



Press Release

Babu Banarasi Das Educational Society September 03, 2020

Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long term - Bank Facilities	49.53	IVR A+/Stable (IVR Single A Plus with Stable Outlook)	Assigned
Total	49.53		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to Babu Banarasi Das Educational Society (BBDES) derives comfort from its experienced management team with its established track record in education services. The rating also factors in its Stable headcounts of students, healthy surplus, comfortable capital structure due to strong corpus fund and low debt levels along with adequate coverage metrics. These rating strengths are partially offset by Susceptibility to regulatory risks, Capital intensive nature of operation and Intense competition by other Institutions in the proximity.

Key Rating Sensitivities

Upward Factors:

- ✓ Improvement in enrollment rates thereby adding to the growth in operations and profitability and consequent increase in liquidity on a sustained basis
- ✓ Reduction in debt level with improvement in the capital structure and debt protection metrics
- ✓ Continues support from the management of society for additional funds if required.

Downward Factors:

- ✓ Decline in the intake of students and/or negative change in government regulations leading to moderation in the operating income and/or dip in profitability impacting the liquidity
- ✓ Deterioration in debt protection metrics with interest coverage.
- ✓ Any unplanned capex impacting the overall financial risk profile



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Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Board of Management.

Founded under the chairmanship of Dr. Akhilesh Das Gupta, the society has three institutes and a university under its aegis. Ms. Alka Das, the Chairman of BBDES is highly experienced in the education sector with close to two decades of experience. She is actively involved in the management of the society with support daily management. Mr. Viraj Sagar Das (President) also having experience for over one decade and actively participate in daily management. Further, the day-to-day activities of the educational institutions are managed by respective Principals under the guidance of society members.

Strategic Location Advantage

Lucknow is the capital of Uttar Pradesh and has industrial hubs in vicinity. The colleges are within the city limits of Lucknow Municipal Corporation (AMC) that aids the students for undertaking live project, training, internships and placements. Location is well connected and enjoys close proximity to road, rail and airport.

Established track record of the society of successfully running educational institutions for over two decade in imparting education

BBDES, operating since 1997 has more than 02 decade long experience in the education sector. At present, the society has two institutes in Lucknow namely Babu Banarasi Das National Institute of Technology & Management and Babu Banarasi Das Engineering College. Both the institutes are affiliated to AKTU. The third institute Akhilesh Das Gupta Institute of Technology and Management (formerly Northern India Engineering College) is based out of Delhi and is affiliated to GGSIPU. The Babu Banarasi Das University was established in February 2011 under the Uttar Pradesh State Legislature Act (No. 25 of 2010) and Section 22 of the University Grants Commission 1956 with total strength of around 15000+ students across all colleges and University.

Currently, both the colleges are affiliated to the Dr. APJ Abdul Kalam Technical University and is approved by All India Council for Technical Education (AICTE).



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Satisfactory infrastructure with association of experienced faculties

The institutes under BBDES has the privilege of having a number of experienced faculty members, which is essential in building a strong brand name and attracting quality students. Further, all the institutes under BBDES have modern infrastructure including modern lab, canteen facilities and latest tools & technologies.

Sustenance of strong margins

In FY20, the society's current balance before interest and depreciation (CBBID) margin improved to 28.91% (FY19: 29.07%) due to rationalisation of administrative expenses. Surplus remains healthy at ~21.98% (PY: 21.27%) due to lower interest expenses on the account of lower debt level and its utilizations. IVR expects the society to continue to register healthy CBBID margins in the near to medium term

Average financial risk profile marked by moderate capital structure and debt protection metrics

The capital structure of the society remained strong as on the past three account closing dates mainly due to its healthy corpus fund and lower debt availment. The leverage ratios though improved to 0.15x as on March 31, 2020 as compared to 0.19x as on March 31, 2019 backed by scheduled repayment of term loans and retention of profit . The leverage ratios though improved as on March 31, 2020 as compared to March 31, 2019 backed by scheduled repayment of term loans coupled with retention of surplus fund in the society which leads to increase in corpus fund. Total indebtedness of the society also remained comfortable as reflected by TOL/ANW at 0.20x as on March 31, 2020. The debt protection parameters also remained strong marked by interest coverage at 13.14x and Total debt to GCA at 1.41 years in FY20. Moreover, BBDES has been net debt negative since FY17. In the absence of capital-intensive capex plans, BBDES will be able to maintain a low debt burden and a comfortable debt service coverage ratio in the medium term.

Positive demand outlook for education in India marked by significant demand for higher education

The long-term demand outlook of the education industry remains favorable on the back of a significant demand-supply gap in the higher education space augurs well for the group.



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Further, demand for higher education is likely to improve in India on the back of rising awareness, increasing population and better affordability.

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. Any regulatory changes that impact the flexibility of the society to fix fees for the management quota seats may adversely impact the revenue profile and cash accruals.

Capital intensive nature of operation

Education sector needs regular investment in the workforce and infrastructure to upgrade its facilities and to conduct the operations efficiently. Going ahead, the ability to distinguish among competition from other private colleges/universities and increasing the student base, any higher than anticipated capex and its funding pattern shall be the key rating sensitivities.

Intense competition

BBDES faces intense competition from both upcoming and established public and private players in the education sector, high level of regulation by the government (central and state) in the education sector and continuous need for capex for investment in infrastructure facilities.. 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)

Liquidity: Adequate

Adequate liquidity marked by expected cash accruals in the range of ~Rs.49-50crore as against repayment obligation of around ~Rs.5.50crore during FY20-22. Further, the society's has maintained a healthy cash balances of Rs.148.72 Crs and average utilization of last 12 months ending April, 2020 remains at ~30%. Further, current ratio of the society remains



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adequate at 6.35 times as on March, 2020. All these factors indicate a adequate degree of liquidity support to the Society in meeting its near-term debt obligations.

About the Company

BBDES has a registered office in Lucknow and was established under the Societies Registration Act, Uttar Pradesh in August 1997. Founded under the chairmanship of Dr. Akhilesh Das Gupta, the society has three institutes and a university under its aegis. The society has two institutes in Lucknow namely Babu Banarasi Das National Institute of Technology & Management and Babu Banarasi Das Engineering College. Both the institutes are affiliated to AKTU. The third institute Akhilesh Das Gupta Institute of Technology and Management (formerly Northern India Engineering College) is based out of Delhi and is affiliated to GGSIPU. The Babu Banarasi Das University was established in February 2011 under the Uttar Pradesh State Legislature Act (No. 25 of 2010) and Section 22 of the University Grants Commission 1956.

Financials (Standalone Basis)

For the year ended / As on*	(Rs. crore)	
	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	143.90	150.74
EBITDA	41.83	43.58
PAT	32.65	35.06
Total debt	81.52	69.08
Tangible Networth (Adj.)	418.31	453.37
PAT margins (%)	21.27	21.98
EBITDA margins (%)	29.07	28.91
Overall Gearing Ratio (x)	0.19	0.15

*classification as per Infomerics standard

Status of non-cooperation with previous CRA: Ind-Ra has migrated the rating of the society into Issuer not co-operating category on May 21, 2020 due to non-receipt of adequate information to carry rating process.

Any other information: Nil



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Rating History for last three years:

S. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Long term - Fund based Facilities	Long Term	49.53	IVR A+/Stable Outlook	-	-	-

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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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
Long term Bank Facilities–Overdraft	-	-	Revolvin g	27.50	IVR A+/Stable Outlook
Long Term Bank Facilities – Term Loan	-	-	Varied till final Feb, 2026	22.03	IVR A+/Stable Outlook