



Press Release

Arka Eduserve Private Limited (AEPL)

December 30, 2020

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	71.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned
Total	71.00 (Seventy One Crore)		

Details of Facilities are in Annexure 1

Detailed Rationale

Arka Educational & Cultural Trust (AECT) and Arka Eduserve Private Limited (AEPL) collectively referred to as '**Arka Group**'. 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.

The Rating takes into account Experienced board of Trustees & Directors, Satisfactory enrolment rates in educational institute and Stable operating performance of the Group. However, these rating strengths are partially offset by Intense competition and Susceptibility to regulatory risks.

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

List of Key Rating Drivers with Detailed Description



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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 three 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. At present around 21,000+ students are enrolled in various institutes.

Stable operating performance of the Group

The total income of the Group during FY19 and FY20 stood at Rs.156.93 crore in FY20 (Prov.) and Rs.146.16 crore in FY19. Fees income from various courses offered by the Group increased in FY20 as compared to FY19. Being in service sector, the operating profit margin of the society remained healthy over the years. In FY20 (Prov.) EBITDA margin stood healthy at 29.20% as against 26.29% in FY19.

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



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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: Consolidated

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 is an asset holding company that leases assets mainly to 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. The list of companies is given in Annexure 2.

Applicable Criteria:

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

Adequate liquidity marked by expected healthy cash accruals in the range of ~Rs.22-35crore as against repayment obligation of around ~Rs.9.00 to 12.00 crore during FY20-22. Further, the group has maintained a healthy cash balances of Rs.18.82 Crores and average utilization of overdraft in last 12 months ending November, 2020 remains at ~87%.

About the Company

Arka Eduserve Private Limited (AEPL) incorporated in 2008 by Dr. Chenraj Roychand is an asset holding company that leases assets to AECT, and also offers consultancy services.

About the Group

Arka Educational & Cultural Trust (AECT) & Arka Eduserve Private Limited (AEPL) together referred to as "**Arka Group**". Both the entity was founded by Dr. Chenraj Roychand to provide educational services. Arka Group has presence in the education sector since 2009



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Financials (Consolidated):

(Rs. Crore)

For the year ended* As on	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	146.16	156.93
EBITDA	38.42	45.83
PAT	4.16	7.87
Total Debt	324.79	313.88
Tangible Net Worth	235.35	250.55
EBITDA Margin (%)	26.29	29.20
PAT Margin (%)	2.85	5.01
Overall Gearing Ratio (x)	1.38	1.25

Status of non-cooperation with previous CRA: N/A

Any other information: N/A

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (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.	Term Loan 1	Long Term	10.00	IVR BBB/ Stable	-	-	-
2.	Term Loan 2	Long Term	44.00	IVR BBB/ Stable	-	-	-
3.	Term Loan 3	Long Term	15.00	IVR BBB/ Stable	-	-	-
4.	Term Loan 4	Long Term	2.00	IVR BBB/ Stable	-	-	-

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 Facility – Term Loan 1	-	-	February, 2029	10.00	IVR BBB/Stable
Long Term Bank Facility – Term Loan 2	-	-	March, 2023	44.00	IVR BBB/Stable



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Long Term Bank Facility – Term Loan 3	-	-	November, 2027	15.00	IVR BBB/Stable
Long Term Bank Facility – Term Loan 4	-	-	December, 027	2.00	IVR BBB/Stable

Annexure 2: List of companies considered for consolidated analysis

Name of the Entity	Ownership	Consolidation Approach
Arka Educational & Cultural Trust (AECT)	100%	Full Consolidation
Arka Eduserve Private Limited (AEPL)	100%	Full Consolidation