Vidyanidhi Education Trust
July 13, 2023

Ratings:

Instrument / Facility	Amount (INR Crore)	Ratings	Rating Action	Complexity Indicator
Long Term-Fund Based-Bank Facilities	62.40	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook	Assigned	Simple
Short Term-Non-Fund Based-Bank Facilities	10.00	IVR A3 (IVR A Three)	Assigned	Simple
Total	**72.40**	**Rupees Seventy-Two Crore and Forty Lakh Only**		

Details of Facilities are in Annexure 1

Detailed Rationale:

The ratings assigned to the bank facilities of Vidyanidhi Education Trust factors in vast experience of the promoters, satisfactory infrastructure coupled with experienced faculties, satisfactory enrolment rate in educational institute, growth in total operating income, comfortable capital structure and debt coverage indicators.

The ratings however constrained by susceptibility to regulatory risks, intense competition form players.

Key Rating Sensitivities:

Upward Factors:

- Increase in total income above Rs. 125 crore with improvement in enrolment ratio and the profitability margins**.**

Downward Factors:

- Any decline in total operating income below Rs. 95 crore along with decline in profitability margins.
- Deterioration in debt coverage indicators marked with Total debt/GCA above 6x.

- Any long-funded debt along which lead to deterioration of capital structure with overall gearing above 1.5x.

Key Rating Drivers with detailed description

Key Rating Strengths:

Vast experience of the promoters

Vidyanidhi Education Trust (VET) 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. He persuaded B.Sc., B.E., Mechanical Engineering and BL from Sharada Vilas Law College, Mysore. Also, 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 two decade 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 has modern infrastructure including spacious class rooms, out door open area, activity room, interaction and reading corner, music room, lawn areas, wash room for boys, girls and physically challenged, 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 has increased to 91% in AY 22-23 from 78% in AY21-22.

Growth in total operating income

The trust reported with increase in total income ranging from Rs. 77 crore to Rs. 106 crore over past three years ended FY23. VET income was dropped to Rs. 77.16 crore in FY21 from

Rs. 80.93 crore in FY20 due to covid disruptions and the classes were conducted through online. However, after normalization, the revenue of the trust has increased by 15% to Rs. 89.33 crore and since then, there was sustainable increase in income of Rs. 106.36 crore in FY23 (Prov.) due to increase in enrolment ratio.

Comfortable capital structure and debt coverage indicators

VET has been sanctioned with Rs. 23 crore for renovating of Vidyashilp University and Rs. 25 crore for upgradation of school campuses. Additionally, the trust availed working capital of Rs. 15 crore to meet its working capital requirements. This has resulted in overall gearing at 0.48x as of March 31, 2023 (Prov.). The debt coverage indicators marked with total debt/GCA of 4.87x as of March 31, 2023(Prov.).

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 from the 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 rating outlook

Liquidity-Adequate

Liquidity is adequate marked with sufficient accruals of Rs. 8.60 crore to repay its term debt obligations of Rs. 3.94 crore as of March 31, 2024. The trust has cash and bank balances of Rs. 4.72 crore as of March 31, 2023 (Prov.). The current and quick ratio stood at 1.54x and 1.53x as of March 31, 2023 (prov.). Since, it's a educational trust, the fee will be collected in advance and on time, hence the collection period stood nil. VET availed credit period upto 5 days from its suppliers. The trust has been sanctioned with working capital of Rs. 15 crore and the average utilisation stood at 83% for last three months ended May 31, 2023.

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 Hobli, Bangalore and running five schools in different names at various locations. The school offers Indian Certificate of Secondary Education (ICSE) and Cambridge curriculum to its students. The trust offers from Pre-School to higher secondary level of education.

Financials: Standalone

For the year ended / INR. Crore*	31-03-2022	31-03-2023
	Audited	**Provisional**
Total Operating Income	88.33	105.78
EBITDA	33.93	10.58
Net profit	17.45	9.60
Total Debt	-	46.81
Tangible networth	78.90	73.50
Ratios		
EBITDA Margin (%)	38.41	10.00
Net profit Margin (%)	19.60	9.03
Overall Gearing Ratio (x)	-	0.64

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: None with other CRA

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) &Rating(s) assigned in in 2020-21
1.	Long Term Bank	Long Term	47.40	IVR BBB-/ Stable	-	-	-

	Facility - Term Loan						
2.	Long Term Bank Facility - Cash Credit	Long Term	15.00	IVR BBB- /Stable	-	-	-
3.	Short Term-Bank Facility- Bank Guarantee	Short Term	10.00	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).

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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.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Term Loan	-	-	February 2030	24.40	Assigned
Term Loan	-	-	July 2029	23.00	Assigned
Cash Credit	-	-	-	15.00	Assigned
Bank Guarantee	-	-	-	10.00	Assigned

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-vidyanidhi-jul23.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