



## Press Release

### Primus Trust

**November 10, 2022**

#### Rating

Facility	Amount (Rs. Crore)	Rating	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	70.00 (Reduced from 78.39 crore)	IVR BBB+; Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed	Simple
<b>Total</b>	<b>70.00</b> <b>(Rs. Seventy crores only)</b>			

**Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The reaffirmation of rating assigned to the bank facilities of Primus Trust (PT) derives strength from the Universal Education Group's (UEG) long track record of operations along with its strong and diverse presence across the education sector offering varied courses under an experienced board of trustees and strong management team, satisfactory infrastructure with experienced faculties and satisfactory enrolment rates in the Institutes. The rating positively notes the timely completion and commencement of operations of the three new international schools under the group from September 2022 onwards, which is expected to benefit the group in the form of additional revenues in the near to medium term. The rating also factors in improvement in total operating income in FY22, albeit moderation in profit margins. However, these rating strengths continues to remain partially offset by the leveraged capital structure of the group with moderate debt protection metrics in FY22. Further, the rating also note the group's susceptibility to regulatory risk and intense competition in the sector.

#### **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 liquidity position

##### **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
- Moderation in overall liquidity position of the group

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced Board of Trustee with long track record**

UEG has presence in the education sector since 2003 and runs 46 educational institutes across 32 entities and offers K-12 education, degree and technical courses. The group has its presence in Maharashtra, Karnataka and Tamil Nadu.

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 primary and secondary education, undergraduate courses like 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 number of experienced faculty members, which is essential in building a strong brand name and attracting quality students. Further, all the institutes under



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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.

### **Timely completion and commencement of operations of 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 located 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 group incurred total cost of Rs.235.00 crore towards the project which was funded through bank loan of Rs.139.00 crore and the balance through promoter's contribution. Though the project involved a cost overrun of Rs.18.52 crore due to increase in the cost of certain equipments, yet the same was completely funded by the promoters. The admissions for the new school have already commenced and till September 2022, 72 students have enrolled in the schools thereby generating a revenue of Rs.5.14 crore for the group in FY23. The admission process is ongoing, and the group is 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 FY22, albeit moderation in profit margins**

TOI witnessed a y-o-y growth of 20.91% from Rs.281.76 crore in FY21 to Rs.343.80 crore in FY22 driven by increase in course fee in most of the schools and institutes of the group. Though there was marginal decrease in student headcount in FY22 as compared to FY21, yet the same was compensated by increase in fee structure. Notwithstanding the increase in TOI, absolute EBITDA moderated from Rs.120.21 crore in FY21 to Rs.112.88 crore in FY22 resulting in moderation in EBITDA margin from 42.66% in FY21 to 32.83% in FY22. The dip in EBITDA margin is attributable to increase in operational and administrative expenses post opening of schools and colleges consequent to easing of lockdown restrictions. Consequently, PAT margin also reduced from 20.17% in FY21 to 16.93% in FY22. Nevertheless, on an absolute level, GCA improved marginally from Rs.80.13 crore in FY21 to Rs.81.95 crore in



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FY22 on account of increase in non-operational income and reduction in interest cost owing to subsequent repayments of term debts.

Further, the group achieved TOI of Rs.211.52 crore during H1FY23 as against TOI of Rs.175.98 crore during H1FY22. Timely commencement of three new schools with international curriculum supported the growth in revenues in H1FY23.

### **Key Rating Weaknesses:**

#### **Leveraged capital structure of the Group coupled with moderation in debt protection parameters in FY22**

The debt profile of the group majorly consists of term loans from banks, unsecured loans from promoters and relatives and bank overdrafts. The overall gearing moderated from 1.18x as on March 31, 2021 to 1.52x as on March 31, 2022 due to increase in term debts and unsecured loans (Unsubordinated). However, comfort can be derived from the fact that the unsecured loans are non-interest bearing with no fixed repayment schedule. With decrease in interest cost from Rs.53.44 crore in FY21 to Rs.49.50 crore in FY22, Interest overage ratio marginally improved from 2.25x in FY21 to 2.28x in FY22. However, with increase in debt levels, Total debt to GCA moderated from 8.15x in FY21 to 10.26x in FY22. DSCR moderated from 1.56x in FY21 to 1.22x in FY22 due to increase in debt servicing obligation. However, total indebtedness as reflected by TOL/ANW remained satisfactory at 1.91x as on March 31, 2022 (1.46x as on March 31, 2021).

#### **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



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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 Educational 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, JND Edu Infra Services Private Limited, Sahyog Charitable Trust, Universal Edu Realty LLP and Universal Educon Private Limited 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.

### **Applicable Criteria:**

[Rating Methodology for Service Sector Companies](#)

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

[Criteria of assigning rating outlook](#)

### **Liquidity: Adequate**

The liquidity of the Group is expected to remain adequate in the near term marked by sufficient cash accruals vis-à-vis its debt repayment obligations of Rs.68.43 crore in FY23, Rs.75.53 crore in FY24 and Rs.86.04 crore in FY25. The UEG has earned a gross cash accrual of Rs.81.95 crore. Also, with resourcefulness of the UEG Group and its established presence, Infomerics, do not envisaged much difficulty for the Trust in meeting its debt obligations in the near term. The group had free cash and cash equivalent of Rs.69.77 crore as on September 30, 2022. The current ratio also stood comfortable at 1.34x as on March 31, 2022.

### **About the Trust**

Established in 2006 and registered under the Indian Trust Act, 1972, PT was acquired by UEG Group in 2016. The trust manages a school & college and offers International General Certificate of Secondary Education and Indian Certificate of Secondary Education curriculum (IGCSE). 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
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1	Primus Public School	IGCSE	Sarjapur Road, Bangalore	Pre-primary, 1-10	2006
2	Primus P U College	State Board	Sarjapur Road, Bangalore	Junior College	2006

### **About UEG:**

Founded by Mr. Jesus S.M. Lall, UEG has presence in the education sector since 2003 and runs 46 educational institutes across 32 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 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)	
	31-03-2021	31-03-2022
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	281.76	343.80
Total Income	293.43	354.78
EBITDA	120.21	112.88
PAT	59.17	60.06
Total Debt	652.71	840.98
Tangible Net worth	333.11	334.18
Adjusted Tangible Net worth	551.64	552.71
EBITDA Margin (%)	42.66	32.83
PAT Margin (%)	20.17	16.93
Overall Gearing Ratio (x)	1.18	1.52

\*Classification as per Infomerics' standards.

### **Financials (Standalone):**

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	16.29	19.82
Total Income	16.33	20.34
EBITDA	10.82	11.33
PAT	1.03	1.82



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Total Debt	83.42	74.42
Tangible Net worth	(1.80)	0.02
Adjusted Tangible Net worth	9.20	11.02
EBITDA Margin (%)	66.39	57.16
PAT Margin (%)	6.30	8.93
Overall Gearing Ratio (x)	9.06	6.75

\*Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** Vide Press Release dated June 07, 2022

Acuite has moved the ratings of the Trust to Issuer Non Cooperating category due to non-submission of information by the Trust.

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1	Term Loan	Long Term	70.00 * (including proposed limit of Rs.3.57 crore)	IVR BBB+/Stable	IVR BBB+/Stable (August 16, 2021)	-	-

\*Outstanding as on August 31, 2022. Disbursement of Rs.0.21 crore pending as on August 31, 2022.

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### About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.



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Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit [www.infomerics.com](http://www.infomerics.com)

**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, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.





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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 Fund Based Limits – Term Loan	-	-	September , 2027	70.00 * (Including proposed limit of Rs.3.57 crore)	IVR BBB+/ Stable

\*Outstanding as on August 31, 2022. Disbursement of Rs.0.21 crore pending as on August 31, 2022.

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Primus-Trust-nov22.pdf>

### Annexure 3: List of companies 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
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-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



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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

**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](http://www.infomerics.com).