



Press Release

Primus Trust

February 06, 2024

Rating

Facility	Amount (Rs. Crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	63.98 (Reduced from Rs.70.00 crore)	IVR BBB+; Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed	Simple
Total	63.98 (Rs. Sixty-three crores and ninety-eight lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of rating assigned to the bank facilities of Primus Trust (PT), a part of Universal Education Group (UEG), continues to derive strength from the long track record of operations of the group along with its strong and diverse presence across the education sector offering varied courses. UEG has an experienced board of trustees and strong management team, satisfactory infrastructure with experienced faculties and satisfactory enrolment rates in the educational Institutes under the group. The rating also factors in improvement in total operating income of UEG in FY23, albeit moderation in profit margins. Further, the rating also considers satisfactory level of response for the three new international schools of the Group which commenced operations from September 2022 onwards. However, these rating strength remains partially offset by the group's susceptibility to regulatory risk and intense competition in the sector. The rating also notes leveraged capital structure of the group with moderate debt protection metrics, however the same improved in FY2023.

Key Rating Sensitivities:

Upward factors

- Improvement in enrolment ratio leading to improvement in the operating income and profitability on a sustained basis.
- Improvement in the capital structure with reduction in debt level leading to improvement in overall gearing to below 1x and/or improvement in debt protection metrics with improvement in interest coverage to over 3x
- Improvement in overall liquidity position of the group

Downward Factors



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- Dip in operating income and/or profitability due to decline in enrolment ratio impacting the debt protection metrics with moderation in interest coverage to below 2x
- Higher than anticipated debt funded capital expenditure creating pressure on the capital structure thereby leading to moderation in overall gearing ratio to over 2x
- Any withdrawal of unsecured loans thereby leading to moderation in capital structure
- Moderation in overall liquidity position of the group

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Board of Trustees with long track record of operation

UEG has presence in the education sector since 2003 and runs 48 educational institutes across 34 entities and offers K-12 education, degree and technical courses. UEG was established under the chairmanship of Mr. Jesus S.M. Lall who has over two decades of experience in the education sector. Mr. Jesus S. M. Lall, is a member of the International Advisory Committee of the Educational Institute of India; a Fellow of the Indian Institute of Educational Management; and 2005 “Educational Personality of the Year”. Apart from being the CEO of UEG, Mr. Lall is also a director of the NGO, S. M. Lall Foundation. The operations of the group are looked after by Mr. Jesus S.M. Lall. He is supported by the other trustees and a team of qualified and experienced professionals in managing the day-to-day affairs of the Group.

Diverse presence across the education sector through established schools and colleges offering varied diploma, graduation and post-graduation courses

UEG offers Pre-Primary, Primary and Secondary education, undergraduate course, graduate courses like BMS, BMM, BBI, BAF, BSC, BBA, B. Com, LLB. Diploma courses in engineering, diploma in elementary education, Bachelor of Education courses (B. Ed) and post-graduate courses like M. Com etc. The engineering courses are approved by The All-India Council for Technological Education (AICTE) with accreditation of NAAC B+ and the respective institutes are affiliated to the Mumbai University. The schools are affiliated to the Indian Certificate of Secondary Education (ICSE). The combined current strength of all the schools and colleges together is over 25,000+ students.

Satisfactory infrastructure coupled with experienced faculties.

UEG has the privilege of having a large pool of experienced faculty members, which is essential in building a strong brand name and attracting quality students. Further, all the



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institutes under the Group have modern infrastructure including but not limited to, transportation & canteen facilities and latest tools & technologies.

Satisfactory enrolment rates in educational institute

Enrolment rate depends upon available infrastructural facilities, composition of experienced faculties, placement records and brand image of the institution. UEG has maintained a satisfactory enrolment rate over the past years in all its Institutes.

Satisfactory level of response for the three new international schools of the Group

The group has implemented expansion in terms of putting up three new schools in the name of Stellar World School with International Curriculum. The schools are in Andheri, Bandra and Goregaon (Mumbai) which houses the affluent population who are the target segment of the school. The operations of the schools commenced from September 2022 onwards. The UEG generated a total revenue of Rs.8.92 crore from the new schools in the first year of admission. Going forward, the admissions is expected to increase with increase in demand for international curriculum. The group is also expected to benefit from the new schools in the form of additional revenues in the near to medium term.

Improvement in total operating income in FY23, albeit moderation in profit margins

Total operating income (TOI) witnessed a y-o-y growth of 30.87% from Rs.355.01 crore in FY22 to Rs.464.61 crore in FY23 driven by increase in headcount as well as fee structure in most of the educational institutes operating under the UEG. Despite the increase in top line, EBITDA margin moderated from 32.66% in FY2022 to 28.36% in FY2023 due to a one-off increase in operational and administrative expenses post opening of schools and colleges after COVID induced lockdown. Most of the schools and colleges operating under the UEG had to undergo a one off high amount of repairs and maintenance expense in FY2023 which led to the decrease in operating margin. Nevertheless, on absolute terms, EBITDA increased from Rs.115.96 crore in FY2022 to Rs.131.77 crore in FY2023. With decrease in EBITDA margin, PAT margin also moderated from 16.10% in FY2022 to 12.28% in FY2023. Nevertheless, gross cash accruals improved from Rs.70.12 crore in FY2022 to Rs.80.32 crore in FY2023.

Further, the Group achieved a PBT of Rs.75.95 crore on a TOI of Rs.398.14 crore during 9MFY2024 as against a PBT of Rs.49.34 crore on a TOI of Rs.351.64 crore during 9MFY2023. The ability of the group to sustain the growth in scale of operations without further compromise in margins will be critical from rating perspective.



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Key Rating Weaknesses:

Leveraged capital structure of the Group with moderate debt protection parameters; albeit improvement in FY23

The debt profile of the group majorly consists of term loans from banks, unsecured loans from promoters & their relatives and bank overdrafts. The long-term debt equity ratio and overall gearing though improved from 1.37x and 1.51x respectively as on March 31, 2022, to 1.16x and 1.21x respectively as on March 31, 2023 (considering subordinated unsecured loans from promoters and relatives of Rs.276.77 crore as on March 31, 2022, and Rs.303.65 crore as on March 31, 2023, as quasi equity) yet remained moderate. The improvement in capital structure is attributable to accretion of profits to reserves. Further, the debt coverage indicators though improved yet remained moderate with ICR of 2.05x (2.31x in FY2022) in FY23, total debt/EBITDA of 6.36x (7.48x as on March 31, 2022) and total debt/GCA of 10.44x (12.38x as on March 31, 2022) as on March 31, 2023. Total indebtedness as reflected by TOL/TNW (including quasi equity) remained comfortable at 2.04x as on March 31, 2023.

Susceptibility to regulatory risks

The education sector is highly regulated and compliance with specific operational and infrastructure norms set by regulatory bodies are important. Thus, regular investment in the workforce and infrastructure is needed to conduct the operations efficiently.

Intense competition

UEG faces intense competition from reputed public and private institutes in the nearby states. This puts pressure on attracting / retaining talented students and faculty.

Analytical Approach: Combined

Infomerics has considered the combined business and financial risk profiles of Vidya Vikas Education Trust, National Education Society, Maharashtra Samaj Ghatkopar, Universal Education Foundation, Super Value Properties Private Limited, SML Supervalue Education Private Limited, SML Properties Private Limited, JND Edu-Realty Private Limited, JND Edu-Management Services Private Limited, UTOPIA Hospitality Private Limited, UDAN Recreation Services Private Limited, JND Realcon Private Limited, SML Realtech Private Limited, Almighty Infrastructure Private Limited, SML Edu-Infra Private Limited, SAA Edu-Infra Services LLP, The Abraham Memorial Education Trust, Alpha Foundation for Education and Research, Primus Trust, General Computer Services International, Universal Edu Infra Services Pvt Ltd, A. P. Greig Foundation Trust, AJL Edu-Solutions LLP, Agastya Edu-Realty



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LLP, Bombay Education Trust, Gareeb Vidyarthi Sahayak Mandal Trust, AJL Edu-Infra Services LLP, AJL Buildcon LLP, JND Edu Infra Services Private Limited, Sahyog Charitable Trust, Universal Edu Realty LLP, Universal Educon Private Limited, Shreeji Education Trust and Bolar Education Trust together referred to as the 'Universal Education Group' (UEG) to arrive at the rating as these entities are under a common management and have operational linkages and cash flow fungibility. The list of entities is given in Annexure 2.

Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Policy of default recognition](#)

[Consolidation of companies](#)

Liquidity: Adequate

The liquidity of the Group is expected to remain adequate in the near term marked by its expected sufficient cash accruals vis-à-vis its debt repayment obligations of Rs.62.60 crore in FY24, Rs.63.89 crore in FY25 and Rs.73.93 crore in FY26. The UEG earned a gross cash accrual of Rs.80.32 crore in FY23. Also, with the resourcefulness and its established presence, Infomerics, do not envisaged much difficulty for the group in meeting its debt obligations in the near term. The group had free cash and cash equivalent of Rs.37.30 crore as on December 31, 2023. The current ratio of the Group also stood comfortable at 2.20x as on March 31, 2023.

About the Trust

Established in 2006, Primus Trust is a part of UE group and is and registered under the Indian Trust Act. The trust manages a school & college and offers International General Certificate of Secondary Education and Indian Certificate of Secondary Education curricula (IGCSE). The school is affiliated to the Cambridge University and the college is affiliated to Karnataka State Board. Following are the institutions managed by Primus Trust:

No	Institutions Name	Curriculum / Affiliations	Location	Course	Year of establishment
1.	Primus Public School	IGCSE	Sarjapur Road, Bangalore	Pre-primary, 1-10	2006



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2.	Primus P U College	State Board	Sarjapur Road, Bangalore	Junior College	2006
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About UEG:

Founded by Mr. Jesus S.M. Lall, UEG has presence in the education sector since 2003 and runs 48 educational institutes across 34 entities and offers K-12 education, degree, and technical courses. The group has recently started operations of three new schools with International Curriculum at Andheri, Bandra and Goregaon in Mumbai from September 2022 onwards. While most of the entities are in the education sector, some of them are asset holding and provides support services to the institutes. The group has its presence in Maharashtra, Karnataka and Tamil Nadu.

Financials (Combined):

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	355.01	464.61
Total Income	361.81	481.44
EBITDA	115.96	131.77
PAT	58.25	59.13
Total Debt	867.85	838.28
Tangible Net worth	297.06	389.72
Adjusted Tangible Net worth	573.82	693.37
EBITDA Margin (%)	32.66	28.36
PAT Margin (%)	16.10	12.28
Overall Gearing Ratio (x)	1.51	1.21

*Classification as per Infomerics' standards.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	19.82	26.40
Total Income	20.34	26.88
EBITDA	11.33	11.97
PAT	1.82	4.11
Total Debt	85.42	61.15
Tangible Net worth	0.02	3.46



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Adjusted Tangible Net worth	0.02	3.46
EBITDA Margin (%)	57.16	45.34
PAT Margin (%)	8.93	15.28
Overall Gearing Ratio (x)	4473.05	17.67

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA:

Acuite Ratings has continued to classify the rating of PT under "ISSUER NOT COOPERATING" vide its Press Release dated August 24, 2023 due to non-availability of requisite information to carry out a review.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Term Loan	Long Term	63.98 (Reduced from Rs.70.00 crore)	IVR BBB+/Stable	IVR BBB+/Stable (November 10, 2022)	IVR BBB+/Stable (August 16, 2021)	-

**Rs.60.80 crore outstanding as on November 30, 2023, and disbursement of Rs. 3.18 crore pending as on November 30, 2023.*

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About Infomerics Ratings:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit



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ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	June 30, 2033	63.98 * (Reduced from Rs.70.00 crore)	IVR BBB+/ Stable

*Rs.60.80 crore outstanding as on November 30, 2023, and disbursement of Rs. 3.18 crore pending as on November 30, 2023.

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Primus-Trust-feb24.pdf>

Annexure 3: List of companies/Entities considered for consolidated analysis:

Name of the Company	Consolidation Approach
Vidya Vikas Education Trust	Full consolidation
National Education Society	Full consolidation
Maharashtra Samaj Ghatkopar	Full consolidation
Universal Education Foundation	Full consolidation
Super Value Properties Private Limited	Full consolidation
SML Supervalue Education Private Limited	Full consolidation
SML Properties Private Limited	Full consolidation



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JND Edu-Reality Private Limited	Full consolidation
JND Edu-Management Services Private Limited	Full consolidation
UTOPIA Hospitality Private Limited	Full consolidation
UDAN Recreation Services Private Limited	Full consolidation
JND Realcon Private Limited	Full consolidation
SML Realtech Private Limited	Full consolidation
Almighty Infrastructure Private Limited	Full consolidation
SML Edu-Infra Private Limited	Full consolidation
SAA Edu-Infra Services LLP	Full consolidation
The Abraham Memorial Educational Trust	Full consolidation
Alpha Foundation for Education and Research	Full consolidation
Primus Trust	Full consolidation
General Computer Services International	Full consolidation
Universal Edu Infra Services Pvt Ltd	Full consolidation
A. P. Greig Foundation Trust	Full consolidation
AJL Edu-Solutions LLP	Full consolidation
Agastya Edu-Reality LLP	Full consolidation
Bombay Education Trust	Full consolidation
Gareeb Vidyarthi Sahayak Mandal Trust	Full consolidation
AJL Edu-Infra Services LLP	Full consolidation
AJL Buildcon LLP	Full consolidation
JND Edu Infra Services Private Limited	Full consolidation
Sahyog Charitable Trust	Full consolidation
Universal Edu Realty LLP	Full consolidation
Universal Educon Private Limited	Full consolidation
Shreeji Education Trust	Full consolidation
Bolar Education Trust	Full consolidation

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.