Press Release

Maruti Educational Trust

September 18, 2023

Ratings

Instrument/Facility	Amount (Rs Cr.)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	175.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	45.00	IVR A3 (IVR A Three)	Assigned	Simple
Total	**220.00 (Rs. Two Hundred and Twenty Crore Only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Maruti Educational Trust (MET) derives comfort from the long track record of operation of the trust under experienced trustees, healthy improvement in financial performance in FY23, and resilient nature of the Indian education sector with steady growth. These rating strengths are, however, constrained by the relatively small scale of current operations, debt funded capex plan in the near term leading to moderation in capital structure and coverage ratios, competitive nature of the industry, and exposure to various government regulations.

Key Rating Sensitivities:

Upward Factor

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators and/or moderation in overall gearing.
- Any significant unplanned capex leading to a deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operation under experienced trustees**

Maruti Educational Trust (MET) was incorporated in 2009 and over the years it has become a very reputed and trusted brand and all its institutions thus attract a lot many students from across India on a consistent basis. The Trust currently has eleven trustees with multiple decades of experience in overseeing educational institutions. Thus, MET is in good hands and its future looks stable.

- **Healthy improvement in financial performance in FY23**

Total Operating Income witnessed a significant YoY increase of 30% from Rs.86.11 crore in FY22 to Rs. 111.40 crore in FY23 driven primarily by medical college fees. TOI in FY21 was Rs 56.37 crore. The key reason for the substantial increase in income was the introduction of a medical college in FY21 with 150 seats. The fee per student per year is around Rs 18 lakhs and thus for every year subsequent to FY21 and till FY25 there will be an increment of 150 students reaching a maximum total of 750 students in FY25. Besides the increase in medical college fees, fees from other courses also increased in FY23 from FY22 by around 12%. EBITDAs increased steadily from Rs 26.08 crore in FY21 to Rs 29.78 crore in FY22 and Rs 35.89 crore in FY23. EBITDA margins in this period were in the range of 32.22% and 46.26%. The highest EBITDA margin during this period was in FY21 and the lowest was in FY23 – the drop in margin was primarily because of increase in salary costs as a percentage of sales in FY23 compared to FY21. The drop in EBITDA margin in FY23 percolated to PBT and PAT, and PAT margin for FY23 was 17.02% compared to 21.76% in FY22 and 29.24% in FY21. PAT on an absolute basis increased from Rs 16.79 crore in FY21 to Rs 18.93 crore in FY22 and Rs 18.96 crore in FY23.

- **Resilient nature of the Indian education sector**

India is the second most populated country and has the world's largest population, in the age cohort 5-24 years amounting to 580 mn and every fifth person in India is from age between 10 to 19 years. The education sector in India was estimated to be worth $ 117 bn and is expected to reach $ 225 bn by FY25. With the ever-expanding demand for skilled manpower, the Indian Education structure has been reformed through National Education Policy 2020 to ensure holistic development of students. Previously existing system of "10+2+3" years has been replaced by the "5+3+3+4" design. India has also embraced the Education 4.0 revolution, which promotes inclusive learning and increased employability and includes cutting-edge technologies such as AI, ML, IoT and blockchain. All these features bode well for the growth and resilience of the Indian education sector.

Key Rating Weaknesses

- **Relatively small scale of current operations**

MET is characterised by relatively small scale of current operations – Revenues in FY21, FY22, and FY23 were INR56.37 crore, INR86.11 crore, and INR111.40 crore respectively. While the MET brand enjoys a good standing in the country and attracts students from across India, the fact remains that small scale of operations puts pressure on the fixed cost absorption ability of any entity in difficult times, and MET is not an exception.

- **Debt funded capex plan in the near term leading to moderation in capital structure and coverage ratios**

While the overall gearing of the Trust slightly deteriorated from 0.23x on March 31, 2022 to 0.30x on March 31, 2023, and total indebtedness as reflected by TOL/TNW improved slightly from 1.16x on March 31, 2022 to 1.10x on March 31, 2023, MET has taken a long term debt amounting to INR175 crore in its book in FY24, and among other purposes, the debt would be utilised for capex including reimbursement of old capex of around INR100 crore. The introduction of this sizeable amount of debt would lead to moderation in capital structure and coverage ratios. Our estimates indicate that Overall Gearing would peak to 1.13x on March 31, 2024 before dropping gradually to 0.67x on March 31, 2026. DSCR is also expected to drop from around 5x in FY23 to an average of 1.45x between FY24 and FY26.

- **Competitive nature of the industry**

The spectrum of the education industry in which the Trust operates is highly competitive due to the presence of numerous players in India owing to relatively low entry barriers. This requires all the players to maintain a high quality of teaching, infrastructure and placement services. Deficiency in any of these leads to adverse reaction from potential students and have a negative bearing on the revenues of the educational institutions. It is thus imperative for all educational institutions including the ones of MET to maintain a high quality of teaching, infrastructure and placement services to attract sizeable number of students year after year.

- **Exposure to various government regulations**

The education industry is highly regulated by the Government of India and various State Governments. Some of these regulations, which imposes restrictions on fees increase, etc., have a negative bearing on the financial performance of the educational institutions.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Companies
Financial Ratios & Interpretation (Non-Financial Sector)
Criteria of assigning rating outlook

Liquidity – Adequate

The liquidity profile of the Trust is expected to remain adequate with satisfactory cash accruals vis- a- vis debt repayment obligations. The current ratio of the Trust was below 1x at 0.22x and 0.12x as on March 31, 2022 and March 31, 2023 (Provisional) respectively. Current ratio is expected to remain between 0.21x and 0.32x during March 31, 2024 and March 31, 2026. The Trust had an unencumbered fixed deposit balance of Rs 17.88 crore as on March 31, 2023.

About the Trust

The Trust was formed on 14th July, 2009 and was allotted a land admeasuring area 75 acres by Yamuna Expressway Industrial Development Authority vide Allotment Letter No. 344/YEA/2009 dated 20th November, 2009 and lease deed dated 10th December, 2009.

Noida International University was formed on 12th October 2010 on the allotted land, it is a UGC (University Grants Commission) recognized University sponsored by the Maruti Educational Trust with the objective to provide education services. The Institute is located in Noida with a campus area of 75 acres. The first academic session for Noida International University started in September, 2011. Noida International University is imparting graduation and post-graduation degrees and diploma in courses through its 12 Schools like School of Engineering, School of Architecture, School of Business Management, School of Law, School of Liberal Arts, School of Fine Arts, School of Education, School of Sciences, School of Journalism & Mass Communication, School of Nursing, Centre for Research, University Polytechnic. Currently there are approx. 4700 students studying in the Campus.

Noida International Institute of Medical Sciences (NIIMS) is a leading integrated healthcare service provider in India, which is the medical wing of Noida International University. A letter of Permission dated 15th October, 2020 had been granted by National Medical Commission (NMC) for enrolling 150 students in MBBS course. NIIMS started its first batch from the year 2020-21 enrolling all 150 students. The Approval for the 4rth Batch of admission has also been obtained by letter dated. 09-03-2023.

Noida International University (NIU) has dedicated a hospital to the society with the aim to provide the best facilities along with updated equipment and state of the art medical services. It is a Multi-Specialty Hospital with a capacity of 400+ beds.

Financials (Standalone):

(Rs in Crore)

For the year ended* / As on	**31-03-2022**	**31-03-2023**
	Audited	**Provisional**
Total Operating Income	86.11	111.40
EBITDA	29.78	35.89
PAT	18.93	18.96
Total Debt	34.89	52.86
Tangible Net worth	154.69	176.13
EBITDA Margin (%)	34.59	32.22
PAT Margin (%)	21.76	17.02
Overall Gearing ratio (X)	0.23	0.30

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: As per PR dated February 09, 2023, Brickwork Ratings continued to keep the ratings in the non-cooperating category due to non-cooperation from the client. As per PR dated June 20, 2022, CRISIL continued to keep the ratings in the non-cooperating category due to non-cooperation from the client. As per PR dated April 04, 2023, CARE Ratings had migrated the ratings to 'Issuer Not Cooperating' category due to non-cooperation from the client.

Any other information: N.A.

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. Cr.)	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	175.00	IVR BBB-/ Stable	-	-	-
2.	Overdraft	Short Term	30.00	IVR A3	-	-	-
3.	Bank Guarantee	Short Term	15.00	IVR A3	-	-	-

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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).

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Cr.)	Rating Assigned/ Outlook
Term Loan	-	-	March 2030	175.00	IVR BBB-/ Stable
Overdraft	-	-	-	30.00	IVR A3
Bank Guarantee	-	-	-	15.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: NA

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-MET-sep23.pdf

Annexure 4: Detailed explanation of covenants of the rated 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.