

March 31, 2025

Bapuji Education Association: Ratings reaffirmed

Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|---|--------------------------------------|-------------------------------------|---|
| Long-term – Fund based – Working Capital Facilities | 30.00 | 30.00 | [ICRA]A+ (Stable); Reaffirmed |
| Short-term – Non-fund Based – Bank Guarantee | 10.00 | 10.00 | [ICRA]A1+; Reaffirmed |
| Long-term – Fund based – Term Loans | 150.00 | 86.40 | [ICRA]A+ (Stable); Reaffirmed |
| Long-term/Short term – Unallocated Limits | 30.00 | 93.60 | [ICRA]A+ (Stable)/[ICRA]A1+; Reaffirmed |
| Total | 220.00 | 220.00 | |

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation reflects the healthy operating and financial performances of Bapuji Education Association (BEA) with low leverage and robust coverage metrics, along with its established reputation in the medical education sector. BEA's operating receipts surged by ~15% YoY to Rs. 674 crore in FY2024 and is expected to grow by 5-7% in FY2025, driven by healthy enrolments and an increase in student's intake in the recent years. BEA's operating surplus margins remained at similar levels as that of FY2023 at 43-44% in FY2024 and are likely to remain healthy over the medium term, aided by improvement in operating income (OI). The ratings continue to favourably factor in the healthy enrolment levels across various courses offered by BEA's institutes owing to its established track record of over six decades and strong reputation in the region. The association's dental college have been ranked among the top 50 in the National Institutional Ranking Framework (NIRF), released by the Ministry of Education (MoE), the Government of India in 2024. BEA has low leverage and it is expected to remain net-debt free in the medium term. However, its considerable balance in an unrated cooperative bank limits BEA's financial flexibility to an extent.

The ratings, however, remains constrained by the high concentration of BEA's revenues with its top three institutes contributing 77% to the aggregate fee receipts with revenue from education activities accounting for 74% of its OI over the last three years. Further, it is exposed to geographical concentration risk as all 50+ institutes are located in Karnataka, with most of these in and around Davangere. This, which exposes it to the risk of disruption in operations from local events including natural calamities and social unrest. Further, ICRA notes the likely cost overrun in the expansion of Bapuji Hospital, a teaching hospital attached to JJM Medical College run by BEA, by another Rs. 50-100 crore owing to delay in construction progress of the project and increase in raw material cost. However, any further delay or rise in the project cost could impact BEA's liquidity position and remains a key monitorable. While the association has capital expenditure (capex) plans of Rs. 260-270 crore p.a over the next 2-3 years, the debt reliance is expected to be limited, and the capex is to be funded largely through internal accruals and existing on-balance sheet liquidity. Owing to sizable (Rs 137 crore as on March 2024) exposure of BEA in Bapuji Cooperative Bank through deposits and bank balances, the liquidity position and consequently the credit profile of BEA will remain exposed to the associated risk with such relatively illiquid investments and credit profile of investee entity/bank. The ratings consider the intense competition from both private and public educational institutions in the country, along with high regulatory risks due to stringent compliance requirements from different regulatory bodies. Any change to the regulatory environment, including any capping of fees for courses (particularly medical), could have an adverse impact on the financial profile of the association.

The Stable outlook on the long-term rating reflects ICRA's expectations that BEA's debt protection metrics will continue to remain comfortable over the medium term, supported by generation of healthy cash flow from operations.

Key rating drivers and their description

Credit strengths

Established track record in higher education sector – BEA was founded in 1958 and operates more than 50 institutions in and around Davangere, Karnataka, offering courses across diverse disciplines including medical sciences, dental sciences, engineering, nursing and pharmacy along with primary, secondary and pre-university education. The association's dental college have been ranked among the top 50 in the National Institutional Ranking Framework (NIRF), released by the Ministry of Education (MoE), the Government of India in 2024. The association's institutions enjoy high reputation among students, especially in the field of medical education due to its established track record and quality infrastructure. This benefits the institution in attracting meritorious students and retaining qualified faculties.

Healthy enrolment levels support revenues – The enrolment levels across various institutions operated by BEA have improved to 90%-93% in AY2023-2024 and AY2024-2025, from 85-87% in the preceding three years. Its flagship colleges, J.J.M. Medical College and S.S. Institute of Medical Science and Research, continue to enjoy good reputation, translating into robust enrolment level. The healthy enrolment levels support BEA's operating profile through stability and visibility of fee income over the near term.

Low leverage levels – The association has low leverage and it is expected to remain net-debt free in the medium term. BEA maintains a strong financial profile, characterised by gearing of 0.1 times (PY: 0.1 times), Total Debt/OPBDITA of 0.3 times (PY: 0.4 times) and TOL/TNW of 0.2 times (PY: 0.2 times) as on March 31, 2024. Its coverage indicators remained robust in FY2024 and is expected to remain healthy in FY2025-FY2026 with DSCR of 8-10 times. While the total debt/OPBDITA is likely to remain healthy at similar levels in the range 0.3-0.5 times in the next 1-2 years, ICRA expects BEA to maintain a comfortable financial profile, supported by healthy cash accruals and a sizeable net worth base.

Credit challenges

High concentration of revenue and low degree of autonomy – BEA's revenue profile is characterised by high concentration in terms of geography, institutes and stream of education. All 50+ institutes are located in Karnataka, with most of these in and around Davangere, which exposes it to the risk of disruption in operations from local events including natural calamities and social unrest. Further, the top three institutes contributed to 77% of its fee receipts over the last three years. The revenues from education services accounted for 74% of BEA's OI. The dependence on certain institutes and medical education sector makes it susceptible to changes in the demand-supply scenario and reputational damages. Moreover, BEA's institutions operate with a low degree of autonomy as its medical colleges are affiliated to the Rajiv Gandhi University of Health Sciences, Bangalore and its engineering colleges are affiliated to Visvesvaraya Technological University, Belgaum. This restricts its flexibility with respect to fees revision, student intake and addition of new courses.

Exposure to intense competition and regulatory risk – The higher education sector in India is highly regulated by multiple regulatory bodies including the University Grants Commission, the National Medical Council, the All India Council for Technical Education, among others, with strict compliance requirements. Any change in regulations, including capping of fees, could adversely impact the university's financial risk profile. The university is also exposed to intense competition from other private and public educational institutions. This risk is, however, largely mitigated by the university's healthy reputation.

Exposed to execution risk – BEA is exposed to execution risk as the association has capex plans of Rs. 260-270 crore p.a, over next the 2-3 years. The debt reliance is expected to be limited, and the capex is anticipated to be funded largely through internal accruals and existing on-balance sheet liquidity. Owing to sizable (Rs 137 crore as on March 2024) exposure of BEA in Bapuji Cooperative Bank through deposits and bank balances, the liquidity position and consequently the credit profile of BEA will remain exposed to the associated risk with such relatively illiquid investments and credit profile of investee entity/bank. ICRA notes the likely cost overrun in the under-construction block of Bapuji Hospital, a teaching hospital attached to JJM

Medical College run by BEA, by another Rs. 50-100 crore owing to delay in construction progress of the project and increase in raw material cost. Any further delay or cost overrun could put pressure on BEA's liquidity position and remains a key monitorable.

Liquidity position: Adequate

BEA's liquidity position remains **adequate**, characterised by free cash and liquid investments of Rs. 278 crore as on March 31, 2024. Its capital expenditure plans of Rs. 260-270 crore p.a over the next 2-3 years, are likely to be funded primarily through internal accruals and the balance by undrawn term debt of ~Rs. 54 crore as on March 31, 2024. BEA has scheduled repayment obligation of ~Rs. 19.2 crore p.a. for its term debt in FY2025 and FY2026 which will be comfortably met from its cash flow from operations. BEA continues to maintain a sizeable portion of its unencumbered bank balances with Bapuji Cooperative Bank, which reduces its financial flexibility to an extent.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings if there is a material improvement in the scale of operations and liquidity position along with diversification of revenues on a sustained basis.

Negative factors – Pressure on the ratings could arise if there is a material decline in fee collections, adversely impacting the financial profile or liquidity position of BEA. The ratings could also be downgraded in case of a large unanticipated debt-funded capital expenditure or if regulatory developments adversely impact BEA's business prospects. Specific credit metrics that could result in a rating downgrade include total debt/OPBDITA of more than 1.5 times on a sustained basis.

Analytical approach

| Analytical approach | Comments |
|---------------------------------|---|
| Applicable rating methodologies | Corporate Credit Rating Methodology Higher Education |
| Parent/Group support | Not Applicable |
| Consolidation/Standalone | Standalone |

About the association

Bapuji Education Association was set up in 1958 to provide quality education in Davangere, Karnataka. The association started off with a single institution in 1958. As of today, it runs more than 50 institutes (including colleges and schools) offering courses in medical sciences, dental sciences, nursing, pharmacy, engineering, management, law, polytechnic and degree courses in arts, science and commerce. The society runs 6 hospitals which includes teaching hospital facilities at Bapuji Hospital and SSIMSRC Hospital for the medical courses offered at J.J.M. Medical College and S.S. Institute of Medical Sciences and Research respectively. It also operates 15 hostels, located centrally in Davangere, to cater to the boarding requirements of students studying in various institutions run by the trust. Also, it manages 8 schools located in and around Davangere providing education from kindergarten to class XII. All operations of the group are concentrated in Davangere, Karnataka.

Key financial indicators (audited)

| BEA (Standalone) | FY2023 | FY2024 | H1 FY2025* |
|--|--------|--------|------------|
| Operating income | 588.3 | 674.2 | 369.1 |
| PAT | 239.0 | 274.7 | 144.2 |
| OPBDIT/OI | 43.9% | 44.0% | 42.5% |
| PAT/OI | 40.6% | 40.7% | 39.1% |
| Total outside liabilities/Tangible net worth (times) | 0.2 | 0.2 | 0.2 |
| Total debt/OPBDIT (times) | 0.4 | 0.3 | 0.4 |
| Interest coverage (times) | 229.4 | 2814.0 | 3428.2 |

Source: Company, ICRA Research; *Provisional Number; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Current (FY2025) | | | | Chronology of rating history for the past 3 years | | | | | |
|---|-----------------------|--------------------------|--------------|------------------------------|---|------------------------------|---------------|------------------------------|--------------|-------------------|
| | Type | Amount rated (Rs. crore) | FY2025 | | FY2024 | | FY2023 | | FY2022 | |
| | | | Date | Rating | Date | Rating | Date | Rating | Date | Rating |
| Fund-based – Working capital facilities | Long term | 30.00 | Mar 31, 2025 | [ICRA]A+ (Stable) | Dec 22, 2023 | [ICRA]A+ (Stable) | Sept 26, 2022 | [ICRA]A+ (Stable) | Jan 27, 2022 | [ICRA]A+ (Stable) |
| Non-fund based – Bank guarantee | Short term | 10.00 | Mar 31, 2025 | [ICRA]A1+ | Dec 22, 2023 | [ICRA]A1+ | Sept 26, 2022 | [ICRA]A1+ | Jan 27, 2022 | [ICRA]A1+ |
| Fund based – Term loans | Long term | 86.40 | Mar 31, 2025 | [ICRA]A+ (Stable) | Dec 22, 2023 | [ICRA]A+ (Stable) | Sept 26, 2022 | [ICRA]A+ (Stable) | - | - |
| Unallocated limits | Long term/ Short term | 93.60 | Mar 31, 2025 | [ICRA]A+ (Stable)/ [ICRA]A1+ | Dec 22, 2023 | [ICRA]A+ (Stable)/ [ICRA]A1+ | Sept 26, 2022 | [ICRA]A+ (Stable)/ [ICRA]A1+ | - | - |

Complexity level of the rated instruments

| Instrument | Complexity indicator |
|---|----------------------|
| Long-term – Fund based – Working capital facilities | Very Simple |
| Short-term – Non-fund based – Bank guarantee | Very Simple |
| Long-term – Fund-based – Term loans | 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 – Working capital facilities | NA | NA | FY2026 | 30.00 | [ICRA]A+ (Stable) |
| NA | Non-fund Based – Bank guarantee | NA | NA | FY2026 | 10.00 | [ICRA]A1+ |
| NA | Fund-based – Term loans | FY2022 | NA | FY2030 | 86.40 | [ICRA]A+ (Stable) |
| NA | Unallocated limits | NA | NA | NA | 93.60 | [ICRA]A+ (Stable)/[ICRA]A1+ |

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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