

Wisdom Foundation

January 08, 2025

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	11.63 (Reduced from 12.04)	CARE B+; Stable	Upgraded from CARE D; Stable outlook assigned

Details of facilities in Annexure-1.

Rationale and key rating drivers

The revision in the rating assigned to the bank facilities of Wisdom Foundation (WF) is on account of regular debt servicing for more than 90 days as confirmed by the lender.

The rating continues to be constrained by its small scale of operations with low net worth base in FY24 (refers to the period April 1 to March 31), limited outreach on account of operations from a single campus, highly regulated education sector in India and leveraged capital structure and debt protection metrics.

However, the aforesaid constraints are partially offset by its experienced management even though they are venturing into a new business segment, association of the school with the brand name of Delhi Public School (DPS) and modern campus infrastructure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Gradual increase in enrolments above 50% with increase in TOI over ₹7 crore and trust continuing to earn cash profit.
- Improvement in overall gearing below 4x on a sustained basis.

Negative factors

- Decline in operating income below ₹4 crore due to low enrolments on a sustained basis.
- Increase in debt levels leading to overall gearing of more than 8x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the entity will be able to scale up its business with improvement in its enrolment in medium term.

Detailed description of key rating drivers:

Key weaknesses

Small scale of operations with low net worth base.

The trust generated revenue of ₹5.65 crore in FY24 witnessing a growth of 51% y-o-y compared to FY23. Despite this growth, the scale of operations remains small as it is only the second year of operations. Further, the corpus of the trust stands low at Rs.2.57 crore as on March 31, 2024, on account of losses incurred in its initial phases.

The SBILDT margin for the trust has improved from 15.37% in FY23 to 28.60% in FY24. The same is expected to improve to around 35%-40% in the years to come.

Limited outreach on account of operations from a single campus

WF operates only one school by the name of 'Delhi Public School, Tezpur' in Tezpur, Assam, and hence, the entire revenue of the trust is dependent upon one campus operation. The single campus and regional footprint limit the reach and penetration levels for the trust to tap growth opportunities.

Highly regulated education sector in India

The subject of 'Education' in India is placed in the concurrent list of the constitution and thus comes under the purview of both the Central as well as the State Governments. The sector is regulated by the Ministry of Human Resources, at the national level, and by the education ministries in each state, as well as by the Central bodies like University Grant Commission (UGC) and 14 other professional councils. The operating and financial flexibility of the higher education sector are limited, as regulations govern almost all aspects of operations, including fee structure, number of seats, changes in curriculum and infrastructure requirements. Despite the increasing trend of privatization of education sector in India, regulatory challenges continue to pose a significant threat to the educational institutes. Affiliation to an educational board is a vital part of any school's operations and WF has affiliated with CBSE since February 2024.

Leveraged capital structure and debt protection metrics

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

The capital structure is leveraged marked by high overall gearing ratio of 5.62x as on March 31, 2024, vis-à-vis 2.92x as on March 31, 2023. This is on account of increase in term loan along with reduction in corpus fund due to losses incurred. Interest coverage ratio witnessed improvement from 0.46x in FY23 to 1.10x in FY24 on account of increase in absolute SBILDT levels. With the trust earning GCA of Rs.0.58 crore in FY24 as against cash loss of Rs.0.28 crore in FY23, TDGCA stood high at 24.82x as on March 31, 2024.

Key strengths

Experienced management though venturing into a new business segment

The president of the trust, Govind Khaitan, is a renowned businessman having business experience of more than 22 years in the field of construction under the name of M/s M. P. Khaitan. He is a director in entities which are engaged in construction and sale of commercial and residential buildings. He is also engaged in other businesses like manufacturing of pet preforms and packaged drinking water. The secretary of the trust, Jitendra Agarwal, is engaged in the trading business of hardware goods, building construction material and has business experience of more than 20 years. Mr. Khaitan and Mr. Agarwal are also partners in an upcoming hotel in Tezpur, Assam, in the name of Imperial Hotels and Resorts. Apart from the trustees mentioned above, Jitendra Sharma, Rajender Sharma, Rakesh Agarwal and Sanjay Khaitan are also an integral part of the foundation and have extensive business experience in their respective business fields.

Association of the school with the brand name of DPS

WF has tied up with the reputed DPS group. DPS has agreed to lend its name to the school set up by WF against an annual royalty fee. Further, WF can also use the expertise and assistance of DPS whenever required since DPS has a long and satisfactory track record with regards to operating and maintaining schools. The brand name of DPS will also help in the publicity of school, potentially leading to increased enrolments of students.

Modern campus infrastructure

DPS, Tezpur, is spread across an area of 4.90 acres approximately. The school has modern infrastructure in place including sports, library, transport, canteen, and health facilities. The campus features well equipped classrooms, laboratories, computer centres, Wi-Fi internet facility, and other resources. The school gives emphasis on extra co-curricular activities in different fields and has facilities such as football, cricket grounds and athletic track, along with a basketball court. Further, the school also has facilities of online teaching for the students in the event of lockdown or other unforeseen circumstances.

Liquidity: Stretched

The liquidity of the trust is marked stretched on account of tightly matched accruals against debt repayment obligations. In FY24, the trust earned GCA of Rs.0.58 crore against debt repayment obligation of Rs.0.49 crore. In FY25, the trust has debt repayment obligation of Rs.0.87 crore against which it is expected to generate sufficient cash accruals.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Education](#)

[Financial Ratios – Non financial Sector](#)

[Policy On Curing Period](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Other Consumer Services	Education

WF was established in the year 2015 as a public charitable trust for setting up of an educational institution in Assam. For this, WF has tied up with DPS, to lends its brand name in exchange for a fixed consideration. The school has commenced operations from April 2022 and is spread across 4.90 acres of land in Borjhargaon, Assam, 6 km away from the city of Tezpur. The day-to-day functioning of the school is being handled by Mr. Dhanveer Singh Arora who is the principal of the school and has over two decades of experience in the educational sector. The managing committee and trustees of WF comprise of Govind Khaitan, Jatinder Sharma, Rajender Sharma, Jitendra Agarwal, Rakesh Agarwal and Sanjay Khaitan. The trustees are experienced and have a long track record of handling various businesses such as construction, warehousing, logistics, manufacturing of beverages and trading of hardware items.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	3.73	5.65
PBILDT	0.57	1.62
PAT	-3.15	-2.39
Overall gearing (times)	2.92	5.62
Interest coverage (times)	0.46	1.10

A: Audited; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	January 2032	11.63	CARE B+; Stable

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	11.63	CARE B+; Stable	1)CARE D (02-Jul-24)	1)CARE BB; Stable (07-Aug-23)	1)CARE BB; Stable (18-Jul-22)	-

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

Annexure-5: Lender details

To view the 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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