

Press Release

Maharashtra Academy of Engineering And Education Research (MAEER)

08 July, 2017



Rating Assigned and Reaffirmed

Total Bank Facilities Rated	Rs. 260.00 Cr (Enhanced from Rs. 180.00 Cr)
Long Term Rating	SMERA A+/Stable (Reaffirmed & Assigned)
Short Term Rating	SMERA A1 (Reaffirmed)

Rating Rationale

SMERA has reaffirmed the long term rating of **'SMERA A+' (read as SMERA A plus)** and short term rating of **'SMERA A1' (read as SMERA A one)** on the Rs. 180.00 crore bank facilities and assigned long-term rating of **'SMERA A+' (read as SMERA A plus)** on the Rs. 80.00 crore facilities of Maharashtra Academy of Engineering And Educational Research (MAEER). The outlook is **'Stable'**.

Maharashtra Academy of Engineering and Educational Research (MAEER) established in 1983 by Dr. Vishwanath Karad, runs four universities namely Dr. Vishwanath Karad MIT World Peace University, Pune, MIT Art Design Technical University, Pune, Avantika University, Ujjain and UTM University, Shillong. The universities offer academic programs in engineering, management, pharmacy, medicine among others apart from running primary and secondary schools in Maharashtra, Madhya Pradesh and Karnataka.

List of key rating drivers and their detailed description

Strengths:

Established market position with experienced management: Maharashtra Institute of Technology is among the foremost private engineering colleges in Maharashtra. The flagship institute of the trust, Maharashtra Institute of Technology (MIT) received deemed university status in 2016 and changed its name to Dr. Vishwanath Karad MIT World Peace University. The trust has added three more universities namely, MIT Art Design and Technology University, Pune, Avantika University, Ujjain and UTM University, Shillong. The trust has more than 80 institutes under its wings offering courses on technical, design and management. The Chairman, Prof. Dr. Vishwanath Karad has more than three decades of experience in the education industry.

SMERA believes that the established brand name of the institutes and extensive experience of the management have helped grow MAEER's revenue to a CAGR of 12.69 per cent from FY2014 to FY2017.

Healthy occupancy levels: The trust has expanded its operations to other areas including Loni, Latur, Alandi, Solapur, Aurangabad to name a few. The total student strength stood at around 30,000 in FY2016-17. The trust has been operating on more than 100 per cent occupancy of sanctioned seats in the period (FY2014 to FY2017) on account of the established brand name.

Healthy financial risk profile: The trust has been maintaining a healthy financial risk profile marked by interest coverage ratio (ICR) of 9.20 times for FY2016-17 (Provisional) compared to 4.48 times in FY2015-16. The networth stood at Rs. 360.08 crore as on 31 March, 2017 (Provisional) compared to Rs. 306.95 crore as on 31 March, 2016. The gearing stood at a healthy 0.51 times as on 31 March, 2017 (Provisional) compared to Rs. 0.37 times as on 31 March, 2016. The EBIDTA margins increased from 16.12 per cent in FY2015-16 to 23.64 per cent in FY2016-17 (Provisional) on account of increase in fees. The EBIDTA margins decreased in FY2015-16 with payment of gratuity to employees, that was pending for 10 years. Strong accruals during the period under study helped the trust maintain a healthy financial profile and incur routine capital expenditure.

Geographical diversification: The trust runs four universities in Maharashtra, Madhya Pradesh and Meghalaya. With an aim to achieve better geographical diversification, the trust plans to set up a university in Andhra Pradesh. MAEER received a letter of intent from the Government of Andhra Pradesh to set up a university at Amaravati (over 150 acre land) in the next 10 years with an investment of Rs.1500.00 crore.

Weaknesses:

Intense competition: The institutes face intense competition from other private institutions offering similar courses. Given the competition, the ability of the institute to attract requisite students in tune with its sanctioned intake would be a challenge.

Stringent regulatory framework for the educational sector in India: The trust is subject to the stringent regulatory framework for the educational sector in India.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the trust.

Applicable Criteria

- Services Sector: <https://www.smera.in/criteria-services.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that MAEER will maintain a stable outlook over the medium term. The trust will continue to benefit from its long track record of operations and brand name. The outlook may be revised to 'Positive' in case the trust receives the status of a private university in Maharashtra as well. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial risk profile.

About the Rated Entity

The company reported profit after tax (PAT) of Rs.59.40 crore on operating income of Rs.484.64 crore for FY2016-17 (provisional), compared to PAT of Rs.1.95 crore on operating income of Rs.403.31 crore in FY2015-16. The net worth stood at Rs.360.08 crore as on 31 March, 2017 (provisional) against Rs.306.95 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
June 24, 2017	Term loan I	Long Term	20.00	SMERA A+/Stable (Reaffirmed)
	Term loan II	Long Term	13.00	SMERA A+/Stable (Assigned)
	Term loan III	Long Term	25.00	SMERA A+/Stable (Assigned)
	Cash Credit	Long Term	42.00	SMERA A+/Stable (Reaffirmed)
	Cash Credit	Long Term	55.00	SMERA A+/Stable (Assigned)
	Bank Guarantee/Letter of Credit	Short term	25.00	SMERA A1 (Reaffirmed)
	Term Loan	Long Term	-	SMERA A+/Stable (Withdrawn)
July 13, 2016	Cash Credit	Long Term	75.00	SMERA A+/Stable (Assigned)
	Term Loan	Long Term	66.07	SMERA A+/Stable (Assigned)
	Proposed	Long Term	13.93	SMERA A+/Stable (Assigned)
	Bank Guarantee/Letter of Credit	Short Term	25.00	SMERA A1 (Assigned)

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Term Loan I	NA	NA	December 2021	20.00	SMERA A+/Stable (Reaffirmed)
Term Loan II	NA	NA	August 2024	30.00 (Enhanced from 13.00)	SMERA A+/Stable (Reaffirmed)
Term Loan III	NA	NA	March 2023	25.00	SMERA A+/Stable (Reaffirmed)
Term loan IV	NA	NA	March 2021	7.50	SMERA A+/Stable (Assigned)
Term loan V	NA	NA	January 2022	10.22	SMERA A+/Stable (Assigned)

Term loan VI	NA	NA	August 2023	9.92	SMERA A+/Stable (Assigned)
Term loan VII	NA	NA	November 2019	7.86	SMERA A+/Stable (Assigned)
Term loan VIII	NA	NA	November 2019	10.00	SMERA A+/Stable (Assigned)
Cash Credit	NA	NA	NA	114.50 (Enhanced from 75.00)	SMERA A+/Stable (Reaffirmed)
Bank Guarantee/Letter of Credit	NA	NA	NA	25.00	SMERA A1 (Reaffirmed)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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