



Press Release

MA RWA DI EDUCA RE FOUNDATION (ERSTWHILE MA RWA DI EDUCA TI ON) FOUNDATION) January 25, 2024

Product	Quantum (Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	230.00	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	230.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITÉ BBB**' (read as ACUITE Triple B) on the Rs. 230.00 Cr. bank facilities of Marwadi Educare Foundation (MEF) (erstwhile Marwadi Education Foundation). The outlook is '**Stable**'.

Rating Rationale

The rating assigned considers the established track record of MEF along with market position of the university, considering varied courses, which results in diversified revenue streams, and the accreditation of NAAC A+ Grade to the university. The rating also considers significant improvement in the operating income due to increase in the number of courses and high occupancy levels. Further the rating also factors in the healthy financial risk profile of the entity marked by debt-equity of 1.25 times as on FY23. However, these strengths are partly offset by the growing competition in the field of education and the various regulatory risk associated with the business.

About the Company

Marwadi Educare Foundation is a Trust which was setup in 2010 in Rajkot, Gujarat towards education. The entity was founded in 2010 under the name of Marwadi University. In 2016, the University was made a private university. The University offers courses across different domains such as engineering, computer science, agriculture, physiotherapy and many more. Further, the University campus hosts the university building, hostels, canteens, extra-curricular activity facilities etc. along with this it also offers hostel stay for its students which is on-campus accommodation.

Unsupported Rating

Not applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Marwadi Educare Foundation (MEF) to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations and diversified revenue streams

MEF has an established track record of operations offering varied courses across different

domains. The University has been accredited with NAAC A+ Grade which gives the university an edge over its competition. Further, the university has been adding new course every 1-2 years which enables the university to horizontally expand its reach in offering different streams of education. The management of the entity bears an experience of over two decades in

the education industry, thus, ensuring the entity to increase its reach in the industry.

The university offers different courses across different domains, hostel accommodation on campus and transport service to its students which results in diversified revenue streams for the university. As on FY23, around 65 percent of income is marked from the tuition fees, 30 percent of the income is marked under hostel accommodation and rest around 5 percent is marked under transportation fees.

Acuité believes that the established track record of operations along with introduction of new courses, coupled with diversification in revenue streams will enable the entity to grow over the medium term.

Increase in operating income and profitability

The operating income for the entity has grown by a CAGR of around 39 percent in the last 2 years from FY21 to FY23. The entity has recorded operating income of Rs. 152.64 Cr for FY23 as against Rs. 112.10 Cr for FY22 and Rs. 79.20 Cr for FY21. The increase in revenue is due to increase in the number of courses offered and due to high occupancy levels. Additionally, the university revises the fees charged every year by around 10 to 12 percent. Further, the income from hostel accommodation and transport services to students and faculty have added to the increment in revenue. On a 9MFY24 (Prov.) the operating income of the trust is marked at Rs.108 crore. The entity has recorded an increase in operating profit margin of 35.3 percent for FY23 as against 27.53 percent for FY22 and 40.93 percent for FY21.

Acuité believes that the entity may continue to record an increase in operating income over the medium term owing to the increase in number of courses that the university offers and the corresponding increase in the number of students.

Healthy Financial Risk Profile.

The financial risk profile of the trust stood healthy, marked by moderate net worth, moderate gearing (debt-equity) and comfortable debt protection metrics. The tangible net worth stood at Rs. 187.29 crore as on 31 March 2023 as against Rs.80.19 crore as on 31 March 2022. The increase in net worth was on account of accretion of profits to reserve and consideration of a part of USL as quasi equity. Acuite has considered Rs.83.99 crore of USL as quasi equity on account of undertaking given by the trust to the banker. The total debt of the trust stood at Rs. 233.31 crore which includes long term loan of Rs.178.95 crore, short term loan of 32.48 crore in terms of CC and unsecured loans of Rs.21.88 crore as on 31 March 2023. The entity had disbursed additional term loan during FY23 for construction of new hostel building. The gearing (debt-equity) stood at 1.25 times as on 31 March 2023 as compared to 3.79 times as on 31 March 2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.34 times as on 31 March 2023 as against 4.06 times as on 31 March 2022. Further, the Interest Coverage Ratio and DSCR both stood at 3.79 times for FY2023 as against 2.74 times for FY2022. c Net Cash Accruals to Total Debt (NCA/TD) stood at 0.18 times for FY2023 as against 0.07 times for FY2022.

Acuite believes the financial risk profile of the trust may continue to remain healthy on account of steady cash accruals with no major debt-funded capex plans.

Weaknesses

Exposure to intense competition

MEF is exposed to intense competition from various educational institutes located in the nation. Given the competition, the ability of the trust to attract requisite students in tune with its sanctioned intake would be a challenge. Further, MEF also faces the risk related to qualified and experienced professional in the field of education.

Risk from Stringent regulatory framework

Various agencies such as AICTE, NBA, NAAC, MCI, and UCG, among others, under the State and Central government prescribe regulatory framework to MEF depending on the professional courses offered. The compliance is highly regulated and marked with entry, operation and exit barriers at each level which can impact the revenues and profitability of the trust.

Rating Sensitivities

- Healthy growth in revenue coupled with increase in student intake.
- Any deterioration in the financial risk profile.

Liquidity Position

Adequate

The entities liquidity position is adequate, marked by sufficient net cash accruals against the maturing debt obligations. It is expected to generate cash accrual in the range of Rs.51.08 – 59.43 crore against the maturing repayment obligations of Rs.12.38 – Rs.33.82 crore over the same tenure. The working capital limits are marked by high utilizations of fund-based limit of around 90 to 95 percent in the last 6 months ended December' 2023. The current ratio stands at Rs.0.92 times as on March 31, 2023, as against 0.3 times as on 31 March 2022.

Acuité believes that the liquidity position of the entity is likely to remain adequate over the medium term

Outlook: Stable

Acuité believes that the outlook on MEF will continue to remain 'Stable' over the medium term on the back of its established track record and healthy occupancy levels of the students. The outlook may be revised to 'Positive' in case the entity registers higher-than-expected growth in its revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case the trust registers lower-than-expected growth in revenues leading to deterioration in the entity's financial risk profile and the liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	152.64	112.10
PAT	Rs. Cr.	23.12	7.56
PAT Margin	(%)	15.15	6.74
Total Debt/Tangible Net Worth	Times	1.25	3.79
PBDIT/Interest	Times	3.79	2.74

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

None

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	33.00	ACUITE BBB Stable Assigned
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	5.05	ACUITE BBB Stable Assigned
Axis Bank	Not Applicable	Term Loan	Not available	Not available	28 Jul 2027	Simple	79.75	ACUITE BBB Stable Assigned
Bank of India	Not Applicable	Term Loan	Not available	Not available	06 Sep 2027	Simple	72.20	ACUITE BBB Stable Assigned
TATA Capital Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	11 Oct 2029	Simple	40.00	ACUITE BBB Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Parth Patel Analyst-Rating Operations Tel: 022-49294065 parth.patel@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.