School Rating Criteria

Sector-Specific Criteria

This criteria report updates and replaces the previous version, dated 11 September 2015

Sector-Specific Criteria

This report represents a sector-specific extension to India Ratings and Research (Ind-Ra) criteria report "Revenue Supported Rating Criteria," dated 6 December 2018 and Non-Profit Institutions Rating Criteria, 6 December 2018.

This report describes the operating and financial factors Ind-Ra considers in rating independent schools (schools, or institutions). Not all rating factors outlined in this report may apply to an individual rating or rating action. Each specific rating action commentary (RAC) or rating report will discuss those factors most relevant to the individual rating action. This methodology will be supplemented with analytical judgment; where risks/strengths are identified that fall outside the scope of the framework, such considerations will be disclosed in each respective RAC.

Key Issues and Industry Structure

Enrolment Dependent: For the vast majority of institutions, their ability to meet financial obligations hinges on student demand for programme offerings. While institutions vary in terms of type (primary or secondary) and delivery model (day or boarding), the vast majority of revenues collected by schools are either generated directly by enrolment (tuition and fees) or indirectly influenced by it (contribution and gift income).

Size Does Not Necessarily Matter: Enrolment stability, rather than institutional size, correlates strongly with higher ratings, as most primary and secondary schools are relatively small, especially compared with their peers in higher education. However, the smaller a school's enrolment base, the more susceptible is its financial profile to the loss of only a few students.

Investment Income for Wealthy Schools: A sizable endowment and/or pool of long-term financial assets provide higher levels of investment income. The receipt of such income generally enables a school to reduce reliance on student-generated revenue sources and annual contributions, which could be variable.

Tax Free Status: Largely Indian educational institutions operate as section 8 companies and have to meet regulatory obligations to remain tax free, which is where we see investment in fixed assets every year.

Liability Management: Major problem with Indian educational institutions are their liability management - fees tend to be lumpy (generally quarterly) and expenditure and debt repayment is throughout the year.

Private, Tuition Supported Institutions: Institutions covered by this sector-specific criteria report are not-for-profit, private elementary, and/or secondary institutions serving kindergarten through 12th grade (K-12). Unlike their public counterparts, an independent school receives little to no government support. Rather, tuition and other enrolment-related fees and, to a lesser extent, annual contributions generally serve as the primary sources of funding.

Various School Types and Models: Schools may have an affiliation with a religious group that may or may not provide meaningful on-going financial support. Schools classified as day schools serve the academic needs of their student body during a traditional school day. Boarding schools complement classroom learning with a residential life component similar to the college and university market.

Related Research

Revenue Supported Rating Criteria, 6 December 2018

Non-Profit Institutions Rating Criteria, 6 December 2018

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Variations from Criteria

Ind-Ra's criteria are designed to be used in conjunction with experienced analytical judgment exercised through a committee process. The combination of transparent criteria, analytical judgment applied on an instrument-by-instrument or issuer-by-issuer basis, and full disclosure via RAC strengthens Ind-Ra's rating process while assisting market participants in understanding the analysis used in the ratings.

A rating committee may adjust the application of criteria to reflect the risks of a specific instrument or entity. Such adjustments are called variations. All variations will be disclosed in the respective RACs, including their impact on the rating where appropriate.

A variation can be approved by a rating committee where the risk, feature, or other factors relevant to the assignment of a rating and the methodology applied to it are both included within the scope of the criteria, but where the analysis described in the criteria requires modification to address factors specific to the particular instrument or entity.

Operating Profile

Tuition and fee revenue and, to a lesser degree, fundraising are key credit drivers for most independent schools. Consequently, to assess the effectiveness of a school's business strategy, Ind-Ra reviews an independent school's service area demographic and socioeconomic attributes; historical enrolment patterns; marketing and pricing strategies; and admissions process.

Institutional Attributes and Operating Environment Affect Enrolment Profile

To gauge overall trends in enrolment, Ind-Ra reviews five years of data measured by headcount. Given the small size of most independent schools, significant enrolment swings or declines could have a negative impact on a school's financial viability. Generally, stable to upward trending enrolment is viewed favourably; a one-year decrease or increase is not considered a trend in Ind-Ra's projections, but should be explained by the school's management. Significant, sustained declines in enrolment could be a credit concern, particularly if the gain or loss of students is unexpected, has a material adverse financial impact, and, from a budgetary perspective, cannot be managed.

Key factors influencing enrolment patterns include the school's mission and location; the demographic and socioeconomic characteristics of the service area; competition; and the school's reputation and/or market niche. Given that day schools are more likely to draw students from their immediate service area, the more favourable the prevailing demographic and economic trends, the more likely it is that a school will successfully meet its headcount target.

Private day schools (international and global) are, in most cases, the more expensive alternative to traditional public schools. Ind-Ra undertakes a subjective assessment of the affluence of the local population to determine the demand for global/international schools and the school's ability to attract students in the service area. Ind-Ra believes K-12 schools except international and global schools do not have a significant demand impact from an economic slowdown.

Niche or Focus Important to Assessing Demand

Figure 1
Attributes: Enrolment

Stronger attributes	Demonstrated enrolment stability over a full business cycle, fuelled by highly effective competitive strategies; pipeline of prospective students is robust.
Midrange attributes	Enrolment trends, while generally stable, are prone to some fluctuation due to quality; competitive strategies effective at maintaining stable demand over time.
Weaker attributes	Volatile trends in student headcount; well-articulated vision and mission lacking; less effective competitive strategies enabling competitors to cherry pick prospective students.

Source: Ind-Ra

Comparative enrolment rates are most informative when used to contrast institutions serving a similar student population and teaching the same curriculum. Comparisons among independent schools serving different needs or markets are not appropriate. For example, a highly selective old boarding school (such as Doon, Welham and Mayo) and newly started global/international schools should not be compared with a primary or secondary school serving special needs students.

As part of its analysis, Ind-Ra will focus on the mission of a specialty or boarding institution, along with the strategic plan to maintain or strengthen its market position vis-à-vis local or regional competitors. The vitality of feeder systems and/or referral networks for these schools is also examined. For a specialty high school, Ind-Ra would consider overall demand for the primary school or network of primary schools that feed the specialty secondary school, along with trends in the absolute number of students.

Figure 2
Attributes: Demand

Stronger attributes	National or regional draw for students within an affluent market area; any competitive threats are generally muted by a track record of highly favourable academic performance indicators, which also create considerable tuition pricing flexibility.
Midrange attributes	Generally stable local market serves as a primary feeder for the school; academic performance indicators are generally in line or slightly ahead of those competitors; more limited tuition pricing flexibility, particularly when local economic conditions deteriorate.
Weaker attributes	Highly concentrated, local draw in a demographically and economically challenged service area; academic performance indicators may be equal or below those of competition; extremely limited pricing flexibility.

Source: Ind-Ra

Demand Flexibility

Application Trends

The trend in the number of students applying to an independent school is an indicator of student demand. While a sustained decline in applications would raise concern, particularly if such decline was not intended, Ind-Ra does not necessarily view increasing application levels as reflective of strengthening demand for a particular institution. Management would be expected to explain the reasons for stagnation or significant and persistent declines in application levels.

Metrics Evaluated in Context

Acceptance rates demonstrate a school's ability to control future enrolment. Institutions that accept 75% or more of applications generally have less flexibility if the private primary or secondary school suffers a decline in applications. For certain targeted specialty schools, higher acceptance rates do not necessarily signify a weaker market position, as this type of institution tends to attract a self-selecting population of students who will likely gain admission.

Enrolment rates, also known as student yield rates, and defined as the number of accepted students who chose to enrol, divided by the total number of accepted students, are indicative of a school's relative position among its competitors. Generally, the higher a school's enrolment rate, the more likely it is a school of first choice for many of its applicants.

Figure 3

Attributes: Admissions

Stronger attributes	Consistently high enrolment rates, indicative of the school's first choice status among prospective students, and highly competitive admissions process, which provides a school considerable flexibility to shape the profile of incoming classes.
Midrange attributes	Stable enrolment rates, which may be high or low, depending on market dynamics; admissions process is somewhat competitive, although acceptance rates tend to be fairly high, limiting enrolment flexibility.
Weaker attributes	Variable enrolment rates, which are usually low; non-competitive admissions process, with generally no ability to shape the profile of an incoming class; heavy tuition discounting to attract students is often a necessity.

Source: Ind-Ra

Comparisons among independent schools serving different needs or markets are not appropriate.

Strong Student Quality Provides Flexibility

Figure 4

Attributes: Student Quality

Stronger attributes	Consistent track record of superior student academic outcomes that enhances demand and pricing flexibility and better positions a school to solicit contributions from parents and alumni.
Midrange attributes	Academic outcomes tend to be in line with or better than competitors, with parental expectations generally met or exceeded; trends in student achievement, which periodically fluctuate, influences admissions and pricing flexibility.
Weaker attributes	Academic performance of the school tends to lag that of the market; failure to consistently meet parental expectations negatively impacts recruiting, retention, and the ability to fundraise.

Source: Ind-Ra

Typical measures used to reflect student quality, include passing percentage and student achievement in board examination. Other indicators include the percentage of students enrolled in reputed technical courses (in IITs, NITs and reputed medical colleges) for secondary school with science and in reputed colleges for humanities, science and commerce courses.

Figure 5

Indicators of Student Demand

Indicators	Use of indicators in the rating process
Number of applicants	Stable to growing numbers reflect continued interest in the institution.
Acceptance rate	In general, the higher the acceptance rate, the less flexibility the institution has to increase future enrolment. However, for schools offering unique, targeted programs, higher acceptance rates are more common, as only qualified students apply.
Enrolment rate	The higher the enrolment rate, the greater the likelihood that the institution is the student's first choice.
Board examination result	Vary; scores are considered in conjunction with the mission of the institution.
Retention rates	Higher rates reflect student satisfaction.
Passing rates	High rates reflect success providing desired program offerings.
Reputation of/publicity for school	A history of a positive reputation is desired. Recent negative publicity can have an adverse effect on enrolment and future fundraising.

Source: Ind-Ra

In general, independent schools with strong student quality indicators are in a better position to adjust admission levels during a period of declining applications without materially affecting enrolment. If a school's student quality indicators are favourable, compared with those of its competitors, there is room to relax admission standards while maintaining strong quality. As part of its analysis, Ind-Ra will compare an independent school's quality indicators with those of its closest competitors. For specialty and boarding schools, the peer group is further expanded to include institutions serving a similar population or having a comparable academic focus. Although specialised schools for sports are rarely present in India, some schools have created a good sporting infrastructure. In line with students quality in studies Ind-Ra also focuses at students' quality in sports achievements (measured by inclusion of school pass outs in state/national sports teams in last five years).

Analysis Considers Effect of Pricing Strategies on Revenue Growth

Figure 6

Attributes: Pricing Strategy

Stronger attributes	Consistent annual growth in net tuition revenue; internal resources are readily available to meet the institutionally funded financial aid budget.
Midrange attributes	Stable-to-slightly upward trending growth in net tuition revenue; institutional resources could be pressured if an increase in financial aid levels is warranted.
Weaker attributes	Net tuition revenue is stagnant to declining; institutional resources are generally insufficient to meet any increase in the financial aid budget.

Source: Ind-Ra

Given that competition with one or more grant-supported, tuition-free public school nearly always exists, tuition levels are a significant consideration for parents opting to send their child to a private primary or secondary institution. Tuition competitiveness is most effectively measured through a comparison of tuition and fees among peer institutions. Tuition trends for an individual school are also analysed on a net basis. Net tuition revenue is defined as gross tuition and fees, net of internally funded student aid. This information can be used to determine the extent to which an independent school is successfully passing along higher costs to students once the impact of tuition discounting (total scholarship and financial aid, divided by gross tuition) is considered. Regulatory issues such as pricing (fixed by the government), regular inspection by education board and non-academic revenue (although extremely limited) have an impact on operating performance of a school.

While the cost of an independent school education weighs heavily in the decision-making process for most parents, other factors do come into play. In addition to academic reputation and student quality discussed, the aesthetic appearance of a school's campus, the availability and competitiveness of athletic programs, and, for boarding schools, the availability of quality student housing are important considerations. As part of its analysis, Ind-Ra discusses with management the short- and long-term strategic plans for these components of campus life, including plans to address major deferred maintenance items. Additionally, Ind-Ra reviews the history of annual spending for buildings and maintenance and assesses the feasibility of the school's longer term master plan for facilities. Management's discipline in budgeting for and allocating resources to support on-going physical plant investment is viewed favourably in the rating process.

Campus Life and Institution's Facilities

As the cost of attending an institution is a significant factor determining choices, students and parents invest a substantial amount of time in researching and visiting campuses. In addition to the institution's reputation, students and parents consider factors such as the aesthetic appearance of the campus and the availability of quality student facilities. Ind-Ra assesses the institution's response to these needs by discussing with management the short and long-term plans for the campus.

The agency carries out a review of the institution's longer-term plans for additional buildings and major repairs, and strategic plans for the future, to assess management's readiness to allocate resources for these purposes. Deferral of maintenance expenditure to balance an operating budget is a concern.

For institutions that provide campus housing, not only the current housing must be properly maintained, but new or renovated housing must be comparable to off-campus housing. Overall, Ind-Ra believes schools with management that regularly review the need for change, in terms of both education and quality of campus life, are better positioned to manage enrolment and have more flexibility to adjust to change.

Financial Profile

Quantitative Assessment of Factors Informs Rating Process

Financial metrics contribute significantly to rating outcome. With inputs derived from audited financial statements and other supporting financial documents, Ind-Ra calculates and evaluates quantitative assessments of revenue diversity, operating performance, balance sheet resources, and debt burden, as well as historical trends of such measures. Expectations for future financial performance and, ultimately, the credit rating are informed by assessments of those factors. As long as a borrower's underlying strategic position remains sound, a certain amount of variability in financial performance should not affect the rating on the bonds.

Ind-Ra analyses both the revenue and expense sections of the statement of activities to determine concentration of revenues and flexibility of expenses. Significant changes in revenues or expenses from one year to another should be explained by management. The ability to generate excess revenues over expenditures annually is essential for maintaining or improving a school's long-term financial position and providing adequate debt service coverage.

Expenditure Flexibility Key to Operating Stability

Given the potential impact that unexpected declines in student-generated revenues could have on a school's ability to achieve budgetary balance, Ind-Ra reviews a school's expenditure flexibility, including its ability to hold constant or even decrease its total operating budget. Integral to this analysis is an assessment of significant expenditures; for most schools, costs associated with faculty salaries and related benefits are its largest expense. Generally, the lower the percentage of full-time faculty, the more flexibility a school maintains to reduce headcount during a period of financial weakness. Importantly, Ind-Ra notes the decision to reduce faculty headcount and/or replace full-time staff with part-time professionals does have implications, particularly as related to a prospective parent's view of a school's academic quality. Less favourable views of a school's student quality could have a negative enrolment impact.

Revenue Diversity

Stability of Enrolment-Driven Revenues May Offset Concentration Concerns

Ind-Ra recognises that, presently, for most private primary and secondary institutions, the ability to materially diversify away from student-generated revenue sources is limited. This fact underscores the importance of enrolment management and highlights the need for an effective tuition pricing strategy and related financial aid policies. For some institutions, concentration in tuition and other student-related fees is muted by robust annual giving and/or investment income. While these streams are uncorrelated with student demand and the most likely source of diversification for an independent school, they have their own associated risks (e.g. volatility), which are considered in the rating process.

Operating Margin

Fiscal Balance Achieved Through Revenue and Expenditure Match

The operating margin measures a school's ability to generate revenue from its core operations sufficient to meet annual expenditures, fund routine maintenance, and service financial obligations. While recognising that margins may vary from year to year, Ind-Ra expects at least break-even performance over a five-year period. By generating a consistent margin at or above a break-even level, a private primary or secondary school is less reliant on its unrestricted reserves for operating support and can generally service debt from its annually available surplus.

Balance Sheet Resources and Liquidity

Financial Cushion Provides Buffer

In analysing a school's resource base, Ind-Ra examines the magnitude of financial assets and the liquidity of these holdings.

For schools with significant resources, the largest component of their investment portfolio tends to be financial assets held for the long term. These assets include endowment funds and other funds that function similarly to endowment assets, although with fewer restrictions as to use. In addition to long-term investments, well-endowed schools may also maintain sizable short- and intermediate-term cash and investment pools to support short-term working capital needs and variable-rate demand programs. Generally, these investments tend to be highly liquid and available on demand, with minimal notice.

To gauge the magnitude of a school's resource base, Ind-Ra calculates available funds, or total cash and investments not permanently restricted. This balance is then compared with operating expenditures and financial leverage as measures of financial flexibility. As part of its analysis of balance sheet resources, Ind-Ra reviews investment performance from the close of the most recent audited fiscal year and considers the potential impact that financial market movements may or may not have had on available fund metrics derived from those audited financial statements.

Balance Sheet Resources Not Necessarily a Proxy for Liquidity

Figure 7

Attributes: Financial Flexibility

Stronger attributes	Track record of strong/solid operating performance, supported by a diverse revenue base, and solid resource levels; exposure to nonmarketable, illiquid securities tempered by operating strengths and availability of other, more liquid funds.
Midrange attributes	Moderate operating performance supported by stable, enrolment-related revenues, and adequate to healthy resource levels; modest exposure to nonmarketable securities, with a more limited ability to manage the illiquidity issues accompanying these investments.
Weaker attributes	Weak/negative operating performance supported by variable, enrolment-related revenues, and adequate to fairly weak resource levels; extremely limited financial capacity to manage the risks associated with any exposure to nonmarketable asset classes.

Source: Ind-Ra

Ind-Ra acknowledges that many schools invest sizable shares of their long-term investment portfolios in alternative asset classes. Held with a long-term investment horizon, alternative investments provide the opportunity for enhanced returns, although they are generally illiquid, not immediately accessible, and sometimes require subsequent commitments of capital.

Ind-Ra's liquidity analysis also focuses on the ability of the institute to manage cash flow mismatches, a typical characteristic of the industry. Fee is usually collected quarterly/half-yearly/annually. Whereas operational expenses, largely comprising of staff expenses and asset rentals which are fixed in nature, are paid out monthly. This could lead to cash flow mismatches and impact timely servicing of debt obligations. Ind-Ra's assessment focuses on sources of liquidity, which includes adequacy and utilisation of working capital bank lines, cash and fixed deposits maintained through the year to meet operational expenses, and term debt repayment frequency (monthly/aligned with cash inflow).

Ind-Ra also examines days receivables and payables outstanding, cash conversion cycle and working capital utilisation to assess the liquidity position.

Figure 8

Select Measures of Liquidity and Leverage

Available funds	Includes cash and investments that are not permanently restricted. Available funds provide a measure of balance sheet resources.
Adjusted available funds	Includes cash and investments that are not permanently restricted and excludes financial assets deemed as alternative investments per the audited financial statements.
Debt service coverage	Measures a school's ability to service debt from annual surplus.
Debt burden	Measures projected MADS as a percentage of total unrestricted operating revenues. Ind-Ra considers a debt burden equal to or greater than 10% as high.

MADS – Maximum annual debt service
Source: Ind-Ra

Debt Burden

Budgetary Impact of Debt-Carrying Charges Measured on an Historical Projected Basis

To assess a school's ability to annually manage its financial obligations, Ind-Ra calculates a debt burden and will review historical and projected debt service coverage levels. The debt burden, calculated by Ind-Ra as the ratio of projected MADS to unrestricted operating revenues, indicates the portion of current-year unrestricted operating revenues required to meet maximum principal and interest on outstanding and proposed new money bonds through final maturity. In addition to carrying charges on long-term debt instruments, pro forma MADS also includes debt service on bonds payable, capital leases, and non-cancellable operating leases.

Other factors, notably consistently strong coverage of debt service (discussed below), may help mitigate at least some of these concerns. Ind-Ra views favourably the ability of management to articulate a well-reasoned and achievable strategy for stabilising or reducing a high debt burden over time.

Management and Long-Term Planning

Due to the abundant external pressures and internal organisational issues faced by institutions, competent day-to-day management is critical to sound operations. Management's decision-making strategy and ability to control risks, costs and anticipate changes are integral considerations in Ind-Ra's rating analysis. The agency assesses management's knowledge of its internal and external environment, and its ability to recognise areas needing improvement. Management's proficiency in adapting to change and implementing solutions is crucial to maintaining sound operations. Proactive management is a positive credit factor.

Ind-Ra reviews the management's strategic plan, which should define the institution's goals and objectives, and the path to accomplish them. A cohesive strategic plan can be used as a management tool if it allows sufficient latitude to maintain flexibility and to be proactive. It should address admissions policies, tuition fees, the institution's involvement with distance education and fund-raising strategies, auxiliary enterprises/shareholdings, and major capital plans. This, in conjunction with the annual budget or projected revenue, expenditure and capital expenditure plan, should paint a reasonable picture of future operations and management's aims. The annual budget should be a detailed document that reflects the institution's strategic plan.

Management's decisions on staffing plays a significant role in determining the institution's ability to adjust to changes in the operating environment. For example, management's actions regarding tenured faculty can affect flexibility in both staffing and changes to programmes that are no longer economically viable. Redeployment, or dismissal of tenured faculty, although possible, is a painful process for both institution management and faculty leaders. Institutions with a lower percentage of tenured staff have increased ability to make staffing or programme changes.

Peer Comparisons

Comparative Analysis Highlights Similarities and Contrasts Among Like Credits

Most schools/institutions generally report demand and financial data in a standardised manner. While this standardisation enables a robust comparison among schools/institutions having a similar mission and mix of programmatic and service offerings, comparisons across unrelated non-profit business lines will be less meaningful. As an example, the credit drivers of a voluntary institute engaged in social development differ from the drivers of a research institute, meaning that certain demand and financial metrics will not translate to both entities. Consequently, Ind-Ra generally conducts its peer analysis for schools/institutions among credits at a given rating level having similar attributes.

In cases where Ind-Ra does not maintain ratings on a critical mass of similar credits or in situations where the metrics do not consistently align with or support a rating recommendation, Ind-Ra may expand the universe of comparable schools/institutions. The expanded universe could include median values for dissimilar schools/institutions at the proposed rating level or, in the case of situations on the margin, schools/institutions rated above or below the proposed rating level. In most cases, this analysis helps bolster the rating recommendation and highlights important contrasts.

Importantly, Ind-Ra notes that the ranges over which demand and financial metrics vary can be broad, and overlap among rating categories for certain metrics is inevitable. Moreover, ratings are forward looking and imply expectations for the future rather than being solely based on what previously occurred. Nevertheless, improvement or deterioration in a school's/institution's demand and/or financial metrics is an important rating driver, with such improvement or deterioration relative to medians and peers a potential source of positive or negative rating pressure. Other intangible, qualitative variables, such as the strength of management, also play an integral role in the analysis.

Financial Metrics

Ratios Remain a Valuable Analytical Tool

Financial results correlate reasonably well with credit ratings. The table below details the core factors discussed as part of this sector-specific criteria report and provides examples of typical characteristics exhibited across the ratings spectrum.

Median financial ratios will vary over time because ratings allow for a certain amount of performance variability and cyclicality, and no absolute floors or ceilings are prescribed for individual metrics to qualify for a particular rating level. Strong performance in one metric may or may not compensate for poor performance in another, depending on the metrics involved and other circumstances of the borrower. Also, qualitative factors and expectations for future performance often result in ratings for borrowers that may have one or several metrics that diverge from published medians.

Figure 9

Key Financial Ratios

Ratio	Calculation	Significance
Capital structure and cash flow		
Debt service coverage by current balance before interest and depreciation (CBBID)	CBBID/MADS	Indicates net revenue available to meet MADS requirements
Debt service coverage by operating CBBID	Operating income + interest, taxes, depreciation, and amortisation expense/MADS	Indicates net revenue available from core operations (excludes non-operating income) available to meet MADS requirements.
MADS as % of total revenue	MADS/total revenue	Indicates burden of debt service relative to total revenue. Higher percentages indicate less room for operating profitability variance
Debt to capitalisation	Total debt/(total debt + unrestricted net assets)	Indicates size of debt compared with the adjusted net worth of the entity
Capital expenditures as % of depreciation expense	Net purchase of property, plant, and equipment/annual depreciation expense	Indicates level of capital reinvestment into the facility
Variable-rate debt/total debt.	Variable - rate debt/total debt	Provides context for an issuer's exposure to variable rate debt
Liquidity		
Days cash on hand	Unrestricted cash and investments/(cash operating expenses/365)	Indicates financial flexibility and cushion against decline in operating profitability
Cash to debt	Unrestricted cash and investments/total debt	Indicates financial flexibility and cushion against decline in operating profitability
Cushion ratio	Unrestricted cash and investments/MADS	Indicates financial flexibility and cushion against decline in operating profitability
Profitability		
Operating margin	Total operating revenue - total operating expenses/total operating revenue	Provides an indication of a borrower's profitability from core operations
Operating CBBID margin	Income from operations before interest, taxes, depreciation, and amortisation/total operating revenue	Provides an indication of cash flow from core operations which is available for the payment debt service
CBBID margin	CBBID/total operating revenue + non-operating revenue	Provides an indication of cash flow from operating and non-operating (primarily investment income) which is available for the payment of debt service
Personnel costs as % of total operating revenue	Salaries, wages, benefits, and professional fees/total operating revenue	Provides an indication of how efficiently labour is being used

Source: Ind-Ra