The total operating income (TOI) witnessed a growth of 6% in FY22 (refers to the period April 1 to March 31) to ₹2,010 crore as compared with ₹1,895 crore in FY21, which is majorly contributed from the TOI of RBEF. However, the major portion of the revenue comes from higher education, which contributed around 76% to the total fee income in FY22 and FY21 both, with university at Noida alone contributing 41% (FY: 43%) of the total income. Furthermore, the foundation has already received gross receipts of ₹1,177.44 crore in RBEF and ₹24.87 crore in RBIEF till September 30, 2022 for FY23.

On profitability front, the surplus before interest and depreciation (SBID) margin has significantly increased to 34.56% (FY: 30.5% and FY20: 24.29%). The same has been on account of decline in various expense heads in line with saving in administrative and other operational cost due to closure of campuses and hostels which has resulted from the pandemic.

34.44% (FY: 25.66%). The same has been on account of decline in various expense heads in line with saving in administrative and other operational cost due to closure of campuses and hostels which has resulted from the pandemic. Furthermore, the surplus margin (net level) has also improved from 6.71% in FY21 to 12.90% in FY22. Resultantly, the cash accrual generation has improved and stood at ₹554 crore in FY22 as compared with ₹424 crore in FY21 and ₹384 crore in FY20.

CARE Ratings expects that, with gradual un-locking of the economy and opening up of campuses in a phased manner, the revenue is expected to improve from FY23 onwards. Accordingly, the cost will also shoot up from FY21 and FY22 levels leading to profitability levels to moderate to around 25% in-line with the past levels.

**Significant improvement in the financial risk profile resulting in better coverage indicators in FY22:** The total adjusted net debt of the company has reduced significantly to ₹1,417 crore as on March 31, 2022, from ₹1,830 crore as on March 31, 2021. The same is on account of prepayment of debt of approximately ₹80 crore, deferment of capex-related drawdown and accretion of profits to the corpus fund. Furthermore, the gross cash accruals (GCA) has also improved to ₹554 crore on account of improved margins. This has led to improved net debt to SBID (adjusting group exposure) to 2.04x in FY22 compared to the high past trends of 3.16x-3.89x from FY19-FY21. The net adjusted overall gearing stood at 0.51x as on March 31, 2022, as compared with 0.74x as on March 31, 2021.

The sustainability of the leverage indicators amid the debt-funded capex plans would remain a key rating monitorable.

Also, CARE Ratings does takes into cognisance the liquidity cushion available with RBEF in the form of unencumbered cash and liquid investments balance available of ₹481 crore as on November 15, 2022, which is available for any capex/ working capital requirements.

## Industry outlook

India, with world's second-largest population of 1.3 billion individuals offers immense opportunity for growth of the country's education sector. In 2020-21, there were 9,700 total All India Council for Technical Education (AICTE)-approved institutes. Of the total, there were 4,100 undergraduate, 4,951 postgraduate and 4,514 diploma courses in the AICTE-approved institutes.

The formal education segment, comprising K-12 (kindergarten to class 12) and tertiary/ higher education (offering graduation and post-graduation courses including medical course), accounts for almost two-thirds of the approximately ₹900,000 crore revenue of the Indian education sector. The informal segment comprising coaching/test preparations, pre-schools and other vocational courses accounts for the rest. K-12 contributes around 60% to the formal segment's revenue, while tertiary/higher education brings up the rest. Despite no fee hike, the K-12 segment is expected to grow 1%-2% because of steady enrolments. The long-term outlook for the sector is favourable on expectation of increasing population, increase in per capita income, rising enrolment ratios, variety of courses being offered, growth in vocational courses, government support in terms of Fee Reimbursement Scheme, flexibility in curriculum, innovation fund for secondary education, etc.

### **Key rating weaknesses**

**Regulatory framework for education sector in India:** The higher education sector in India is placed in the concurrent list of the constitution and thus comes under the purview of both the central and the state governments that regulate it directly or indirectly through various bodies including University Grants Commission (UGC) and AICTE. Although private university status of the institutes under RBEF results in more autonomy and less regulatory hurdles; however, any policy changes by the government or regulatory bodies might have an impact on the operating and financial flexibilities of the society.

**Competition from established and upcoming educational institutes:** The growth in the private schools and universities providing higher education has been significant over the recent years. Thus, RBEF faces a competitive threat from more than 400 universities, which comprise both upcoming and established public and private players in the segment.

### **Liquidity: Adequate**

The liquidity position of RBEF remains comfortable with negative working capital cycle, and adequate cash and liquid investments against its debt repayment obligations.

The operating cycle remains negative with -28 days in FY22 (PY: -53 days) on account of fees coming in advance along with minimal inventory and other collections. The current ratio stood at 2.57x (PY: 3.28x) as on March 31, 2022. The same was due to increase in other current liabilities. RBEF had free cash and liquid investments balance at ₹401.68 crore as on November 15, 2022. The society has sanctioned OD limits of ₹200 crore with various banks, which were unutilised as on November 15, 2022. Furthermore, on standalone level, foundation has repayments of around ₹298 crore in FY23 (including STL repayment of ₹50 crore). Out of which, ₹127 crore has already been met till November 30, 2022. The society has provided corporate guarantee to the debt of Amity Global Education Organization (AGEO, rated 'CARE A+ (CE); Stable') for the amount of USD 22.50 million (USD 14.75 million outstanding as on December 02, 2022) for a SBLC (Stand by Letter of credit) for guaranteeing the scheduled principal and interest payments due under foreign currency term loan (FCTL) facility, which is being provided by the overseas lender to the Crossborder group LLC (incorporated in USA), a wholly-owned subsidiary of AGEO for the purchase of the Campus in US and has also provided shortfall undertaking to the credit facilities of ₹128 crore for Ritnand Balved International Education Foundation (RBIEF; rated 'CARE A-(CE); Stable'). The repayments of AGEO in FY23 stand at ₹27.71 crore, while repayments of RBIEF stand at ₹5.86 crore. Out of which, ₹11.55 crore and ₹4.18 crore is already met till November 30, 2022, respectively.

### **Analytical approach- Combined**

The financials of RBEF and RBIEF are combined on account of strong operational and management linkages between the two societies owing to common brand name of Ritnand (Amity), same management team and in same line of service. Furthermore, there is a shortfall undertaking which has been given by RBEF to RBIEF. Further, the analysis also factors in the support extended to AGEO (a wholly-owned company under section 8 by RBEF) in the form of corporate guarantee.

**Note:** Earlier Standalone approach was being followed for RBEF while factoring in the support to be given to AGEO and RBIEF.

### **Applicable criteria**

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Education](#)

[Policy on Withdrawal of Ratings](#)

### **About the Society**

**RBEF:** RBEF was incorporated in 1986 as a Society registered under the Societies Act, 1860, for imparting education with Dr Ashok K. Chauhan, a first-generation entrepreneur as the founder president. RBEF is the umbrella for majority of the institutions under 'Amity' brand. RBEF currently operates nine operational private universities in Uttar Pradesh, Rajasthan, Haryana, Madhya

Pradesh, Maharashtra, Bihar, West Bengal and Jharkhand, 13 Amity schools, which include seven schools in Delhi NCR and three schools in Lucknow, and one school each in Gwalior, South Africa and Abu Dhabi (UAE).

**RBIEF:** Ritnand Balved International Education Foundation (RBIEF) was incorporated in 1996 as a Society registered under the Societies Act, 1860. RBIEF currently operates one private university at Raipur, which was established in 2015 and one school at Mohali.

Brief Financials (₹ crore)- Combined	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (Prov.)
Total operating income	1,895.22	2,010.72	NA
SBID/PBILDT	579.63	694.95	NA
Surplus/PAT	127.25	259.32	NA
Overall gearing (times)	1.03	0.76	NA
Interest coverage (times)	3.04	3.97	NA

A: Audited; NA: Not Available, Prov.: Provisional

\*Calculated on Gross debt (including guaranteed debt of AGE0) and excluding loans and advances and investments to group concerns.

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT/ST-Term loan		-	-	31/03/2023	240.00	CARE A+; Positive / CARE A1+
Non-fund-based-LT/ST		-	-	-	15.00	CARE A+; Positive / CARE A1+
Term Loan-Long Term		-	-	30/09/2032	1983.53	CARE A+; Positive

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Term loan-Long term	LT	1983.53	CARE A+; Positive	-	1)CARE A+; Stable (25-Nov-21) 2)CARE A+; Stable (01-Apr-21)	1)CARE A+; Stable (03-Apr-20)	-
2	Non-fund-based-LT/ST	LT/ST*	15.00	CARE A+; Positive / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (25-Nov-21) 2)CARE A+; Stable / CARE A1+ (01-Apr-21)	1)CARE A+; Stable / CARE A1+ (03-Apr-20)	-
3	Fund-based - LT/ST-Term loan	LT/ST*	240.00	CARE A+; Positive / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (25-Nov-21) 2)CARE A+; Stable / CARE A1+ (01-Apr-21)	-	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA****Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT/ ST-Term loan	Simple
2	Non-fund-based-LT/ST	Simple
3	Term loan-Long term	Simple

**Annexure-5: Bank lender details for this company**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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