



Press Release
The Neotia University
August 30, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	57.50	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	1.70	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	59.20	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) for the Rs. 59.20 crore bank facilities of The Neotia University (TNU). The outlook remains '**Stable**'.

Rationale for Rating

The rating reaffirmation reflects the steady business risk profile of the company primarily due to the slow but increasing student intake coupled with improved revenues from hostel facility. The revenues are expected to improve further due to newer hostel facility which will be operational from next academic year. The EBITDA level of the company in FY2024 (Prov.) improved mainly due to increase in the number of students which resulted in improvement of lodging and food income which commands better margins, coupled with better absorption of fixed costs like employee and administration cost. Furthermore, the rating also derives benefit from the experience of the promoters to run the institute coupled with their flexibility to infuse funds in the business from time to time. The financial risk profile of the University continues to remain average with leveraged capital structure and average debt protection metrices. The liquidity is supported by steady cash accruals and absence of major debt funded capex plans. However, the rating is constrained by highly regulated and competitive nature of the educational sector.

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,

the university has well established infrastructure with 175 in-house faculty, 39 visiting faculty, 37 laboratory and workshops, Dummy Ship, Bridge simulator, 7 boys' hostels, girls' hostel, staff quarters, multipurpose hall, cultural clubs, swimming pool etc .

Unsupported Rating

Acuite BBB-/Stable

Analytical Approach

Acuité 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, Acuité has taken the support from Ambuja-Neotia group given that the Chairman of the group Mr. Harshavardhan Neotia is the key

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. 21.56 crore as of March 31, 2024 (provisional).

Acuité believes that TNU, being an 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.

Growth in student counts over the years although at a declining rate

The university has witnessed growth in student admission from 34 students in FY2016 to 3607 students in FY2024(provisional). Modern infrastructure, smart classroom, hostel and other facilities have enhanced the student enrolment. Thus, healthy growth in student admission coupled with modern infrastructure and continuous teacher's training is expected to enhance enrolment going forward. The increase in student admission have been declining year on year but with the addition of new courses we expect an increase in number of student enrolments. Since student admission growth is directly linked to increase in topline, this will be a key rating sensitivity.

Weaknesses

Average financial risk profile

The university's average financial risk profile is marked by moderate networth, high gearing and moderate debt protection metrics. The corpus fund of the university increased to Rs.16.17 Cr. as on March 31, 2024 from Rs 10.93 Cr. as on March 31, 2023 on account of retention of profits . Gearing of the university improved but stood high at 4.84 times as on March 31, 2024 (provisional) as against 5.96 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 6.01 times as on March 31, 2024(provisional), as against 7.47 times as on March 31, 2023.

Moreover, the debt protection metrics of the university is declined marginally reflected by Debt Service Coverage Ratio at 1.37 times and Interest Service Coverage Ratio (ICR) at 1.88 times as on March 31, 2024(provisional) against 1.50 times and 2.17 times respectively in FY 2023 largely due to long term borrowings availed for acquisition of NITMAS assets.

The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.06 times as on March 31, 2024(provisional) and is expected to remain almost at same levels in the near term. Acuité

believes that the university's financial risk profile is expected to improve over the medium term.

Presence in highly regulated and competitive education sector in India

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

Liquidity Position Adequate

The trustees including Mr. Harshvardhan Neotia and his wife have provided fund to the university from time to time as required; which provides financial flexibility to the university. The Neotia University has an adequate liquidity position marked by the net cash accruals of Rs.4.91 Cr. in FY2024(provisional) against a debt repayment of Rs. 3.69 Cr. for that period. The current ratio stood comfortable at 0.82 times as on 31st March, 2024(provisional). The cash and bank balances of the university stood at Rs.0.37 Cr. in FY2024(provisional). Also, the fund-based limit utilised at ~46 per cent over the seven months ended July, 2024. Acuité believes that the liquidity of the university is likely to improve over the medium term on account of steady cash accruals driven by an increase in student strength.

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 None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	47.56	39.28
PAT	Rs. Cr.	3.25	3.36
PAT Margin	(%)	6.84	8.55
Total Debt/Tangible Net Worth	Times	4.84	5.96
PBDIT/Interest	Times	1.88	2.17

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

Not Applicable

Any other information

None

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Jun 2023	Bank Guarantee (BLR)	Short Term	1.70	ACUITE A3+ Downgraded
	Secured Overdraft	Long Term	1.50	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	19.20	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	36.80	ACUITE BBB Stable (Assigned)
11 Mar 2022	Secured Overdraft	Long Term	1.50	ACUITE BBB+ Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	1.70	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	19.20	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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.70	ACUITE A3+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.28	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.50	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2036	Simple	19.88	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2029	Simple	16.84	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2033	Simple	18.00	ACUITE BBB Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No.	Company Name
1	Ambuja Neotia Holdings Private Limited
2	The Neotia University

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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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