

## Ritnand Balved International Education Foundation

January 03, 2023

### Rating

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	125.77 (Reduced from 128.00)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Revised from CARE A- (CE); Stable [Single A Minus (Credit Enhancement); Outlook: Stable]
<b>Total Bank Facilities</b>	<b>125.77</b> <b>(₹ One Hundred Twenty-Five Crore and Seventy-Seven Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

<b>Unsupported Rating<sup>^</sup></b>	<b>Withdrawn [Revised from CARE BBB]</b>
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<sup>^</sup>The approach for assessing the ratings for the bank facilities of Ritnand Balved International Education Foundation (RBIEF) has been revised from credit enhanced based on the shortfall undertaking given by Ritnand Balved Education Foundation (RBEF) to the bank facilities of RBIEF to combined approach for both the societies. Accordingly, the unsupported rating for the bank facilities of RBIEF is withdrawn.

### Detailed rationale and key rating drivers

The reaffirmation of the ratings of the bank facilities of Ritnand Balved International Education Foundation (RBIEF) continues to derive strength from the established track record of RBEF & RBIEF 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 PBILD 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.

### Detailed description of the key rating drivers

#### Key rating strengths

**Experienced members and strong brand presence:** The group 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 eight members, with 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.

Both RBEF & RBIEF belong to the same Ritnand (Amity) group and operate in common area of business. The institutions under RBIEF includes one higher education institute at Raipur and one Amity International school at Mohali, Punjab which started operations from FY21-FY22. Further there are five common members on governing body of RBEF and RBIEF. RBIEF has demonstrated track record of receiving timely financial support from RBEF in the form of loans and advances.

<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

**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, Punjab and Jharkhand. The private university status of Amity provides more autonomy and results in less regulatory hurdles in deciding the fee to be charged. The amity institutions are equipped with latest infrastructure facilities, technology and learning resources. The institutions under RBIEF includes one higher education institute at Raipur and one Amity International school at Mohali, Punjab which started operations from FY21-FY22.

**Consistent growth in revenue along with strong revenue visibility going forward:** Till FY20, the foundation only had income from the higher education campus running in Raipur which was commenced from 2015. However, going forward the foundation has strong revenue visibility as the society has also started the admission process for its international school at Mohali, Punjab. The operating income of RBIEF has increased from ₹8.84 crore in FY18 to ₹30.02 crore in FY22. The revenue shall further increase with full operationalization of school at Mohali.

On a combined basis, 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% (PY: 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% (PY: 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% (PY: 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. Out of this the total debt in RBIEF stood at ₹130 crore as on March 31, 2022. 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 & RBIEF 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 (on a combined basis) 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 Approach – Credit Enhanced Ratings: Since the Bank facilities of RBIEF are backed by credit enhancement in the form of shortfall undertaking from RBEF for servicing the debt & interest obligation of RBIEF.

The approach for assessing the ratings for the bank facilities of RBIEF has been revised from credit enhanced based on the shortfall undertaking given by RBEF to the bank facilities of RBIEF to combined approach for both the societies. Accordingly, the unsupported rating for the bank facilities of RBIEF is withdrawn.

### Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Credit Enhanced Debt](#)

[Rating Outlook and Credit Watch](#)

[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 AGEO) and excluding loans and advances and investments to group concerns.

**Status of non-cooperation with previous CRA: NA**

**Any other information: NA**

**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-Term Loan		-	-	31/03/2026	125.77	CARE A-; Stable
Un Supported Rating-Un Supported Rating (Long Term)		-	-	-	0.00	Withdrawn

#### 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	Fund-based - LT-Term Loan	LT	125.77	CARE A-; Stable	-	1)CARE A-(CE); Stable (25-Nov-21)	1)CARE A-(CE); Stable (08-Oct-20)	-
2	Fund-based - LT/ ST-Working Capital Demand loan	LT/ST*	-	-	-	1)Withdrawn (25-Nov-21)	1)CARE A-(CE); Stable / CARE A1 (CE) (08-Oct-20)	-
3	Un Supported Rating-Un Supported Rating (Long Term)	LT	-	-	-	1)CARE BBB (25-Nov-21)	1)CARE BBB / CARE A3 (08-Oct-20)	-

\*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-Term Loan	Simple
2	Un Supported Rating-Un Supported Rating (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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##### About us:

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