



Press Release

Vidya Vikas Education Trust

August 28, 2020

Rating

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action
Long Term Fund Based Bank Facilities – Term Loan	95.00	IVR BBB+ (Credit Watch with Developing Implications) (IVR Triple B Plus under Credit watch with developing implications)	Assigned
Total	95.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of Vidya Vikas Education Trust (VVET) consider its experienced board of trustees with long track record of operations, diverse presence across the sector offering varied courses, satisfactory infrastructure with experienced faculties and satisfactory enrolment rates in the Institutes. The rating also factors in stable operating performance of the Group during FY20 (Prov.) albeit thin profit margin. However, these rating strengths are partially offset by the leveraged capital structure of the Group with moderate debt protection metrics. Further, the rating also note VVET's susceptibility to regulatory risk and intense competition in the sector.

The rating remains under credit watch with developing implications due to uncertainty in the performance due to outbreak of COVID19. Infomerics will continue to monitor the developments in this regard and will take a view on the rating once the exact implications of the above on the credit risk profile of the group are clear.

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 and/or improvement in debt protection metrics
- Improvement in liquidity position

Downward factors



Press Release

- Dip in operating income and/or profitability due to decline in enrolment ratio impacting the debt protection metrics
- Higher than anticipated capital expenditure
- Deterioration in the capital structure and/or debt protection metrics and liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Board of Trustee with long track record

VVET is a part of the UEG Group and was established in 2003 under the Chairmanship of Mr. Jesus S.M. Lall who has over two decades of experience in the education sector. Mr. Jesus S. M. Lallis 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 Universal Education, Mr. Lall is also a director of the NGO, S. M. Lall Foundation. The operations of the trust 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 trust.

UEG has presence in the education sector since 2003 and runs 42 educational institutes across 26 entities and offers K-12 education, degree and technical courses. The group has its presence in Maharashtra, Karnataka and Tamil Nadu.

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

UEG Group offers primary and secondary education, undergraduate, graduate courses like B. Tech, BBA, B. Com, LLB, Bachelor of Education courses (B. Ed) and post-graduate courses like MBA, MCA, 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 30,000+ students.

Satisfactory infrastructure coupled with experienced faculties

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



Press Release

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. VVET has maintained a satisfactory enrolment rate over the past years in all its Institutes.

Stable operating performance of the Group during FY20 (Prov.) albeit thin profit margins

The total income of the Group during FY19 and FY20 stood at Rs.264.25 crore in FY20 (Prov.) and Rs.265.28 crore in FY19. Fees income from various courses offered by the Group increased in FY20 as compared to FY19. However, the same was negated by decline in other income in FY20 as compared to FY19 like transport and logistics facilities, providing books and study materials to students, canteen services, uniform fees, etc. since all these facilities are outsourced by the Group to third parties and the payment for the services is directly made to the third parties.

EBITDA margin remained stable in the range of 28-29% during the last three fiscals. PBT margin though improved marginally from 1.30% in FY19 to 2.12% in FY20 (Prov.), yet remained low due to high interest expenses and depreciation provision. Consequently, PAT margin also remained low at 1.92% in FY20 (Prov.) (0.34% in FY19).

Key Rating Weaknesses

Leveraged capital structure of the Group with moderate debt protection metrics

The debt profile of the group majorly consists of term loans from banks, small amount of unsecured loans and bank overdrafts. The long-term debt increased significantly from Rs.457.32 crore as on March 31, 2019 to Rs.514.54 crore as on March 31, 2020 (Prov.) due to the fact that the management had taken loans for two new schools in the name of Universal High in Mumbai under the Group which started operations during the previous year, i.e., FY20. The capital structure of the group remained highly leveraged with overall gearing at 4.37x as on March 31, 2020 (Prov.) as against an overall gearing at 4.35x as on March 31, 2019. Interest coverage ratio remained moderate at 1.56x in FY20 (Prov.) (1.55x in FY19) and total debt to GCA remained high at 19.89x in FY20 (Prov.) (19.35x in FY19).

Also, the management has planning to start two new international schools in Andheri and Bandra, Mumbai which is under construction and will commence operations from



Press Release

September, 2021. The total debt requirement for both these schools is Rs.100.00 crore approximately out of which Rs.34.53 crore has been disbursed till date and the balance amount will be disbursed in FY21.

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 Group 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: Consolidated

For arriving at the ratings, Infomerics has consolidated the 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, 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 LLP, Bombay Education Trust , Gareeb Vidyarthi Sahayak Mandal Trust, AJL Edu-Infra Services LLP, AJL Buildcon LLP and JND Edu Infra Services Private Limited together referred to as the 'Universal Education Group' (UEG) as these entities are under a common management and have strong 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)

Liquidity - Adequate



Press Release

The liquidity of the group is expected to remain adequate marked by its matching cash accruals vis-à-vis its repayment obligations. Also, with resourcefulness of the UEG Group and its established presence, Infomerics, do not envisaged much difficulty for the VVET in meeting its debt obligations in the near term.

About the Trust

Established in 2003, by Mr. Jesus S.M. Lall, Vidya Vikas Education Trust (VVET) is registered under Bombay Public Trust Act, 1950. VVET is a part of the Universal Education Group (UEG) and manages 14 educational institutions including one international school and offers various programmes in engineering, law, commerce, science, management and mass media. VVET is currently having 14,000+ students currently enrolled in various Institutes.

About UEG Group:

Founded by Mr. Jesus S.M. Mall, UEG has presence in the education sector since 2003 and runs 42 educational institutes across 26 entities and offers K-12 education, degree and technical courses. The group has its presence in Maharashtra, Karnataka and Tamil Nadu.

Financials (Consolidated):

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	265.28	264.25
EBITDA	76.22	75.30
PAT	0.90	5.08
Total Debt	471.43	527.78
Adjusted Tangible Net worth	125.39	158.34
EBITDA Margin (%)	28.73	28.49
PAT Margin (%)	0.34	1.92
Overall Gearing Ratio (x)	4.35	4.37

*As per Infomerics' Standard

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	64.98	64.46
Total Income	65.55	65.66
EBITDA	16.14	15.41
PAT	7.77	10.63
Total Debt	27.70	19.07
Adjusted Tangible Net worth	16.54	27.17
EBITDA Margin (%)	24.83	23.91



Press Release

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
PAT Margin (%)	11.86	16.19
Overall Gearing Ratio (x)	1.67	0.70

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	95.00	IVR BBB+/ (Credit Watch with Developing Implications)	-	-	-

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.

Name and Contact Details of the Rating Analyst:

Name: Ms. Harshita Didwania Tel: (033) 46022266 Email: hdidwania@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy,



Press Release

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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
Long Term Bank Facilities – Term Loan	-	-	June, 2030	95.00	IVR BBB+ / (Credit Watch with Developing Implications)

Annexure 2: List of 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
JND Edu-Realty 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
Abraham Memorial Education Trust	Full consolidation
Alpha Foundation for Education and Research	Full consolidation
Primus Trust	Full consolidation
General Computer Services International	Full consolidation



Press Release

Universal Edu Infra Services Pvt Ltd	Full consolidation
A. P. Greig Foundation Trust	Full consolidation
AJL Edu-Solutions LLP	Full consolidation
Agastya Edu-Realty 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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Lenders-VVET-28-08-20.pdf>

