March 24, 2025

K12 Techno Services Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term- Fund-based - Term loan	260.0	340.0	[ICRA]A-(Stable) reaffirmed; assigned for enhanced limits
Long-term/ Short-term- Fund-based - Bank facilities	36.9	66.9	[ICRA]A-(Stable)/[ICRA]A2+ reaffirmed; assigned for enhanced limit
Long-term/Short-term - Unallocated Limits	43.1	33.1	[ICRA]A-(Stable)/ [ICRA]A2+; reaffirmed
Total	**340.0**	**440.0**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation factors in the improvement in financial performance of K12 Techno Services Private Limited (K12) in FY2024, as reflected in improvement in margins, with gradual stabilisation of the onboarded schools in the past leading to improvement in debt metrics, which is expected to sustain in the near term to medium term. The rating reaffirmation notes the recent equity fund of Rs. 139 crore raised in March 2025, which has supported liquidity position and provided growth capital for new school addition.

The company reported revenues of Rs. 435 crore and Rs. 267 crore in FY2024 and 9M FY2025 respectively, supported by addition of schools under its own brand Orchid "The International School" (OIS). In FY2025, however, the company's revenues are expected to witness a slight moderation to ~Rs. 400 crore due to lower revenues from the loss making B2B segment. However, going forward, with planned steady addition of schools, the revenues are projected to increase by ~12-15% annually over the near to medium term. Along with revenues, the company's profitability has improved over the last two years as reflected by an operating margin of ~21.7% in 9M FY2025, against significant losses in FY2022. The same is likely to further improve with stabilisation of earlier on-boarded schools. ICRA notes that the company has tied up with ~37 schools in FY2023 and FY2024, which has now reached an optimum student enrolment, resulting in higher revenues for K12 for rendering its services. The rating is supported by the company's established position in K12 education sector and pan-India presence of OIS brand. The nature of the B2C business ensures that with higher student intake at the partner schools, operating leverage benefits are available, which pushes the profitability, given the asset-light model, under which the company operates in. The practice of maintaining all its operations in-house in both B2B and B2C verticals is also expected to bring in better brand recognition and margins. Further, the presence of strong and reputed investor base, coupled with demonstrated support of capital infusion in the form of equity resulted in a comfortable capital structure.

However, the ratings are constrained by moderate scale of operations and improving but relatively subdued debt coverage indicators, given the debt-funded capex requirement for onboarding of schools related to deposit payment as well as initial set-up costs. Due to lower profitability in the past, the debt coverage indicators remain subdued, with partial improvement visible over the last two fiscals, with TD/OPBITDA at 4.2 times and interest cover at 2.8 times[1] in 9M FY2025. With improving profits, on account of the stabilisation of schools, the debt coverage indicators are expected to improve, going forward. The inherent regulatory risk and competition in the education sector also constrains the rating to an extent.

The Stable outlook on K12's long-term rating reflects ICRA's opinion that the company will benefit from its established position and steady demand for schooling education in India, thereby supporting its revenue growth. ICRA expects that the company would fund its working capital and capex in a manner that its debt protection metrics is commensurate with the existing rating, while maintaining adequate liquidity, given the expected timely support of fund infusion from the investors.

[1] *Adjusted for non-cash IND AS adjustment for long term security deposits given*

Key rating drivers and their description

Credit strengths

Established track record in the K12 education sector along with diversified geographic presence – K12 is an education service company, providing services to schools and other educational institutions, including admission support, academic support, digital security support, administrative support, examination support and housekeeping services to schools under its own brand name, OIS and Taproot Colleges. K12 started its operations in 2010 and has expanded to over 85 schools across major cities in India, which is further expected to increase by 10-12 schools each year, in the near term. Apart from this, the company is present in the B2B segment, in which it provides curriculum and book kits to 700-800 schools under its own brand, Eduvate. ICRA notes that this segment is likely to remain limited going forward on account of lower margins and elongated receivable position.

Strong investor profile with consistent capital infusion – K12 is a professionally run company with large PE investments from the likes of Sequioa Capital (Now, Peak XV Partners), Navneet Learning, Sofina Ventures and Kedaara Capital. Sequioa and Navneet have been K12's investors since its inception in 2010 and both continue to hold ~25.53% and 13.93% respectively till date. ICRA notes that all the investors have continued to provide financial support to K12 as and when required. During the last four years, the shareholders have invested over Rs. 880 crore of equity, including ~Rs. 139 crore in the current fiscal to support the company's growth plans.

Stabilisation of business in earlier on-boarded schools leading to operating profitability in FY2024 compared to losses in the past – The company follows an asset-light strategy to expand, where K12's capital expenditure is limited to investment in school's light infrastructure (furniture, digital boards, projectors, etc) and providing long-term security deposit to the trust, which owns the school. ICRA notes that the overall number of students has grown significantly to over ~53,000 in the current fiscal from ~23,000 students in FY2020/FY2021. The company had tied up with ~37 schools in FY2023 and FY2024, which have now reached optimum level of student enrolments, resulting in higher revenues for K12 for rendering its services. In the initial years, when student intake in low, billing by K12 towards its services is moderate, however, with increasing student intake (generally in the second or third year onwards), K12's revenue increases substantially thereby leading to an improvement in the profitability. The revenues and profitability have improved considerably in FY2023 and FY2024 with operating margins of 15.6% in FY2024 and 21.7% in 9M FY2025. Going forward, the revenues and profits are expected to improve further with a significant increase in revenue contribution from higher student intake at the newly tied-up schools.

Credit challenges

Moderate scale and debt coverage indicators – K12's scale of operations remain moderate with revenues of ~Rs. 435.4 crore in FY2024. In FY2025, the revenues are estimated to slightly decline due to lower share of revenues from the B2B segment as well as loss of revenues on account of change in the academic year for some schools. ICRA notes that the company is expected to add ~10-12 schools annually in the near term, which is likely to support K12's revenues, going forward. Earlier, it had incurred significant losses in FY2022 due to high employee costs and marketing expenses, which has moderated substantially in the subsequent years. Such expenses are high during the initial years and therefore are directly linked to the number of new schools being added to K12's portfolio. Accordingly, due to limited profitability, the debt coverage metrics remain moderate with Total Debt/OPBITA of above 4.2 times and interest cover (adjusted for non-cash IND AS adjustment on account of long-term security deposits) of ~2.8 times in 9M FY2025. With improvement in profitability on the back of increasing number of stabilised schools, the debt coverage indicators are expected to improve, going forward.

Volatility in margins and risks associated with new schools including fund raising – The operating margins remained volatile over the last two years, which resulted in net losses in FY2022-2025. While the operating profitability is improving YoY, higher finance costs and depreciation would result in net losses in the near term, though on a reducing basis. Going forward, ICRA expects the OPM would remain healthy at above ~22-23%. Usually, an upfront investment of Rs. 8-10 crore is being done by K12 and that is primarily towards providing long-term performance guarantee to the trust and providing the necessary infrastructure such as chair, tables, laptops, CCTV, smart classrooms, etc. Going forward, the company expects to add ~10-12 schools p.a., which would require a capital expenditure of ~Rs. 100-150 crore p.a. Thus, it would expose the company to risks associated with timely fund infusion to take care of these costs. ICRA notes that K12 has provided corporate guarantee (CG) for school bus acquisition loans for few weaker trusts. The management does not envisage any support to these trusts for the repayment of its loans, however, going forward, any such large extension of CG to Trusts will remain a key monitorable.

Inherent regulatory risk and competition in education sector – K12 remains exposed to regulatory risks inherent in the education sector. Primary and secondary education in India is subject to regulatory controls, and educational institutions need to comply with Central as well as state-specific regulations. Moreover, the company is exposed to intense competition from established schools, both in the Government and private sectors, while attracting new admissions at its tied-up schools.

Liquidity position: Adequate

The company's liquidity position is adequate, which is expected to be supported by heathy cash flow from operations, cash and liquid investment balance and cushion in the WC limits. It has already raised over Rs. 880 crore of equity over the last four years, including ~Rs. 139 crore in the current fiscal. The debt repayment is in the range of Rs. 15-25 crore in FY2025-2026 and capital expenditure is projected to be in the range of ~Rs. 100-150 crore, which can be comfortably serviced from the expected operating profits of Rs. 90-100 crore annually and available liquidity (investments in unencumbered fixed deposits of Rs. 157 crore as of March 2025).

Rating sensitivities

Positive factors – The ratings could be upgraded if the company demonstrates healthy earnings, profitability and debt coverage metrics on a sustained basis while maintaining adequate liquidity.

Negative factors – The ratings could be downgraded in case of any adverse impact on the company's revenue/profitability and any large debt-funded growth, leading to a deterioration in debt protection metrics and liquidity on a consistent basis. Specific trigger for a rating downgrade will be interest cover of less than 4 times (adjusted for non-cash long-term security deposit IND AS adjustment) on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone financials have been considered

About the company

In 2016, the erstwhile promoters exited K12, and the stake of the erstwhile promoters was acquired by Sequoia Capital India (currently holding ~25.5% of the total shares through its overseas investment vehicles) and Navneet Learning LLP (currently holding a 13.9%). The rest is owned by Sofina Ventures SA (13.6%), Kedaara Capital (24.8%), Kenro Capital (6.8%) and Venturi Fund (4.97%). Under the new management, K12 provides school management services to CBSE schools from kindergarten to class 10/12 under its brand name, Orchids the International School and to pre-university colleges under the brand name, Taproot Colleges. The company has presence in over 85 schools across 17 cities in the country. The schools have witnessed total enrolment of over 53,000 students as of the academic year (AY) 2024-2025. The company also has a B2B business vertical under the brand name, Let's Eduvate, providing academic material and ERP software services to ~800 schools as on date.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	371.5	435.4
PAT	-38.8	-9.6
OPBDIT/OI	8.5%	15.6%
PAT/OI	-10.4%	-2.2%
Total outside liabilities/Tangible net worth (times)	0.4	0.4
Total debt/OPBDIT (times)	7.6	4.4
Interest coverage (times)	0.7	2.2
Interest coverage (times) (adjusted)**	2.1	2.7

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; ** adjusted for non-cash long-term security deposit IND AS adjustment*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar 24, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based Term loan	Long term	340.0	[ICRA]A-(Stable)	Feb-13-24	[ICRA]A-(Stable)	-	-	-	-
Fund-based -Bank facilities	Long term and short term	66.9	[ICRA]A-(Stable)/ [ICRA]A2+	Feb-13-24	[ICRA]A-(Stable)/ [ICRA]A2+	-	-	-	-
Unallocated limits	Long term and short term	33.1	[ICRA]A-(Stable)/ [ICRA]A2+	Feb-13-24	[ICRA]A-(Stable)/ [ICRA]A2+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based - Term loan	Simple
Long-term/ Short-term – Fund-based - Bank facilities	Simple
Long-term/Short-term – Unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund-based - Term loan	FY2023	8.7%-9.4%	FY2032	340.0	[ICRA]A-(Stable)
NA	Fund-based - Bank facilities	-	10%	-	66.9	[ICRA]A-(Stable)/ [ICRA]A2+
NA	Unallocated limits	-	-	-	33.1	[ICRA]A-(Stable)/ [ICRA]A2+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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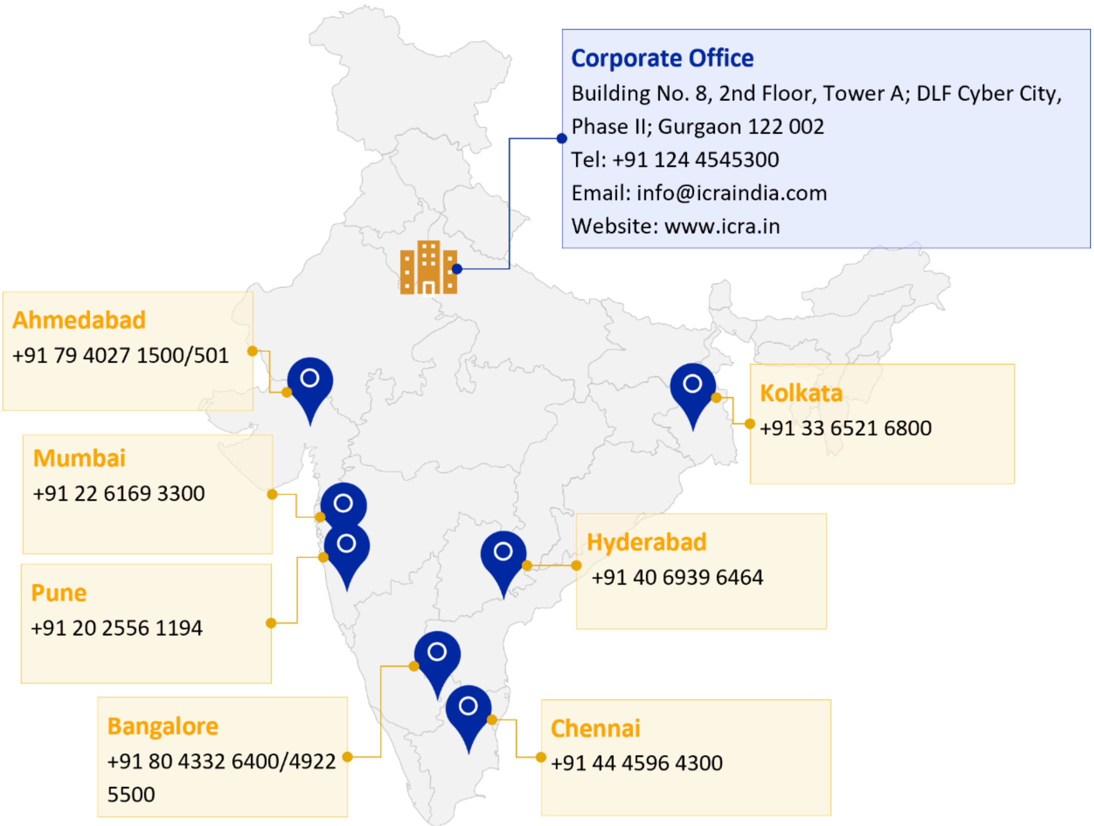

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