

American International School - Chennai

October 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	83.73 (Reduced from 105.50)	CARE A+; Stable	Reaffirmed
Short-term bank facilities	63.20 (Enhanced from 62.50)	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of American International School – Chennai (ASIC) consider the school's distinct structure, which includes it operating as one of the few American-style international schools with a strong management team, highly qualified teaching staff made up of expatriate and local instructors, and the school's good infrastructure amenities and a diverse demographic mix of students.

Ratings derive comfort from the school's strong liquidity position in the form of unencumbered cash and bank balance, and a gradual uptick in the student enrolment level experienced by the school in the last two academic years.

The school's high dependence on Chennai's expatriate population and its revenue sensitivity to their mobility, which is heavily influenced by investment climate and economic cycle, limits the rating. Further, given the institute's charter, which restricts admittance to only foreign nationals, available student base is also limited.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Consistent increase in operating revenue with improvement in enrolment numbers above 900 students.
- Consistent improvement in cash flow leading to a sustained strong liquidity position and healthy capital structure.

Negative factors

- Decline in overall cash reserves leading to positive net leverage position.
- Consistent drop in enrolment numbers to below 500 students.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) continues to believe that the school will continue to improve on student admissions and maintain a healthy liquidity cover with a negative net debt position.

Detailed description of key rating drivers:

Key strengths

Long track record of operations with eminent board of directors

AISC was established in 1995 and is registered as a non-profit trust under section 12AA of the Income Tax Act of 1961. The school is governed by a nine-member board of directors including a representative from the US Consulate General in Chennai and a delegate from the US Government selected by the US Ambassador to India. Other elected members (made up of tuition fee paying parents/guardians registered in the school) are highly competent individuals with good academic backgrounds and extensive expertise in handling global company operations. The school is also listed on the US Department of State's website and receives annual grants from the US government in the range of ₹40-50 lakh each year. The school's chief business officer, Alankrit Arora, handles daily operations with the help of other staff members.

One among the few American-style schools operating in India

AISC was founded in 1995 as a result of a bilateral agreement between the governments of the United States of America and India to provide high-quality US education programmes to the children of US government personnel working in India, and US

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

private residents and other nationalities. AISC is one of the three international schools operating in the country which is directly and indirectly assisted by the US Government.

AISC hosts children from around thirty different nations, resulting in a rich and diverse demographic mix. The school is fully accredited to international agencies such as Middle States Association of Schools, and Colleges (MSA, Philadelphia, U.S.A.), International Baccalaureate Organization (IBO, England) and Association of Indian Colleges and Universities. As part of a college-preparatory programme culminating to a US High School Diploma, the school provides advanced placement (AP) and International Baccalaureate Programmes to students in grades 11-12.

The school's infrastructure comprises 13-acre campus with state-of-the-art facilities such as laboratories, 25 metre swimming pool, tennis courts, soccer fields, six lane tracks, 800 seater auditorium, gymnasiums, fitness room, and libraries, among others. AISC also has a strong faculty base comprising of highly qualified teachers (both expatriates and locals) and ~80% of facilities hold advanced degrees. In the current academic year (2024-2025), overall teaching staff strength stood at 157, with 81 expatriate teachers, 38 local teachers, and the remaining as teacher aids.

Healthy capital structure albeit moderation

The school's capital structure was comfortable as of March 31, 2024, with an overall gearing of 1.11x (PY: 1.21x). The school's overall debt is mostly made up of a Foreign Currency Term Loan (FCTL) obtained by the school to manage liquidity mismatches as a result of the COVID-19 pandemic induced losses and a working capital demand loan to manage its yearly operations. However, with strong cash bank balance of ₹211.56 crore, the school's net debt remains negative as on March 31, 2024, at - ₹73.60 crore (PY: - ₹58.16 crore). Capital structure and net debt position as on March 2024 improved against the previous year end with the repayment of term loans and positive cash accruals in year. While the school has been able to revise fee upgrades, the ability to ramp up student strength to pre covid levels would remain a key monitorable.

Key weaknesses

Moderate enrolment level; however, witnessing improvement over past two academic years

Enrolment at AISC was impacted between FY20 and FY22 because of the COVID-19 pandemic and related restrictions, which resulted in many expatriates returning home. The entire student strength fell to 543 in academic year 2021-22, down from 824 in 2018-19. Lower occupancy levels resulted in a decrease in total revenue to ₹116 crore in FY22 from ₹172 crore in FY20, resulting in operating losses and thus partially eroding the cumulative surplus generated by the school from its development fund reserve.

School witnessed consistent improvement in the student strength in the last three academic years, improved from 596 in AY 2021-22 to 718 in AY2024-25. Though the school is yet to reach its pre-pandemic student strength of ~800, with increase in its fee structure, school was able to register 23% growth in TOI in FY24, increasing from ₹155.98 crore in FY23 to ₹191.66 crore in FY24.

Profitability limited by non-profit character of the school

Given the non-profit nature of the school, its profitability has remained volatile/variable over the years. The school rigorously adheres to the rules established by the American education standards in areas such as academics, staff welfare, sports, extracurricular activities, infrastructure, and security of the children hence resulting in significant operational costs. Apart from this, the school also incurs significantly higher proportion of cost in the form of employee benefits expenses largely to benefits its expatriate teachers in the form of wages equivalent to those paid in United States, free housing accommodation, paid for utilities bill, free education to their children and their tax payments (post their tax holiday in India).

Post pandemic, the school has undertaken fee hike measures towards certain part of its fee collection and has also undertaken cost curtailment measures. Going forward, the school is also expected to restrain its other overheads also.

Vulnerability to economic downturns and change in expat demography

AISC is heavily reliant on the wards of expatriates and diplomats working in private companies and consulates in Chennai. Chennai has a fairly limited number of companies that employ the expatriate population. Any change in these organisations' internal procedures exposes AISC to the possibility of lower occupancy levels and thus affecting its profitability. Furthermore, economic downturn in India or Chennai, and an unpredictable business environment, may have a direct impact on the school's overall performance. The recent COVID-19 pandemic was one such example, where school performance suffered greatly due to a drop in expatriate population in lockdown restrictions. Increased occupancy levels, combined with higher improved collections, remain a key monitorable to AISC's prospects.

Liquidity: Strong

Liquidity of the school is strong marked by unencumbered cash and bank balance of ₹211.56 crore as on March 31, 2024. Though the school has fixed debt repayment obligation of ₹25.66 crore in FY25, increase in student enrolment in FY25 and yearly tuition

fee hike undertaken by the school and its strong cash balance is expected to provide sufficient cushion to repay its debt obligation on time. Further, the school has timed its repayment obligation at two equal instalments falling on July and September in a year to coincide with its usual fee collection time.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Education](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Other consumer services	Education

American International School Chennai, founded in 1995, is a nonprofit, independent, coeducational day school which is registered as Trust. It offers a U.S./international-style educational program in English from the age three through grade 12 for American and international students whose parents are on temporary assignments in India. Its academic year runs from early August to early June.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	121.32	155.98	191.66
PBILDT	-38.19	-8.26	5.76
PAT	-47.13	-19.99	-5.13
Overall gearing (times)	0.58	1.21	1.11
Interest coverage (times)	-10.73	-1.93	0.62

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	31-07-2030	83.73	CARE A+; Stable
Fund-based - ST-Working Capital Demand loan		-	-	-	62.70	CARE A1
Non-fund-based - ST-Bank Guarantee		-	-	-	0.50	CARE A1

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	83.73	CARE A+; Stable	-	1)CARE A+; Stable (06-Oct-23)	1)CARE A+; Stable (13-Jan-23)	-
2	Non-fund-based - ST-Bank Guarantee	ST	0.50	CARE A1	-	1)CARE A1 (06-Oct-23)	1)CARE A1 (13-Jan-23)	-
3	Fund-based - ST-Working Capital Demand loan	ST	62.70	CARE A1	-	1)CARE A1 (06-Oct-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - ST-Working Capital Demand loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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