



Press Release

Arka Educational and Cultural Trust (AECT)

March 16, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Term Loans	123.00 (Reduced from 146.00)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Reaffirmed; removed from rating watch	Simple
Long Term Fund Based Bank Facilities – Overdraft	40.00 (Enhanced from 10.00)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Reaffirmed; removed from rating watch	Simple
Total	163.00			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmed, removed from rating watch with developing implications and assigned stable outlook on account of stabilisation of education industry post COVID – 19 pandemic. Further total operating income of the group has increased by ~9% and EBITDA increased by ~20% in FY21 (Audited) as compared with FY2021 (Prov.).

The rating continues to derive comfort from experienced board of trustee, satisfactory enrolment rates in educational institute and stable operating performance of the group. However, these rating strengths remain constrained by susceptibility to regulatory risks and intense competition.

Key Rating Sensitivities:

Upward Factors

- Improvement in enrolment ratio leading to improvement in the operating income and profitability on a sustained basis.
- Improvement in the capital structure with reduction in debt level and/or improvement in debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability due to decline in enrolment ratio impacting the debt protection metrics.



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- Deterioration in the capital structure and/or debt protection metrics and liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced board of Trustee

Dr. Chenraj Roychand is the Founder Chairman of Jain Group and Arka Group. he has been promoting the educational and entrepreneurship sectors in India for more than two decades. Dr. Chenraj Roychand incepted Jain Group in 1990. Arka Group has presence in the education sector since 2009 and runs 28 Schools and 9 Colleges that offers K-12 education, degree and technical courses. The group has its presence in Karnataka, Maharashtra, and Tamil Nadu.

Satisfactory enrolment rates in educational institute

Enrolment rate depends upon available infrastructural facilities, composition of experienced faculties, placement records and brand image of the institution. Arka group has maintained a satisfactory enrolment rate over the past years in all its Institutes.

Stable operating performance of the Group

Total operating income of the group has improved in FY22 to Rs.118.77 crore from Rs.116.04 crore in FY21 on account of increase in student strength. The EBITDA margin though continued to remain healthy at 47.17% in FY22 as against 47.49% in FY21 and whereas the PAT margin moderated from 5.44% in FY21 to 4.37% in FY22.

Key Rating Weaknesses

Susceptibility to regulatory risks

The education sector is highly regulated and compliance with specific operational and infrastructure norms set by regulatory bodies are important. Thus, regular investment in the workforce and infrastructure is needed to conduct the operations efficiently.

Intense competition

Group faces intense competition from reputed public and private institutes in the nearby states. This puts pressure on attracting / retaining talented students and faculty.



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Analytical Approach: Consolidated Approach

Arka Educational & Cultural Trust (AECT) and Arka Eduserve Private Limited (AEPL) collectively referred to as 'Arka Group'. AECT's Objective of Trust allows it to fund or borrow to/from another trust or party in the form of donations, grants, loans and advances, or unsecured or secured loans. AEPL holds assets for the trust and major revenue of AEPL generated from rental income from the AECT. Therefore, Infomerics has consolidated the financial and business risk profile of AECT and AEPL on account of common management team and significant operational and financial linkages.

Applicable Criteria:

[Rating Methodology for Services companies.](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria on Rating Outlook](#)

Liquidity – Adequate

Adequate liquidity marked by expected healthy cash accruals in the range of ~Rs.50-90 crore as against repayment obligation of around ~Rs.21-25 crore during FY23-25. Further, the group has maintained a healthy cash balances of Rs.8.40 crore and average utilization of overdraft in last 12 months ending December 2022 remains moderate at ~89.61%.

About the Company

Arka Educational & Cultural Trust (AECT) was established in the year 2009 by Dr. Chenraj Roychand. The Trust is situated at Bangalore, Karnataka. Trust manages around 28 Schools & 9 colleges offering education from kindergarten to standard 12, Pre-University 4 courses, B.com, M.com, B.A, MBA, PHD etc. AECT is currently having 21,000+ students enrolled in various institutes.

Financials (Consolidated):

INR in Crore		
For the year ended* As on	31-03-2021	31-03-2022



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	Audited	Audited
Total Operating Income	116.04	118.77
EBITDA	55.11	56.02
PAT	6.31	5.18
Total Debt	302.06	271.95
Tangible Net Worth	321.71	348.85
EBITDA Margin (%)	47.49	47.17
PAT Margin (%)	5.44	4.37
Overall Gearing Ratio (x)	0.94	0.78

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Dated: Feb 21, 2022)	Date(s) & Rating(s) assigned in 2020-21 (Dated: Dec 30, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Bank Facilities – Term Loans	Long Term	123.00	IVR BBB/ Stable	IVR BBB/ Rating watch with developing implication	IVR BBB/ Stable	-
2.	Fund Based Bank Facilities – Overdraft	Long Term	40.00	IVR BBB/ Stable	IVR BBB/ Rating watch with developing implication	IVR BBB/ Stable	-

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	123.00	IVR BBB/ Stable
Overdraft	-	-	-	40.00	IVR BBB/ Stable



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Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Extent of Consolidation
Arka Educational and Cultural Trust	Full Consolidation
Arka Eduserv Private Limited	Full Consolidation

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-ArkaEducational-mar23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

