



## Press Release

**Primus Trust**

**August 16, 2021**

### Rating

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action
Long Term Fund Based Bank Facilities – Term Loan	78.39	IVR BBB+ /Stable Outlook (IVR Triple B Plus with Stable Outlook)	Assigned
<b>Total</b>	<b>78.39 *</b>		

*\*Outstanding as on March 31, 2021*

### Details of Facilities are in Annexure 1

### Detailed Rationale

The aforesaid rating assigned to the bank facilities of Primus Trust (PT) derives strength from the Universal Education Group's (UEG) strong and diverse presence across the education sector offering varied courses coupled with experienced board of trustees and strong management team, long track record of operations, satisfactory infrastructure with experienced faculties and satisfactory enrolment rates in the Institutes. The rating also factors in substantial improvement in financial performance of the group during FY21. 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 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 and/or improvement in debt protection metrics
- Improvement in liquidity position

#### Downward factors

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



## Press Release

- 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**

UEG has presence in the education sector since 2003 and runs 50 educational institutes across 30 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 Universal Education, 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 B. Tech, BBA, B. Com, LLB, diploma courses in engineering, diploma in elementary education, 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**

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

##### **Satisfactory enrolment rates in educational institute**



## Press Release

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.

### **Substantial improvement in financial performance of the Group in FY21**

TOI witnessed a y-o-y growth of 9.16% from Rs.262.55 crore in FY20 to Rs.286.61 crore in FY21 driven by increase in student headcount as well as revision in fee structure across all institutes in FY21 fiscal year. Also, increase in revenue from book, stationery and uniform added to the increase in TOI in FY21. Absolute EBITDA increased substantially from Rs.69.75 crore in FY20 to Rs.131.46 crore in FY21 resulting in increase in EBITDA margin from 26.57% in FY20 to 45.87% in FY21. The significant increase in EBITDA margin in FY21 is on account of various cost reduction initiatives taken by the management like 1. Rationalising electricity usage, 2. Centralised books and uniform purchase resulting in economies of scale, 3. Rationalising of transport routes, 5. Effective staff deployment, etc. With increase in EBITDA margin, PAT margin also increased significantly from 0.16% in FY20 to 21.44% in FY21. GCA improved from Rs.23.18 crore in FY20 to Rs.82.41 crore in FY21.

### **Key Rating Weaknesses**

#### **Leveraged capital structure of the Group albeit improvement in debt protection metrics in FY21**

The debt profile of the group majorly consists of term loans from banks, small amounts of unsecured loans and bank overdrafts. The overall gearing though improved marginally yet remained high at 1.88x as on March 31, 2021 as against an overall gearing of 2.65x as on March 31, 2020 [considering subordinated long term unsecured loans of Rs.31.78 crore as on March 31, 2020 and Rs.103.03 crore as on March 31, 2021 from directors and relatives as part of adjusted net worth]. With increase in profits, interest coverage ratio and total debt to GCA also improved from 1.44x and 21.29x respectively in FY20 to 2.75x and 7.26x respectively in FY21.

The group further intends to avail term loan to the extent of Rs.150.00 crore for construction of three new schools with international curriculum in Mumbai, Maharashtra which will become operational from September 2022 onwards. Out of Rs.150.00 crore, Rs.100 crore has been sanctioned and Rs.53.64 crore has been disbursed in FY21. The remaining amount is expected to be sanctioned by Q2FY21.

### **Susceptibility to regulatory risks**



## Press Release

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: 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, JND Edu Infra Services Private Limited and Sahyog Charitable Trust 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**

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. Also, with resourcefulness of the Universal Education 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 satisfactory free cash and cash equivalent of Rs.63.59 crore as on April 30, 2021. The current



## Press Release

ratio also stood comfortable at 1.27x and 1.03x respectively as on March 31, 2020 and March 31, 2021.

### **About the Trust**

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

### **About UEG:**

Founded by Mr. Jesus S.M. Mall, UEG has presence in the education sector since 2003 and runs 50 educational institutes across 30 entities and offers K-12 education, degree, and technical courses. The group is also coming up with three new schools with International Curriculum at Andheri, Bandra and Goregaon region of Mumbai, Maharashtra which will be operational 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):**

(Rs. crore)

For the year ended* / As On	31-03-2020	31-03-2021
	Combined	Combined
Total Operating Income	262.55	286.61
EBITDA	69.75	131.46
PAT	0.41	61.45
Total Debt	493.58	598.18
Adjusted Tangible Net worth	186.57	318.91
EBITDA Margin (%)	26.57	45.87
PAT Margin (%)	0.16	21.44
Overall Gearing Ratio (x)	2.65	1.88

\*As per Infomerics' Standard

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



## Press Release

(Rs. crore)

For the year ended* / As On	31-03-2020	31-03-2021
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	15.31	16.29
Total Income	15.36	16.33
EBITDA	7.77	10.82
PAT	-1.22	1.03
Total Debt	79.01	78.18
Adjusted Tangible Net worth	5.08	14.44
EBITDA Margin (%)	50.77	66.39
PAT Margin (%)	-7.92	6.30
Overall Gearing Ratio (x)	15.55	5.41

\*As per Infomerics' Standard

### Status of non-cooperation with previous CRA:

Acuite Ratings has moved the rating of PT into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated March 04, 2021.

**Any other information:** Nil

### Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	78.39 *	IVR BBB+/Stable Outlook	-	-	-

\*Outstanding as on March 31, 2021

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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





## Press Release

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, 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.

### 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	-	-	Varied. Last repayment falling due on September 01, 2027	78.39 *	IVR BBB+ / Stable Outlook

*\*Outstanding as on March 31, 2021*

### 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-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



## Press Release

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
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

### **Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/Primus-trust-lenders-16aug21.pdf>

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

### **Annexure 5: Complexity level of the rated Instruments/Facilities**

Sr No.	Instrument	Complexity Indicator
1.	Term Loan	Simple

**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).