



**Press Release**  
**THE NEOTIA UNIVERSITY**  
**June 02, 2023**  
**Rating Assigned and Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	36.80	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	20.70	ACUITE BBB   Stable   Downgraded	-
Bank Loan Ratings	1.70	-	ACUITE A3+   Downgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	59.20	-	-

**Rating Rationale**

Acuite has downgraded the long-term rating to "**Acuite BBB**" (read as "**Acuite t riple B**") from **Acuite BBB+** (read as **Acuite t riple B plus**) and the short-term rating to "**Acuite A3+**" (read as **Acuite A three plus**) for the Rs. 22.40 crore bank facilities of The Neotia University (TNU). The outlook remains '**stable**'.

Acuite has assigned the long-term rating of '**Acuite BBB**' (read as '**Acuite t riple B**') to the Rs. 36.80 crore bank facilities of The Neotia University (TNU). The outlook remains '**stable**'.

**Rationale for rating downgrade**

The rating downgrade reflects a moderation in revenue growth led by a decline in new student intake and a consequent reduction in profitability metrics during FY23 (provisional). The revenues of the university stood at Rs. 33.18 crore, which remains lower than Acuite's expectations. The operating profit margin was impacted and declined to 22.40 percent in FY23 (provisional), primarily on account of an increase in employee costs as the university proposed to expand its infrastructure to increase student intake. However, the rating continues to factor in the experienced trustees and financial flexibility it receives from the Ambuja-Neotia group, as reflected by the continuous infusion of funds as and when required.

**About the Company**

Promoted by the Ambuja Neotia Group in 2015, the Neotia University (TNU) was established vide the West Bengal State Government University Act XXIII of 2014 and enlisted and recognised by the University Grant Commission (UGC), Government of India. The university has a campus size of 60 acres and is located in Diamond Harbour, near Kolkata. Currently, TNU has a faculty strength of 215; a student strength of around 3200; and 16 laboratories and workshops. The university is offering around 50 undergraduate, postgraduate, and doctorate courses.

**Standalone (Unsupported) Rating**

Acuite BBB-/Stable

**Analytical Approach**

Acuite has taken a standalone view of the business and financial risk profile of TNU to arrive at the rating. While arriving at the rating of TNU, Acuite has taken the support from Ambuja-

Neotia group given that the Chairman of the group Mr. Harshavardhan Neotia is the key trustee/Chancellor of the university.

## Key Rating Drivers

### Strengths

- **Experience Management and Financial Flexibility of the Ambuja-Neotia Group**

The key trustee and chancellor of The Neotia University, Mr. Harshavardhan Neotia, has immense experience in real estate and hospitality business and is the key promoter of the well-known Ambuja-Neotia Group. The Ambuja-Neotia Group has been promoted by the Neotia family, which has been an integral part of the business community in Kolkata for nearly 125 years.

The group, through its various joint venture companies and special purpose vehicles (SPVs), has been engaged in the development of real estate properties, both housing and commercial complexes, and in the hospitality business. The group has executed more than 25 million square feet of development, comprising residential, commercial, and hospitality projects, through its various joint ventures and subsidiary companies in the last two decades. The group has established its brand presence, which is widely recognised in the eastern region, and has ventured into the states of Sikkim, Bihar, and Chhattisgarh to undertake various types of real estate and hospitality projects. The group has a healthy financial risk profile and has demonstrated a willingness to support their businesses. Furthermore, the group has demonstrated their support for TNU, as reflected by the continuous infusion of unsecured loans and equity into the university for the smooth running of operations over the years. The total unsecured loan from the group stood at Rs. 21.71 crore as of March 31, 2023 (provisional).

Acuité believes that TNU, being a strategically important entity for the group, shall continue to benefit from the financial, operational, and management support of the Ambuja-Neotia Group as and when required. The chairman of the group, Mr. Harshavardhan Neotia, is the principal trustee of the university, and the extensive experience of the promoters will continue to benefit the group over the medium term.

### Weaknesses

- **Higher fixed costs lead to a deterioration in profitability margins.**

The ramp-up in student intake, which remained lower than the previous year with higher employee costs, has led to a reduction in profitability metrics, which in turn has led to a reduction in leverage indicators.

After witnessing an improvement in operating profit margin from 26.78 percent in FY2021 to 31.34 percent in FY22, it declined to 22.40 percent in FY23 (provisional), mainly on account of an increase in employee costs. Also, the university reported a decline in profit after tax (PAT) of Rs. 1.61 crore during FY23 (provisional) as against Rs. 5.54 crore in FY22.

The ongoing capex plan of the university to the tune of Rs. 25 crore will be incurred towards the construction of new hostel facilities for both boys and girls, which is expected to be completed by September 2024.

- **Below average financial risk profile**

The university's financial risk profile continues to remain average with moderate debt protection metrics. The corpus fund of the university increased yet remained at Rs. 7.58 crore as of March 31, 2022, from Rs. 2.03 crore as of March 31, 2021. The improvement was mainly due to the retention of profits. Despite improvement, the gearing level of the university remained high at 4.94 times (considering unsecured loans as debt) as of March 31, 2022, as compared to 14.57 times as of March 31, 2021. However, the adjusted gearing ratio, without considering unsecured loans, stood at 2.84 times as of March 2022. Also, the debt-to-EBITDA ratio of the university remained high at 4.01 times as of March 31, 2022. The university is incurring a capex of Rs. 25 crore, which will be funded through bank lines to the tune of Rs. 18 crore. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 6.21 times as of March 31, 2022, as against 17.61 times as of March 31, 2021.

However, the debt protection metrics of the university remained moderate, with the debt service coverage ratio at 2.54 times and the interest service coverage ratio (ICR) at 3.03 times as of March 31, 2022. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.16 times as of March 31, 2022, and is expected to remain almost at the same levels in the near term.

- **The education sector in India is highly regulated and competitive.**

The education sector is highly regulated, with the government deciding on the maximum student intake, fees, mandatory facilities, faculty strength, and even faculty salary to some extent. Any adverse government regulations may impact society's revenue growth and accruals. The student-teacher ratio is within the stipulated norms for all the institutions. The institutions run by the society face stiff competition from other reputed institutions in the vicinity, which puts pressure on them to attract fresh students. However, considering that they have an established brand presence and have been consistently producing academic achievements, society has been insulated from the competition to some extent.

### **Rating Sensitivities**

- Scaling up of operations and improvement in profitability margin
- Timely completion of new hostel facility
- Improvement of their capital structure

### **Material covenants**

None

### **Liquidity Position Adequate**

The liquidity position of the university remains adequate, as reflected by the infusion of funds from the Ambuja Neotia group company, which also provides financial flexibility to the university. The adequate liquidity position is also supported by adequate net cash accruals of Rs. 6.16 crore in FY22 against maturing debt obligations of Rs. 0.58 crore over the same period. The current ratio stood comfortably at 4.50 as of March 31, 2022. The cash and bank balances of the university stood at Rs. 5.24 crore in FY2022. Also, the fund-based limit remained moderately utilised at 50.76 percent over the seven months ended April 20, 2023. Acuité believes that the liquidity of the university will continue to remain adequate on account of steady cash accruals and financial flexibility from the Ambuja-Neotia Group.

### **Outlook: Stable**

Acuité believes that the outlook for TNU will be 'stable' over the medium term on account of experienced management, the financial flexibility of the Ambuja-Neotia group, and growth in student admission. The outlook may be revised to 'positive' in the case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure, and working capital management. Conversely, the outlook may be revised to 'negative' in the event of a decline in the university's revenues or profit margins or a deterioration in the university's financial risk profile.

### **Other Factors affecting Rating**

Not Applicable

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	29.06	18.50
PAT	Rs. Cr.	5.54	1.86
PAT Margin	(%)	19.06	10.04
Total Debt/Tangible Net Worth	Times	4.94	14.57
PBDIT/Interest	Times	3.03	1.91

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Mar 2022	Secured Overdraft	Long Term	1.50	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	19.20	ACUITE BBB+   Stable (Assigned)
	Proposed Bank Facility	Long Term	1.70	ACUITE BBB+   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.70	ACUITE A3+   Downgraded
Bank of Baroda	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE BBB   Stable   Downgraded
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	19.20	ACUITE BBB   Stable   Downgraded
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	36.80	ACUITE BBB   Stable   Assigned

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Dipti Choudhary Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:dipti.choudhary@acuite.in">dipti.choudhary@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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