

April 11, 2025

Prodigy Development Institution: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	21.00	16.59	[ICRA]BB+ (Stable); reaffirmed
Long-term – Fund-based – Overdraft	4.00	4.00	[ICRA]BB+ (Stable); reaffirmed
Long-term – Unallocated	5.00	0.00	-
Total	30.00	20.59	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation considers the presence of Prodigy Development Institution (PDI) as a part of the Singapore-based Global Schools Foundation (Group), which comprises 64 schools spanning across ten countries with more than 40,000 students, reflecting the vast experience of the promoters in managing schools. Apart from the management’s support for running the schools, the company’s financial flexibility is strengthened by the support received from the entities within the Group. Further, the school under PDI being operational ensures stability in cash flows, with consistent increase in student intake since inception. Moreover, the waterfall mechanism for debt servicing, which includes escrow of school fee, debt service reserve account (DSRA) and priority of loan repayment over other expenses, supports the rating.

The rating, however, is constrained by the company’s small size of operations with dependence on only one school under its management, along with exposure to intense competition in the Delhi-NCR region. The rating is constrained by the leveraged capital structure, given the low net worth base as well as subdued debt coverage metrics, given the high borrowing levels related to acquisition of the school. However, with growth in student capacity, the company has posted rise in the top line over the last two fiscals, with 10-12% increase expected for FY2025. The operating margin has improved over the last two fiscals, with better absorption of costs. PDI’s ability to grow its revenue base and maintain healthy margin levels to post material improvement in coverage metrics will be critical for the rating. The rating also factors in the exposure of the entity to the regulatory risk, given the education sector is highly regulated in India.

The Stable outlook on the long-term rating reflects ICRA’s opinion that the school’s performance is likely to improve with steady intake of students, coupled with lack of any debt-funded capex on cards, which is expected to support the debt metrics over the medium term.

Key rating drivers and their description

Credit strengths

Part of a large Group having extensive experience in running schools across many countries – The company’s ultimate parent Group (Global Schools Foundation) has a vast network of 64 schools spread across India, Singapore, Japan, The Philippines, Korea, Cambodia, Malaysia, the United Kingdom and the Middle East. This apart, all-round infrastructure, various accreditations, and experienced management across the Group’s schools help in retaining the existing students and attracting new students. The Group’s schools have adequate infrastructure in terms of well-equipped classrooms, playgrounds, laboratories, latest technology, e-learning resources, etc. Supported by such an extensive experience in the education field, the Group is expanding its base by acquiring schools in new geographies, which would further strengthen its overall profile, going forward. The company has strong linkages with its parent Group through various entities, which provide operational and

financial support for managing the schools. Further, PDI benefits from the Group's strong financial flexibility, which has demonstrated its ability in terms of raising funds.

Stable cash flows and water fall mechanism for debt servicing – The entity operates a fully operational school, which has seen steady intake since inception. Consequently, it provides comfort in terms of adequate cash flows and mitigates the risks associated with stabilisation of a greenfield school's operational performance. ICRA notes that the school fee is escrowed, and the debt servicing of the term loans are prioritised over any other payments, including management fee and dividend payment to the immediate parent or the Group companies. Consequently, the cash flows generated by the company are likely to adequately cover the debt servicing obligations. Moreover, the entity has flexibility in terms of payments of royalty and management fee to its parent in case of cash flow mismatches, which provides extra buffer in times of exigencies.

Credit challenges

Small size of operations, concentrated to one school – The company's scale is relatively small with only one school at Noida. It reported an operating income of Rs. 27.3 crore in FY2024 and is likely to be ~Rs. 30 crore for FY2025. Further, the school remains exposed to intense competition in the Delhi-NCR region, which may impact the occupancy level on an ongoing basis.

Leveraged capital structure and subdued debt coverage metrics – The school is servicing bank loans, along with the management fee, etc, to Group companies from its cash accruals, though with a limited cushion. The entity has a leveraged capital structure, given its low net worth base, with net worth turning positive only in FY2022. The debt coverage metrics are also subdued due to high borrowing levels related to the acquisition of the school in the past. The coverage metrics are expected to only improve materially over the medium term with increase in scale and corresponding impact on margins, with lack of any debt-funded capex on cards.

Exposed to regulations and intense competition in education sector – As the education industry is well regulated, the company's school is susceptible to changes in policies of both Central and state regulatory bodies. This restricts its flexibility and autonomy with respect to fees and student intake, among others. Any non-compliance or violation of regulations may lead to cancellation of affiliation and may put restrictions on new admissions and occupancy levels, impacting its revenues and cash flows. Further, the school faces stiff competition from many schools offering similar infrastructure in attracting students and faculties. However, this risk is partly mitigated by the extensive experience and brand position of the company's parent Group.

Liquidity position: Adequate

The company's liquidity is likely to remain adequate in the near term, considering generation of cash accruals in the range of Rs. 4.0-4.5 crore expected in FY2025-FY2026, against annual debt repayment obligations of around Rs. 2.3 crore in FY2025 and Rs. 3.0 crore in FY2026, respectively. PDI would derive advantage in terms of financial flexibility for being a part of a large Group, which has demonstrated its ability to raise funds for expansion, coupled with flexibility available in royalty and management fee payments. ICRA also believes the parent group to support in case of any cash flow mismatches, as demonstrated earlier.

Rating sensitivities

Positive factors – The rating could be upgraded if there is a significant increase in PDI's revenue and profit while maintaining the satisfactory operating metrics on a sustained basis. Material improvement in the capital structure, debt coverage metrics and liquidity could lead to a rating upgrade. Specific credit metric that could result in a rating upgrade includes Total Debt/OPBDITA of less than 3.0 times on a prolonged basis.

Negative factors – A significant deterioration in the operating metrics, as reflected by low student enrolment or high dropouts, affecting its revenue and profitability, could result in a rating downgrade. Any large debt-funded capex/acquisition leading to

a deterioration in its debt protection metrics and liquidity, on a sustained basis, could result in a rating downgrade. Further, any materially large payouts to the Group entities thereby impacting its liquidity could result in a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the company's standalone financial profile

About the company

The company is a part of the Singapore-based Global Schools Foundation (Group), which operates a chain of schools across multiple geographies. The Group has 64 schools across various countries with more than 40,000 students. The Group is backed by investors such as Apollo Global Management Inc. and Temasek Holding Limited. PDI has one school under its management, which is located at Noida (Uttar Pradesh). It has more than 1,718 students enrolled for the current academic year.

Key financial indicators (audited)

Prodigy Development Institution (Standalone)	FY2023	FY2024
Operating income	23.6	27.3
PAT	0.3	(0.2)
OPBDIT/OI	17.3%	20.9%
PAT/OI	1.3%	-0.7%
Total outside liabilities/Tangible net worth (times)	94.8	137.6
Total debt/OPBDIT (times)	9.2	6.1
Interest coverage (times)	1.3	1.6

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Apr 11, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long-term	16.59	[ICRA]BB+ (Stable)	Apr 05, 2024	[ICRA]BB+ (Stable)	-	-	-	-
Fund-based – Overdraft	Long-term	4.00	[ICRA]BB+ (Stable)	Apr 05, 2024	[ICRA]BB+ (Stable)	-	-	-	-
Unallocated	Long-term	-	-	Apr 05, 2024	[ICRA]BB+ (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Fund-based – Overdraft	Simple

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-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – Fund-based – Term loan	Oct 2022	NA	Oct 2029	16.59	[ICRA]BB+ (Stable)
NA	Long-term – Fund-based – Overdraft	NA	NA	NA	4.00	[ICRA]BB+ (Stable)

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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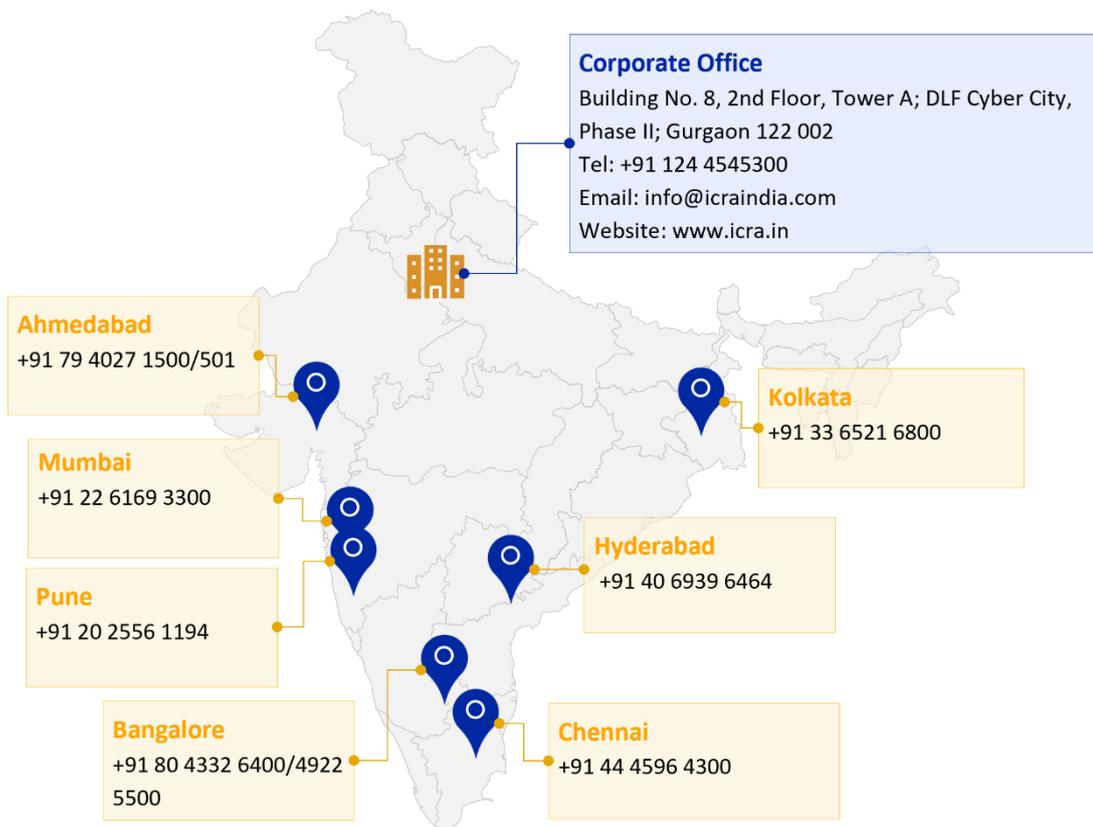


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