July 30, 2026

Prodigy Development Institution: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator
Long-term – Fund based – Term loans	16.59	12.92	[ICRA]BB+(Stable); reaffirmed	RBI#
Long-term – Fund based – Overdraft	4.00	4.00	[ICRA]BB+(Stable); reaffirmed	RBI#
Long-term – Unallocated limits	-	3.67	[ICRA]BB+(Stable); reaffirmed	RBI#
Total	**20.59**	**20.59**		

**Instrument details are provided in Annexure I*

 # SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of financial sector regulators other than SEBI

Rationale

The rating reaffirmation continues to consider the status of Prodigy Development Institution (PDI) as a part of the Singapore-based Global Schools Foundation (Group), which has 65 schools spanning across ten countries with more than 40,000 students, reflecting vast experience of the promoters in managing schools. Apart from the management's support for running schools, PDI's financial flexibility is strengthened by the support received from entities within the Group. Further, an operational school under PDI ensures stability in cash flows, with consistent increase in student intake since inception. ICRA notes that the entity's operating profitability has moderated since FY2025 primarily due to the recognition of additional admission and examination-related expenses charged by the Group. These expenses are being deferred, with settlement envisaged only after complete repayment of external borrowings. Further, PDI pays management fees and royalty charges to the Group, which may also be deferred, if required, to support the liquidity position during periods of cash flow stress. 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 is, however, constrained by the entity's small size of operations with dependence on only one school under its management for its revenue generation, along with exposure to intense competition in the Delhi-NCR region. The rating is constrained by the leveraged capital structure owing to the low net worth base as well as subdued debt coverage metrics, given the high borrowing related to acquisition of the school. However, with growth in student capacity, PDI's top line rose over the last four fiscals, with 5-10% increase expected in FY2027. 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 as 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 – PDI's ultimate parent Group (Global Schools Foundation) has a vast network of 65 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. PDI 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 along with 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 debt servicing of the term loans is prioritised over other payments, including management fee, admission & examination fees and dividend payment to the immediate parent or the Group companies. Consequently, the cash flows generated by PDI 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 scale of operations, revenue concentrated to one school – The entity's scale is relatively smaller with only one school at Noida, Uttar Pradesh. It reported an operating income (OI) of around Rs. 34 crore in FY2026 and is likely to be around Rs. 35-38 crore in FY2027. 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 weak debt coverage metrics – The school is servicing bank loans, along with the management fee and royalty fee 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 the 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 improve materially over the medium term with increase in scale and the corresponding impact on profit margins amid lack of any debt-funded capex on cards.

Exposed to regulations and intense competition in the education sector – As the education industry is well regulated, the entity'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 in attracting students and faculties from many other schools offering similar infrastructure. However, this risk is partly mitigated by the extensive experience and brand position of the entity's parent Group.

Liquidity position: Adequate

The entity's liquidity is likely to remain adequate in the near term, considering cash flow from operations of Rs. 4-5 crore expected in FY2027, against annual debt repayment obligations of around Rs. 3.6 crore in FY2027 and Rs. 3.7 crore in FY2028, respectively. PDI would derive advantage for the financial flexibility it enjoys 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 examination and management fee payments. ICRA also believes the parent Group to provide support in case of 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 satisfactory operating metrics and liquidity position. A material improvement in the capital structure and debt coverage metrics 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 sustained 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, 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 entity's standalone financial profile

About the company

Prodigy Development Institution (PDI) is a part of the Singapore-based Global Schools Foundation (Group), which operates a chain of schools across multiple geographies. The Group has 65 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, located at Noida (Uttar Pradesh). It has more than 1,740 students enrolled for the current academic year.

Key financial indicators

Prodigy Development Institution (Standalone)	FY2025	FY2026*
Operating income	31.6	34.0
PAT	(4.2)	(0.2)
OPBDIT/OI	11.1%	10.1%
PAT/OI	-13.3%	-0.7%
Total outside liabilities/Tangible net worth (times)	(15.1)	(14.0)
Total debt/OPBDIT (times)	9.4	7.5
Interest coverage (times)	1.0	1.2

*Source: Entity, 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; * Provisional*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	July 30, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	12.92	[ICRA]BB+ (Stable)	Apr 11, 2025	[ICRA]BB+ (Stable)	Apr 05, 2024	[ICRA]BB+ (Stable)	-	-
Overdraft	Long term	4.00	[ICRA]BB+ (Stable)	Apr 11, 2025	[ICRA]BB+ (Stable)	Apr 05, 2024	[ICRA]BB+ (Stable)	-	-
Unallocated	Long term	3.67	[ICRA]BB+ (Stable)	-	-	Apr 05, 2024	[ICRA]BB+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund based – Term loans	Simple
Long-term – Fund based – Overdraft	Simple
Long-term – Unallocated limits	NA

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 in Rs. crore	Current rating and outlook	Financial sector regulator#
NA	**Term Loans**	Oct 2022	NA	Oct 2029	12.92	[ICRA]BB+ (Stable)	RBI
NA	**Overdraft**	NA	NA	NA	4.00	[ICRA]BB+ (Stable)	RBI
NA	**Unallocated**	NA	NA	NA	3.67	[ICRA]BB+ (Stable)	RBI

Source: Company

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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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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Entity, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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