

Ritnand Balved International Education Foundation

November 25, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	-	-	Withdrawn
Long Term Bank Facilities	128.00 (Enhanced from 123.00)	CARE A- (CE)*; Stable [Single A Minus (Credit Enhancement); Outlook: Stable]	Reaffirmed
Total Bank Facilities	128.00 (Rs. One Hundred Twenty-Eight Crore Only)		

Details of instruments/facilities in Annexure-1

*backed by credit enhancement in the form of shortfall undertaking provided by Ritnand Balved Education Foundation (RBEF, CARE A+; Stable/ CARE A1+)

Un Supported Rating	CARE BBB (Triple B) [Revised from CARE BBB / CARE A3]
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Note : Unsupported Rating does not factor in the explicit credit enhancement

Detailed Rationale & Key Rating Drivers for credit enhanced debt

The ratings assigned to the bank facilities of Ritnand Balved International Education Foundation (RBIEF) are based on the credit enhancement in the form of shortfall undertaking provided by Ritnand Balved Education Foundation (RBEF, rated CARE A+; Stable/A1+).

The reaffirmation of 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, recognized brand name of 'Amity' in major metropolitan cities and 'Private University' status in eight states resulting in greater autonomy. The ratings continue to factor in its diversified presence in the entire spectrum of education services, consistent growth in revenues led by increase in students over the years except FY21 (refers to period from April 01 to March 31) along with strong revenue visibility and healthy corpus fund. However, the rating strengths are partially offset by its overall leverage levels marked by high overall gearing and debt to SBID, high level of regulation by Government (Central and State) in the education sector and intense competition from established players in the education sector.

Key rating drivers for Ritnand Balved International Education Foundation (RBIEF)

The unsupported ratings of RBIEF consider the standalone business & financial risk profile of RBIEF. The rating also considers that RBIEF draws business & operational linkages from the flagship entity of the group i.e. RBEF and they have common promoters and management team. The rating, however, is tempered by competition from established educational institutions and its presence in highly regulated industry. Going forward, ability of RBIEF to enhance its scale of operations & profitability along with its ability to continuously garner the support from RBEF will be the key rating sensitivities.

Rating Sensitivities (RBEF- Guarantor)

Positives factors: Factors that could lead to positive rating action/upgrade

- Sustained improvement in PBILDT margin over 30%
- Reduction in debt levels (including guaranteed debt) leading to overall gearing below 0.50x and Total debt/SBID below 2x

Negatives factors: Factors that could lead to negative rating action/downgrade

- Decline in scale of operations below Rs.1500 cr on a sustained basis
- Decline in PBILDT margin below 18% on a sustained basis.
- Increase in net debt levels leading to overall gearing above 1x and Total debt/SBID above 4.5x on a sustained basis.

Detailed description of the key rating drivers (RBEF – Shortfall undertaking Provider)

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 honors in recognition of his services to this sector. RBEF is governed by an executive board currently comprising 8 members with Mr Atul Chauhan, (son of Dr Ashok K. Chauhan) as the President.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Amity University has a strong brand presence, globally. It has also been recognized 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 programs across various campuses.

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 to 101,514 in academic session 2020- 2021 from student strength of 101,096 in academic session 2019-2020 and student strength of 98,527 in academic session 2018-2019. However, despite increase in student strength in FY21, the company’s revenue has witnessed de-growth of 12% to Rs.1,865 cr from last year where it reported total operating income (TOI) of Rs.2,123 cr. This decline was mainly due to the ongoing pandemic during most part of the year which has resulted in closure of campuses and loss of revenues from hostel facility, bus services and annual charges from certain schools.

On profitability front, the surplus before interest and depreciation (SBID) margin has significantly increased to 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. Further, the surplus margin (net level) has also improved from 4.68% in FY20 to 10.14% in FY21. Resultantly, the cash accrual generation has improved and stood at Rs.470 cr in FY21 as compared to Rs.384 cr in FY20.

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

Liquidity analysis- Adequate

The liquidity of RBIEF derives comfort from liquidity position of RBEF. The liquidity position of RBEF remains comfortable with current ratio of 4.23x (PY: 2.22x) as on March 31, 2021. The improvement in the same was on account of nil utilization of working capital limits as on Mar 31, 2021. It had cash and liquid investments balance at ~Rs. 510 crore as on Sept 30, 2021 as compared to ~Rs.704 crore as on March 31, 2021. The society has sanctioned OD limits of Rs.190 crore with various banks which were unutilized as on Sept 30, 2021. Repayments of around Rs.269 crore (including repayment of guaranteed debt) is due in FY22. RBEF even has a short term loans of Rs.150 cr which will fall due for repayment in Q3FY21.

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 19.54 million outstanding as on Sept 30, 2021) for a SBLC (Stand by Letter of credit) for guaranteeing the scheduled principal & interest payments due under FCTL (Foreign currency term loan) 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 Rs.128 crore for Ritnand Balved International Education Foundation (RBIEF; rated CARE A-(CE); Stable).

The entire debt & its repayments including interest for both the entities have been loaded on RBEF’s financials for the purpose of credit analysis.

Operating cycle remains negative with -30 days in FY21 on account of fees coming in advance along with minimal inventory and other collections. RBEF has availed both moratorium under the RBI relief package and has not taken any COVID funding, however, they have taken short term loans amounting to Rs.150 crore to maintain sufficient liquidity amid Covid outbreak. These short-term loans are payable within Q3FY21, however the same may be rolled over if required.

Key Rating Weaknesses

Continuous debt-funded capital expenditure leading to higher than envisaged leverage and lower coverage indicators

RBEF continues to expand globally by opening of new schools, colleges, offering new courses and expanding the existing infrastructure. The ongoing capex for establishments of new campuses have led to project execution risk and off take risk. Further, the continuous debt funded capex during past couple of years has also led to continuous rise in debt levels. RBEF has annual capital expenditure of approximately in the range of Rs.300 – Rs 400 crore funded through debt and internal accruals. Also, as the total debt has increased from Rs.1929 crore as on March 31, 2019 to Rs. 2297 crore as on March 31, 2021; the capital structure and coverage indicators have witnessed moderation over the years. Overall gearing ratio on standalone level (excluding the support given to AGEO and RBIEF) stood at 0.88x as on March 31, 2021 while overall gearing including corporate guarantee and support to RBIEF & AGEO as on March 31, 2021 stood at 1.05x. Coverage indicators such as Total debt/SBID (adjusted for guaranteed debt) stood at 4.04x during FY21 while Interest coverage stood at 3.55x in the same period.

The society has also taken additional Rs.275 short term loans in FY21 for meeting any emergency due to disruptions caused by COVID-19 outbreak.

However, on account of the accretion of surplus, RBEF has a healthy corpus of Rs.2,597 crore as on March 31, 2021 (PY:Rs.2.391 cr as on March 31, 2020). Also, CARE does takes into cognizance the liquidity cushion available with RBEF in form of unencumbered cash and liquid investments balance available of Rs.510 crore as on Sept 30, 2021 which is available for any capex/ working capital requirements.

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. Although private university status of institutes under RBEF results in more autonomy and less regulatory hurdles; however, any policy changes by the government or regulatory bodies may have an impact on the operating and financial flexibilities of the society.

Competition from established and upcoming educational institutes

The growth in 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.

Industry Outlook

As a preventive measure to curb the further spread of the COVID-19 pandemic, schools universities, training centers and other educational institutions were closed across India since mid-March 2020. This has created a paradigm shift in the education system and affected most student population. In such unprecedented times, managing the finances and working capital requirement will be crucial for educational institutions. Availability of additional liquidity either in the form of unencumbered liquid investments, financial support from resourceful promoters or unutilised bank limits would provide some cushion.

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.

Analytical Approach-

Credit enhanced ratings: The rating factors in the credit enhancement in the form of the shortfall undertaking from RBEF (rated CARE A+; Stable/A1+) for servicing the debt & interest obligations of RBIEF.

Unsupported Ratings: Standalone. The ratings factor in the strong operational, financial & management linkages with group entity; RBEF (rated CARE A+/Stable/A1).

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

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

[Financial Ratios – Non financial Sector](#)

[Rating Methodology – Education Sector](#)

[Rating Methodology: Notching by factoring linkages in Ratings](#)

[Criteria for Rating Credit Enhanced Debt](#)

About the Company (RBIEF)

Ritnand Balved International Education Foundation (RBIEF) was incorporated in 1986 as a public Charitable Education Society registered under the Societies Act, 1860. RBIEF currently operates one private university at Raipur which was established in 2015 and one recently opened school at Mohali. The school has been recently completed at cost of about Rs.145 crore and the term loan for overall capex which has tied up by society is Rs.128 crore.

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

Brief Financials (Rs. crore)	FY20 (A)	FY21 (Prov.)
Total operating income	21.02	22.36
Surplus before Interest and depreciation (SBID)	0.20	3.71
Surplus	-10.89	-22.00
Overall gearing (times)	-5.16	-2.73
Interest coverage (times)	-0.65	0.37

A: Audited; Prov.: Provisional

About the Guarantor (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 eight operational private universities in Uttar Pradesh, Rajasthan, Haryana, Madhya Pradesh, Maharashtra, Bihar, West Bengal & Jharkhand, 13 Amity schools which include seven schools in Delhi NCR and three schools in Lucknow and one school each in Gwalior, South Africa & Abu Dhabi (UAE).

Brief Financials (Rs. crore)	FY20 (A)	FY21 (Prov.)
Total operating income	2123.34	1864.71
Surplus before Interest and depreciation (SBID)	544.92	642.26
Surplus	99.33	189.03
Overall gearing (times)*	1.14	1.05
Interest coverage (times)	3.08	3.55

A: Audited; Prov.: Provisional

*Calculated on Gross debt (including guaranteed debt of AGEO and shortfall undertaking for RBIEF).

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: 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	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Mar-26	128.00	CARE A- (CE); Stable
Fund-based - LT/ ST-Working Capital Demand loan		-	-	-	0.00	Withdrawn
Un Supported Rating-Un Supported Rating (Long Term)		-	-	-	0.00	CARE BBB

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	128.00	CARE A- (CE); Stable	-	1)CARE A- (CE); Stable (08-Oct-20)	-	-
2	Fund-based - LT/ ST-Working Capital Demand loan	LT/ST*	-	-	-	1)CARE A- (CE); Stable / CARE A1 (CE) (08-Oct-20)	-	-
3	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE BBB	-	1)CARE BBB / CARE A3 (08-Oct-20)	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / 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)	

Annexure 5: Bank Lender Details for this Company

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

Note on complexity levels of the rated instrument: 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@careratings.com for any clarifications.

Contact us

Media Contact

Name: Mradul Mishra

Contact no.: +91-22-6837 4424

 Email ID: mradul.mishra@careratings.com
Analyst Contact 1

Name: Ravleen Sethi

Contact no: +91-11-4533 3251

 Email ID: ravleen.sethi@careratings.com
Relationship Contact

Name: Swati Agrawal

Contact no: +91-44-4533 3200

 Email ID: swati.agrawal@careratings.com
About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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