



Press Release

Arka Eduserve Private Limited

August 11, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long term Bank Facilities	29.91 (Reduced from Rs. 40.66 crore)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Rating Downgraded	Simple
Total	29.91	(Rupees Twenty-Nine crores and ninety-one lakhs only)			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has downgraded its rating assigned to the Bank facilities of Arka Eduserve Private Limited (AEPL) due to lower-than-expected performance of FY25 along continued significant exposure in group companies. The ratings continue to reflect relatively strong profitability, stable enrolment rates backed by experienced Board of Trustees. However, the ratings are partially offset on account of subdued performance over FY24 and FY25 with moderate debt protection metrics and capital structure and susceptibility to regulatory risks and intense competition. Infomerics has also taken a note of certain qualifications made by the auditor in the audit report of FY24.

The Stable outlook reflects Infomerics expectations of the group's financial profile to remain at the current levels over a medium term.

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
- Reduction in exposure to group companies.



Press Release

Downward Factors

- Dip in operating income and/or profitability due to decline in enrolment ratio impacting the debt protection metrics.
- Deterioration in the capital structure and liquidity position
- Further exposure to group companies.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Strong profitability margins:

Arka Group has maintained strong profitability reflected by EBITDA margins of 34.24% during FY25 (P) (period refers to 01st April 2024 to 31st March 2025) (FY24: 31.48%) with lower operating costs. PAT margins improved to 7.76% in FY25(P) (FY24: 3.41%) due exceptional income from profit from sale of land. Infomerics expects profitability margins to remain at the current levels with expectations of stable operating cost.

Stable Enrolment Rates:

Arka group's institutions have maintained stable enrolment rate over FY24 and FY25. Enrolment rate has improved to 61% during FY25 (FY24:58.8%). Though, Infomerics notes that with relatively stiff competition from upcoming colleges in Jamshedpur as Jharkhand government has taken initiative to open new engineering colleges which might impact the enrolment rate over a medium-long term.

Experienced Board of Trustees and support from Sri Bhagawan Mahaveer Jain Educational & Cultural Trust:

Dr. Chenraj Roychand is the founder & chairman of Jain Group and Arka Group. Established 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. Infomerics has also taken comfort as Jain Group's another trust Sri Bhagawan Mahaveer Jain Educational & Cultural Trust has provided support in the form of interest free unsecured loans to the tune of Rs.99.93 crore to the company and provided an undertaking that the trust will support in case on any liquidity issues.



Press Release

Key Rating Weaknesses

Subdued revenue performance during FY25 and concentration:

Arka Group's revenue remains subdued with modest revenue growth of ~5% during FY25 (P). Arka Group has reported revenue of Rs. 191.87 crore in FY25(P) (FY24:182.27 crore). Infomerics also notes that 58% of the fee's receipts are from three school/institutions and one of the institute/schools has reported de-growth in fee receipts during FY25 despite increase in student strength. Also, another institute fee receipts growth is lower than increase in student enrolment which reflects stiff competition in the region.

Significant Exposure to group entities:

AEPL has high exposure to its various group companies in the form of investments of around Rs.169 crore. Exposure to group entities restricts the credit risk profile of the company to an extent. However, the group has a moderate credit profile and sufficient cash flows to service its own debt obligations.

Moderate debt protection metrics:

Arka Group's debt protection metrics remained moderate with DSCR and ICR at 1.13x and 1.78x in FY25 (P) (FY24: 1.21x & 1.72x respectively) due to high interest and finance cost vis à vis its net cash accruals with balance repayments in FY25 funded through unsecured loans from trustees / promoters. Infomerics expects group's debt protection metrics to remain moderate over the moderate over medium term with continued support from trustees / promoters which remains a key monitorable factor.

Moderate Capital Structure:

Arka Group's capital structure remained stable marked by overall gearing ratio and TOL / ATNW total outside liabilities/adjusted tangible net worth) at 1.20x and 2.17x in FY25(P) respectively (FY24: 1.03x & 1.98x respectively) on account of higher adjusted tangible net worth due to infusion of unsecured loans from promoters, directors and family which are subordinated to bank loans. We have confirmation from the bankers that these are subordinated to bank loans and hence loans amounting to Rs. ~190 crores are considered as quasi equity. However, Infomerics expects group's financial risk profile to remain comfortable on back of continued support from promoters / trustees which will remain a key monitorable factor.

Susceptibility to regulatory risks and intense competition:



Press Release

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

Analytical Approach: Combined

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 combined 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 Service sector Companies](#)

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

[Criteria for assigning Rating outlook](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Criteria for Consolidation of Companies](#)

Liquidity –Adequate

Liquidity is adequate marked by expected cash accruals in the range of ~Rs. 32 crores – Rs. 100 crores as against repayment obligation of around ~Rs.38 crores to Rs. 40 crores crore during FY26 - 28. Further, the group has maintained a healthy cash balances of Rs. 12.72 crores as on 31st March 2025 (P). Also, OD utilization for 12 months ending March 25 stood at a ~94%.



Press Release

About the Company

AEPL incorporated in 2008 by Dr. Chenraj Roychand is an asset holding company that leases assets to Arka Educational and Cultural Trust (AECT) and also offers consultancy services.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2024 Audited	31-03-2025 Provisional
Total Operating Income	10.62	11.78
EBITDA	5.63	8.28
PAT	0.79	8.67
Total Debt	66.44	58.32
Tangible Net Worth	97.66	106.33
EBITDA Margin (%)	53.05	70.27
PAT Margin (%)	7.44	53.24
Overall Gearing Ratio (x)	0.68	0.55
Interest Coverage (x)	1.29	2.35

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
					May 15, 2024	--	Mar 16, 2023
1.	Term Loan	Long Term	29.91	IVR BBB-/ Stable	IVR BBB/ Stable	--	IVR BBB/ Stable

Analytical Contacts:

Name: Amey Joshi

Tel: (022) 62396023

Email: amey.joshi@infomerics.com



Press Release

About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	--	--	--	May 2029	29.91	IVR BBB-/ Stable



Press Release

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-arka-eduserve-aug25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for Combined analysis:

Name of the company/Entity	Combined Approach
Arka Educational & Cultural Trust	Combined (100%) state of consolidation
Arka Eduserve Private Limited	Combined

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.