



Press Release

Vidyanidhi Education Trust (VET)

September 12, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	69.43 (Enhanced from 62.40)	IVR BB+/ Stable (IVR Double B Plus With Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus With Stable Outlook)	Downgraded	Simple
Short Term Facilities	10.00	IVR A4+ (IVR A Four Plus)	IVR A3 (IVR A Three)	Downgraded	Simple
Total	79.43 (Seventy-Nine Crore and Forty-Three Lakh 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

The downgrade of the ratings by Infomerics Ratings to the bank facilities of Vidyanidhi Education Trust factors in stretched liquidity, modest profitability and debt protection metrics. However, the rating continues to derive strength from the vast experience of the promoter's group, satisfactory infrastructure coupled with experienced faculties, satisfactory enrolment rate in educational institute, growth in total operating income and comfortable capital structure. The rating is however constrained by susceptibility to regulatory risks, intense competition from the other players.

The stable outlook reflects the fact that the entity will continue to benefit from its vast experience of the promoters and satisfactory infrastructure coupled with experienced faculties.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in total operating income & EBITDA margins leading to improvement in debt coverage indicators and capital structure.



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Downward Factors

- Any decline in revenue and profitability leading to lower net cash accrual and deterioration in debt coverage indicators and/or trust's liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- Vast experience of the promoters**

Vidyanidhi Education Trust was promoted by Mr. Dayanand Pai, Mr. Satish Pai, Mr. Ravindra Pai and Mr. Ashwin Pai. Mr. P. Dayanand Pai is the managing trustee who holds five decades of experience in similar line of business. Dayanand Pai has honoured as 'Honoris Causa' from Mangalore University. Prior to establishment of VET, Mr. Dayanand Pai was the trustee of BMS college of Engineering. Mr. Satish Pai is the trustee, has extensive experience in similar line of business for five decade and he is a commerce graduate. Mr. Ravindra Pai was graduated from IIM, Bangalore and Mr. Ashwin Pai done his MBA in Manipal Institute of Management. Both holds around two decades of experience in similar line of business.

- Satisfactory infrastructure coupled with experienced faculties**

VET has the privilege of having number of experienced faculties, which is essential in building a strong brand name and attracting quality students. Further, all the institutes under the trust have modern infrastructure including spacious classrooms, outdoor open area, activity room, interaction and reading corner, music room, lawn areas, washroom for boys, girls and differently abled, transport, canteen facilities and latest tools & technologies. Further, the trust has qualified and well-trained teaching and non-teaching staff.

- Satisfactory enrolment rate in educational institute**

Enrolment rate depends upon available infrastructural facilities, composition of experienced faculties, and brand image of the institution. VET has maintained satisfactory enrolment rate over the past years. The enrolment ratio stood at 90% in FY24 [(Provisional) refers to period April 1st, 2023, to Mar 31, 2024]

- Growth in total operating income**



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The trust total income increased from Rs. 88.33 crore in FY22 to Rs. 119.19 crore in FY24. VET income was dropped to Rs. 77.16 crore in FY21 from Rs. 80.93 crore in FY20 due to covid disruptions. However, after normalization, the revenue of the trust has increased by 15% to Rs. 88.33 crore in FY22 and since then, there was sustainable increase in income to Rs. 119.19 crore in FY24 due to increase in enrolment ratio and intake of students.

- **Comfortable capital structure**

The financial risk profile of VET continues to be comfortable with low gearing. The capital structure stood comfortable; however, VET Overall gearing ratio has increased marginally to 0.93x in FY24 compared from 0.64x in FY23 due to increased borrowings for working capital needs and term loans for improvement of infrastructure of schools. The Company's Tangible Net Worth increased marginally from Rs. 73.54 Crore in FY23 to Rs. 74.97 Crore in FY24 on account of lower profitability for the trust. TOL/TNW stood at 1.98x in FY24 (FY23: 1.59x)

Key Rating Weaknesses

- **Modest profitability and debt coverage indicators**

The trust EBITDA margins decreased in FY24 to 8.88% from 23.82% in FY23. The reason for decline in EBITDA margins over the last two years are increase in employee and administration expenses. Also, rental expense increased as Vidyashilp Academy shifted to new campus taken on lease from Vidyashilp North Campus in 2022 and the old campus was retained for Pre-University (PU) College. The trust PAT margin also decreased in FY24 to 1.19% from 8.97% in FY23 primarily due to additional interest expenses on new loans taken. The debt protection metrics have also stood low due to lower profitability. ISCR and DSCR have decreased from 8.52x and 4.55x respectively in FY23 to 1.38x and 0.82x in FY24.

- **Susceptibility to regulatory risks**



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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 from other players**

VET 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: Standalone

Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

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

Liquidity – Stretched

Vidyanidhi Education Trust liquidity remains stretched as evidenced by the firm's working capital utilization which stood at an average of ~ 93% against sanctioned limits for the last 12-month ended June 2024. GCA is matching tightly with repayment in the current year. Cash & Bank Balances as on 31st March 2024 stood at Rs. 4.88 Crore.

About the Trust

Vidyanidhi Education Trust (VET) was established on February 16, 1996, by Mr. Dayanand Pai, Mr. Satish Pai, Mr. Ravindra Pai and Mr. Ashwin Pai. The trust is located at Hubli, Bangalore and running five schools and one pre-university college in different names at various locations. The school offers Indian Certificate of Secondary Education (ICSE) and Cambridge curriculum to its students.



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Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	106.56	119.19
EBITDA	25.38	10.58
PAT	9.64	1.43
Total Debt	46.81	69.76
Tangible Net Worth	73.54	74.97
EBITDA Margin (%)	23.82	8.88
PAT Margin (%)	8.97	1.19
Overall Gearing Ratio (x)	0.64	0.93
Interest Coverage (x)	8.52	1.38

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					July 13, 2023	--	--
1.	Term Loan	Long Term	54.43	IVR BB+/Stable	IVR BBB-/Stable	--	--
2.	Cash Credit	Long Term	15.00	IVR BB+/Stable	IVR BBB-/Stable	--	--
3.	Bank Guarantee	Short Term	10.00	IVR A4+	IVR A3	--	--

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About Infomerics:

Infomerics Valuation and Rating Private 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.

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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	-	-	-	Upto March 2033	54.43	IVR BB+/Stable
Cash Credit	-	-	-	-	15.00	IVR BB+/Stable
Bank Guarantee	-	-	-	-	10.00	IVR A4+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Vidyanidhi-sep24.pdf>

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

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.