Rating Rationale

31 August 2026

Arka Educational & Cultural Trust (AECT)

Brickwork Ratings (BWR) has assigned the long-term rating of BWR BBB with a stable outlook for the Bank Loan Facilities of Rs. 160.42 crores of Arka Educational & Cultural Trust (AECT).

Facilities	Present Amount (Rs.Crs.)	Tenure	Present Rating	Regulator
Fund-Based Overdraft -	**40.00**	Long Term	**BWR BBB Stable; Assigned**	RBI
Fund-Based Rupee Term Loan	**120.42**		**BWR BBB Stable; Assigned**	
Total	**160.42**	**(Rupees One Hundred Sixty Crore and Forty Two Lakhs only)**		

#Please refer to the BWR website www.brickworkratings.com for the definition of the rating assigned.
***Details of Bank Loan facilities, consolidation, or instruments are provided in the Annexure*

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has assigned the long-term rating of BWR BBB with a stable outlook for the Bank Loan Facilities of Rs. 160.42 crores of Arka Educational & Cultural Trust (AECT).
The rating assignment reflects Arka Group's established market position under the Jain Group of Institutions (JGI) brand, steady revenue expansion to Rs. 231.43 Crore in FY26, and a strategic portfolio pivot toward higher-margin university degree programs. The financial risk profile is supported by high operating surplus margins (34.25%), ~98% fee collection efficiency, and substantial capital structure cushion provided by subordinated promoter quasi-equity loans of Rs. 136.06 Crore (including liquidity support provided by Sri Bhagawan Mahaveer Jain Educational & Cultural Trust (SBMJECT) to Arka Educational & Cultural Trust (AECT).

BWR also notes that short-term liquidity is well-mitigated by upfront fee collections, unutilized bank overdrafts, and supplementary non-educational real estate cash inflows in Arka Eduserve Private Limited (AEPL). The ratings are, however, constrained by elevated adjusted leverage (Adjusted Total Debt / ATNW of 4.24x due to group investments of Rs. 138.48 Crore), moderate debt coverage indicators (ISCR 1.56x, DSCR 1.48x), geographic concentration, and regulatory compliance risks.

The Stable Outlook reflects BWR's expectation that the Arka Group will maintain its established market position, steady enrollment growth, and strong operating profitability over the medium term, supported by expanding higher education programs and promoter quasi-equity support.

KEY RATING DRIVERS

Credit Strengths-:

Established Brand Equity, Experienced Promoters & Strong Group Support:
The group benefits from its strong affiliation with the well-established Jain Group of Institutions (JGI) brand, promoted by founder and chairman Dr. Chenraj Roychand, who brings extensive operational experience in the education sector since 1990. The group maintains a large operational scale across a broad footprint of schools and colleges offering K-12, undergraduate, and technical degree programs across Karnataka, Maharashtra, and Jharkhand, serving over 22,000 students along with two flagship universities. This physical presence is further augmented by rapid digital expansion, with online and distance learning programs enrolling over 500,000 students since inception. Capital structure and financial flexibility are strongly anchored by subordinated, interest-free promoter and group unsecured loans amounting to Rs. 136.06 Crore in FY26 (Rs. 179.61 Crore in FY25), which function as quasi-equity to cushion seasonal cash flow lags. Comfort is further derived from group affiliate Sri Bhagawan Mahaveer Jain Educational & Cultural Trust, whose interest-free unsecured loan support of Rs. 99.93 Crore forms a major constituent of the total Rs. 136.06 Crore promoter loan balance, backed by a formal undertaking to extend financial support in the event of any liquidity exigencies.

Overall Enrollment Trajectory & Portfolio Dynamics:
The Arka Group maintains a growing and diversified enrollment profile across its academic network, with total student strength expanding from 19,840 in FY24 to 20,900 in FY25 (+5.34%), and reaching 22,826 students in FY26 (+9.22%), which has driven total fee collections to Rs. 216.21 Crore (up from Rs. 188.57 Crore in FY25). Portfolio composition reflects a deliberate strategic pivot toward higher education, with college programs increasing their share of total enrollment from 49.16% (9,753 students) in FY24 to 60.23% (13,747 students) in FY26, while school enrollment recalibrated to 39.77% (9,079 students) following the active consolidation and closure of non-viable K-12 branches. Growth remains anchored by the higher education segment, which generates most operational receipts, supported by core primary and secondary institutions. However, BWR notes that stiffening market competition from new state-led educational initiatives and upcoming private institutes across key regional hubs may exert pressure on student intake density and enrollment growth over the medium-to-long term.

Sustained Top-Line Growth & High Profitability:
Revenue expanded steadily by 19.17% YoY to Rs. 231.43 Crore in FY26 (up from Rs. 194.20 Crore in FY25 and Rs. 177.01 Crore in FY24), driven by steady student enrollments and periodic fee escalations. Operating Surplus (OSBDIT) surged to Rs. 79.25 Crore in FY26 (Rs. 61.21 Crore in FY25), with OSBDIT margins expanding by 273 bps to 34.25% in FY26 (31.52% in FY25), reflecting strong fixed-cost absorption across mature institutions. Consequently, Surplus After Tax (SAT) doubled to Rs. 15.35 Crore in FY26 (Rs. 6.72 Crore in FY25).

Unaided Revenue Model & Strong Fee Collection:
The group operates on a 100% unaided basis with zero reliance on government subsidies or fee grants. Fee collection efficiency remains exceptionally high at ~98%, with Days Receivable improving to 57 days in FY26 (67 days in FY25). Financial risk from uncollected student fees remains minimal, capped at ~Rs. 50.00 Lakhs annually, controlled effectively through administrative mechanisms such as

withholding mark cards and Transfer Certificates upon graduation.

Credit Risk-:

Elevated Leverage and Moderate debt protection metrics:
While reported gearing improved—with Total Debt / Tangible Net Worth (TNW) declining to 4.15x in FY26 (4.66x in FY25 and 5.92x in FY24)—adjusted financial leverage remains elevated. After adjusting for non-current investments in group entities of Rs. 138.48 Crore (Rs. 138.75 Crore in FY25 and Rs. 124.67 Crore in FY24) and the moderation in promoter quasi-equity unsecured loans, Total Debt / Adjusted TNW (ATNW) stood at 4.24x in FY26 (3.31x in FY25 and 1.92x in FY24) and Total Outside Liabilities / ATNW reached 5.91x in FY26 (4.50x in FY25 and 0.76x in FY24). This capital deployment into group entities restricts the group's standalone credit risk profile to an extent and remains a key analytical monitorable. Nevertheless, debt coverage indicators remain moderate yet stable, as reflected in an Interest Service Coverage Ratio (ISCR) of 1.56x in FY26 (1.53x in FY25 and 1.56x in FY24) and a Debt Service Coverage Ratio (DSCR) of 1.48x in FY26 (1.40x in FY25 and 1.54x in FY24), backed by sufficient operational cash accruals to service core debt obligations independently.

Geographic Concentration & Regulatory Exposure:
Despite managing a portfolio of 18 to 19 educational institutions, the group's revenue base remains geographically concentrated in Karnataka and Jharkhand, rendering cash flows vulnerable to regional socio-economic dynamics, local demographic trends, and state-specific policy shifts. Operations are subject to extensive statutory oversight from regulatory bodies including the University Grants Commission (UGC), All India Council for Technical Education (AICTE), Pharmacy Council of India (PCI), and state university statutes. Maintaining strict regulatory compliance necessitates regular, capital-intensive investments in campus infrastructure, laboratory modernizations, technology upgrades, and workforce development to fulfill evolving accreditation and operational benchmarks. Furthermore, while the group operates on a 100% unaided basis without government fee caps, institutions must continuously justify their fee structures relative to infrastructure quality and academic offerings. The group also operates in an increasingly crowded higher education landscape, facing intense competition from reputed public universities and established private institutions across nearby states. This competitive environment exerts ongoing pressure on student intake density, fee pricing flexibility, and the attraction and retention of high-caliber faculty.

ANALYTICAL APPROACH: Consolidated / Combined
In accordance with BWR's Criteria for Consolidation of Companies, a combined analytical approach has been adopted by aggregating the operational and financial profiles of Arka Educational & Cultural Trust (AECT) and Arka Eduserve Private Limited (AEPL), collectively termed the Arka Group. This approach is driven by shared promoter leadership under Dr. Chenraj Roychand, deep operational integration, and strong financial ties, as AEPL serves as the core infrastructure asset-holding entity deriving its cash flows from lease rentals paid by AECT. Furthermore, full cash flow fungibility exists between the entities through inter-company loans, advances, and cross-collateralized credit facilities, justifying line-by-line consolidation with full elimination of intra-group transactions.

RATING SENSITIVITIES

Positive Sensitivities:

- **Sustainable Revenue & Margin Expansion:** Substantial and sustained growth in overall scale of operations with Gross Receipts exceeding Rs. 300.00 Crore, along with sustained OSBDIT margins above 35%, leading to significantly higher net cash accruals.
- **Deleveraging & Liquidity Strengthening:** Significant improvement in the capital structure through debt reduction, leading to a Total Outside Liabilities to Tangible Net Worth (TOL / TNW) ratio below 3.50x and a Current Ratio improving comfortably above 1.10x on a sustained basis.

Negative Sensitivities:

- **Deterioration in Debt Coverage Ratios:** A sharp reduction in student enrollments, leading to a decline in operating profitability or an unexpected increase in debt-funded capital expenditure, causing the Interest Service Coverage Ratio (ISCR) to drop below 1.30x on a sustained basis.
- **Withdrawal of Support:** Significant delay in fee collections, or withdrawal of subordinated promoter/group unsecured loans that further compresses liquidity and adversely impacts debt servicing capacity

LIQUIDITY INDICATORS: Adequate

The group's liquidity profile remains Adequate, supported by robust Gross Cash Accruals (GCA) of Rs. 38.94 Crore in FY26 (up 35.4% YoY from Rs. 28.76 Crore in FY25), which provide a comfortable 1.58x coverage over maturing long-term debt obligations (CPLTD) of Rs. 24.58 Crore falling due in FY27. Liquidity is further reinforced by unencumbered Cash and Cash Equivalents of Rs. 13.29 Crore as on March 31, 2026 (Rs. 12.36 Crore in FY25), a substantial liquid investment cushion comprising Current Investments of Rs. 12.42 Crore (yielding total quick liquid assets of Rs. 25.71 Crore), and a significant reduction in short-term bank debt to Rs. 40.03 Crore (down from Rs. 65.21 Crore in FY25). While the Current Ratio moderated to 0.76x in FY26 (0.85x in FY25) due to higher short-term CPLTD reclassifications, the short-term working capital runway remains comfortable, supported by an average monthly unutilized limit buffer of ~34% across combined bank overdraft facilities (utilization averaged 66.30% over the 12 months ending July 2026, with zero overdrawn days or penal charges). Moreover, seasonal cash flow timing lags between fixed operating expenses and fee collection cycles are effectively cushioned by subordinated, interest-free promoter quasi-equity loans amounting to Rs. 136.06 Crore in FY26 (Rs. 179.61 Crore in FY25), which includes loans from group affiliate Sri Bhagawan Mahaveer Jain Educational & Cultural Trust backed by a formal legal support undertaking Financial flexibility is further augmented by expected non-operational cash flow realizations from group real estate projects (targeting ~Rs. 50.00 Crore annually), providing an additional safety net for debt servicing.

ABOUT THE ENTITY:

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Other Consumer Services	Education

Arka Educational & Cultural Trust (AECT) was established in 2009 by Dr. Chenraj Roychand and is headquartered in Bengaluru, Karnataka. The trust operates 28 schools and 9 colleges across six states:

Karnataka, Andhra Pradesh, Telangana, Maharashtra, Chhattisgarh, and Jharkhand. Its educational offerings span primary and secondary education (Kindergarten to Grade 12), Pre-University (PU) courses, as well as undergraduate, postgraduate, and doctoral programs (including B.Com, M.Com, B.A., MBA, and Ph.D.). As of the current assessment, AECT has an active enrollment of over 21,000 students across its institutional network.

ESG Profile:
The Arka Group's ESG risk profile is evaluated as Adequate, reflecting the educational sector's low direct environmental footprint, substantial socio-economic contribution, and well-structured governance framework between its asset-owning corporate entity and operating educational trust.

Environmental Profile: Direct environmental impact remains low due to the non-industrial nature of academic operations. Key environmental risks are mitigated through energy-efficient campus designs across flagship institutions like ARKA JAIN University and Jain Institute of Technology, featuring LED lighting, natural ventilation, digital paperless workflows, rainwater harvesting, and waste segregation systems. Ongoing real estate developments, including campus expansions and the Svamitva Terravana villa project, fully comply with municipal environmental clearance norms with zero non-compliance penalties.

Social Profile: Social factors represent a core credit strength, driven by the group's contribution to educational inclusion across Tier-2/3 markets in Jharkhand and Karnataka, serving over 22,000 students. This impact is reinforced by a dedicated 250-member placement division that achieves 72% to 88% graduate placement rates with premier national recruiters. Human capital management remains stable via structured faculty recruitment, competitive compensation, low academic staff attrition, and strict enforcement of student safety, anti-ragging, and gender-inclusivity protocols.

Governance Profile: Governance practices are anchored by the established brand equity of the Jain Group of Institutions (JGI) under founder Dr. Chenraj Roychand. Operational and asset ownership functions are formally demarcated between Arka Eduserve Private Limited (asset owner) and Arka Educational and Cultural Trust (operator), bound by a 6.5% service fee agreement and commercial lease contracts. Financial statements are audited by independent chartered accounting firms, banking conduct reflects clean debt servicing with zero limit on drawings, and all institutions operate 100% unaided by government fee subsidies

KEY FINANCIAL INDICATORS (Consolidated)

Key Parameters	Unit	31-Mar-2024	31-Mar-2025	31-Mar-2026
Result Type		**Audited**	**Audited**	**Provisional**
Net Receipts	Rs. Crs.	177.01	194.20	231.43
Operating Surplus (OSBDIT)	Rs. Crs.	52.11	61.21	79.25
Net Surplus After Tax (SAT)	Rs. Crs.	6.21	6.72	15.35
Corpus Fund /TNW	Rs. Crs.	95.83	100.77	116.12
Total Debt/TNW	Times	5.92	4.66	4.15
Current Ratio	Times	1.27	0.85	0.76

KEY FINANCIAL INDICATORS (Standalone)

Key Parameters	Unit	31-Mar-2024	31-Mar-2025	31-Mar-2026
Result Type		**Audited**	**Audited**	**Provisional**
Net Receipts	Rs. Crs.	171.65	190.16	227.30
Operating Surplus (OSBDIT)	Rs. Crs.	51.74	61.93	78.04
Net Surplus After Tax (SAT)	Rs. Crs.	5.42	6.62	15.20
Corpus Fund	Rs. Crs.	65.64	69.54	84.73
Total Debt/TNW	Times	7.63	6.06	4.37
Current Ratio	Times	1.34	0.86	0.75

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: The facility carries standard financial and operational covenants typical for such credit facilities.

STATUS OF NON-COOPERATION WITH PREVIOUS CRA: Not Applicable

Any other information: Not Applicable

RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawal and suspension):

Sl. No.	Instrument	Current Rating (2026)			Rating History		
		Type	Amount (Rs. Crs.)	Rating	2025	2024	2023
1.	Fund-Based Overdraft -	Long Term	40.00	BWR BBB Stable; Assigned	-	-	-
2.	Fund-Based Rupee Term Loan	Long Term	120.42	BWR BBB Stable; Assigned	-	-	-
Total			**160.42**	**(Rupees One Hundred Sixty Crore and Forty-two Lakhs only)**			

Hyperlink/Reference to applicable Criteria

- [General Criteria]
- [Approach to Financial Ratios]
- [Consolidation of Companies]
- [Education Sector]
- [Services Sector]

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Arka Educational & Cultural Trust (AECT)

ANNEXURE-I: Details of Bank Facilities rated by BWR

SL. No.	Name of the Bank/Lender	Type Of Facilities	Long Term (Rs.Crs.)	Short Term (Rs.Crs.)	Total (Rs.Crs.)	Complexity of the Instrument
1	HDFC Bank Limited	Overdraft-Sanctioned	30.00	0.00	30.00	Simple
		Term Loan-outstanding	26.71	0.00	26.71	Simple
2	IndusInd Bank Limited	Overdraft-Sanctioned	10.00	0.00	10.00	Simple
		Term Loan-outstanding	69.71	0.00	69.71	Simple
3	ICICI Bank Limited	Term Loan-outstanding	24.00	0.00	24.00	Simple
			160.42	**0.00**	**160.42**	

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com / download / ComplexityLevels.pdf.
Investors' queries can be sent to info@brickworkratings.com.

ANNEXURE-II: INSTRUMENT DETAILS

Instrument	Issue Date	Issue Amount (Rs. Crs.)	Present Value (Rs. Crs.)	Coupon	Maturity Date	ISIN	Complexity Levels
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

ANNEXURE-III: List of entities consolidated

Name of Entity	% Ownership	Extent of consolidation	Rationale for consolidation
Arka Educational & Cultural Trust (AECT)	N/A *(Trust)*	Combined	**Common Management & Operational Linkages:** Shares common management and trustees with AEPL. The Trust's objectives allow funding/borrowing linkages, operating educational institutions across the group.
Arka Eduserve Private Limited (AEPL)	100%	Combined	**Asset Ownership & Revenue Linkages:** AEPL holds key infrastructure and real estate assets utilized by AECT and derives its primary operational revenues from rental income paid by AECT, establishing strong financial and operational interdependencies under unified management.

List of instruments and regulators

As required by SEBI CRA Circular dated Feb 10, 2026, a list of activities or instruments falling under the purview of various FSRs, along with the names of the respective FSRs, is being disclosed below:

Instrument/Activity	Regulator
Listed/Proposed to be listed bonds/debentures/preference shares (all securities)	SEBI
Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) [1]	SEBI
Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)-[1]	SEBI
Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI)-[1]	RBI
Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/FIs -[2]	RBI
External Commercial Borrowings and other similar borrowings	RBI
Certificates of Deposit	RBI
Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
Inter Corporate Deposits/Loans extended by Corporates	MCA
Borrowing programme - [3]	-
Issuer Ratings [4]	-
Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
Listed Security Receipts	SEBI
Unlisted Security Receipts	RBI
Independent Credit Evaluation (ICE)	RBI
Expected Loss Ratings (for Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/Fis)	RBI
Expected Loss Ratings (Listed/Proposed to be listed bonds/debentures/preference shares (all securities))	SEBI

Instrument/Activity	Regulator
Expected Loss Ratings (Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities))	
Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) -[1]	Investor-side Regulator, such as IRDAI, PFRDA[5]
Monitoring Agency	SEBI
Research activities, incidental to rating, such as research for Economy, Industries, and Companies [6]	NA

Important Notes and Clarifications

- **[1] Securitisation Transactions:** Include transactions involving assignee payout and acquirer's payout.
- **[2] Securitisation Bank Facilities:** Include bank-provided liquidity facilities and second-loss facilities.
- **[3] Borrowing Programmes:** The regulator depends on the final instrument issued (debt securities, bank loans, or commercial paper); Brickwork Ratings (BWR) will identify the specific regulator in Press Releases subsequent to issuance.
- **[4] Issuer Ratings:** Because there is no specific instrument being rated, a "Regulator of the Instrument" is not applicable.
- **[5] Legacy Ratings:** For unlisted PTCs originated by non-RBI-regulated entities, investor-side regulators (like IRDAI or PFRDA) are included for ratings assigned prior to Feb 10, 2026.
- **[6] Research Activities:** These are permitted by SEBI under the Master Circular for Credit Rating Agencies (CRAs)

Grievance Management: For any grievances relating to the rating of instruments regulated by SEBI, please contact **sebigrievance@brickworkratings.com**. Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available

For any grievances relating to the rating of instruments regulated by other FSRs (Financial Sector Regulators), please contact **grievance@brickworkratings.com.**

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BWR Board of Directors has no influence over rating decisions, nor do they sit on the rating committee or review, discuss, or evaluate any credit rating during the Board meetings.

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Brickwork offers credit ratings of Bank Loans, Non- convertible/convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has also rated NGOs, Educational Institutions, Hospitals, Urban Local Bodies and Municipal Corporations.

Disclaimer

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