



Press Release

MARWADI EDUCARE FOUNDATION (ERSTWHILE MARWADI EDUCATION FOUNDATION)

April 24, 2025

Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	150.25	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	79.75	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	150.25	-	-
Total Withdrawn Quantum (Rs. Cr)	79.75	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple Bo**)n Rs. 150.25 Cr. bank facilities of Marwadi Educare Foundation (erstwhile Marwadi Education Foundation) (MEF). The outlook is ‘**Stable**’.

Further, Acuité has also withdrawn its long-term rating of Rs. 79.75 Cr. bank facilities of Marwadi Educare Foundation (erstwhile Marwadi Education Foundation) (MEF) without assigning any rating as the instrument is fully repaid. The rating has been withdrawn on account of the request received from the company and No Dues Certificate received from the banker in line with Acuite' s policy on withdrawal of ratings as applicable to the respective instrument/facility.

Rationale for rating

The rating reaffirmation takes into account the growing student strength of the University over the years along with established presence and diversified course offerings which has attracted domestic and international students. The rating factors in the moderation of operating performance in FY24 due to delay in government receipts, however in FY25, the operating performance has improved on account of increase in student strength and commencement of operations of the new hostel building. However, these strengths are partly offset by moderate financial risk profile driven by significant capex plans over the next two years, growing competition in the field of education and various regulatory risks associated with the business.

About the Company

Established in 2008, Marwadi Educare Foundation (erstwhile Marwadi Education Foundation) is a Rajkot, Gujarat based organisation engaged in providing education through multiple colleges under Marwadi University (MU). The entity started its operations as a Trust with 360 students and 26 faculty members under MU and later in 2016, it got converted into a private university. Further, in 2023, the entity was reconstituted into a Section 8 company under the Companies Act, 2013. The current directors of the company are Mr. Ketan Harkishan Marwadi, Mr. Sandip Harkishan Marwadi, Mr. Jitendra Amrutlal Chandarana, and Mr. Amish Jitendra Chandarana.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité 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 supported by diversified revenue streams

MEF has an established track record of operations offering varied courses across different domains such as engineering, law, management, nursing, physiotherapy, etc. The University has been accredited with NAAC A+ Grade providing it an edge over its competition. Further, the University has been adding new courses every 1-2 years which enables it to horizontally expand its reach in offering different streams of education. Currently, it operates 16 institutes and has a combined strength of 15,000+ students with 5,500+ students staying in in-campus hostels and ~4,000 students using the transport services, 970+ faculty members and have assisted in providing more than 10,000 placements. The management of the entity bears an experience of over two decades in the education industry, thus, enabling the entity to increase its reach in the industry.

Acuité believes that the established track record of operations along with introduction of new courses will enable the entity to grow over the medium term.

Growing student strength leading to improvement in the operating performance

While the student strength of the company improved by 7% in FY24, the operating performance stood moderated to Rs. 139.35 Cr. in FY24 as against Rs. 152.64 Cr. in FY23 due to delay in income receivables from the government for the international students and lower contributions from hostel. Further, for FY25, the company has reported a student strength growth of ~37% attributable to the receipt of NAAC A+ accreditation to all the courses of the University in November 2023 as against the earlier accreditation to only three courses. This along with yearly fees escalation and increase in hostel enrolments post completion of the new hostel development in FY25 has led to reporting of revenue of Rs. 195.05 Cr. till February' 2025.

Further, while the operating margins moderated to 27.06% in FY24 (35.30% in FY23) due to lower absorption of fixed cost, the same is estimated to have improved in FY25 with increase in the revenues. The PAT margins of the company stood negative at (6.08) percent in FY24 as compared to 15.15 percent in FY23 on account of increase in depreciation and finance costs.

Acuité believes, going forward, this continued momentum of increasing student strength, addition of newer courses and fees escalations shall lead to growth in the revenues.

Weaknesses

Moderate financial risk profile driven by significant capex plans over the medium term

The financial risk profile of the company stood moderate, marked by moderate net worth of Rs. 178.84 Cr. as on March 31, 2024 as against Rs. 187.29 Cr. as on March 31, 2023. The decrease in net worth is on account of losses made by the company during the year FY24. The total debt of the company stood increased at Rs. 245.35 Cr. in FY24 as compared to Rs. 233.31 Cr. in FY23 owing to the infusion of Rs. 32.98 Cr. by promoters in the form of unsecured loan in FY24. This led to increase in the gearing (debt-equity) to 1.37 times as on March 31, 2024 as compared to 1.25 times as on March 31, 2023. The debt protection metrics also deteriorated with interest coverage ratio falling to 2.07 times in FY24 as against 3.79 times in FY23 and debt service coverage ratio at 1.28 times in FY24 as against 3.79 times in FY23.

Moreover, with increase in the cash accruals, the net worth and debt protection metrics are estimated to have improved in FY25. Further, promoters infused Rs. 18.00 Cr. in FY25 in the form of unsecured loans to support capex. Also, Acuité has considered unsecured loans to the tune of Rs. 120 Cr. as on 31st March 2025 as a part of quasi equity on account of receipt of management's undertaking to the lender. The company has also refinanced their existing debt of ~Rs. 87 Cr. in FY25.

Further, the company completed the construction of 13-storey hostel building in FY25, constructed at a cost of Rs. 78 Cr. and currently is undergoing the expansion of two floors in the academic building wherein it is expected to incur total cost of Rs. 10 Cr. Going forward, the company plans to build 3 new hostel buildings, 1 new academic building and a sports complex at an estimated cost of ~Rs. 480 Cr. wherein the construction is expected to start from June 2025 post receiving the required approvals from the respective authorities. The company plans to fund the capex through a combination of debt (~60% of total project cost) and balance through the internal cash accruals and promotor's infusion. Further, the debt tie-up is under discussion with the lender. Therefore, any further deterioration in the financial risk profile shall remain a key rating sensitivity.

Exposure to intense competition

MEF is exposed to intense competition from various reputed educational institutes providing the similar courses which may continue to limit scalability and profitability. Given the competition, the ability of the university 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

The education industry is highly regulated, and it is crucial to adhere to certain infrastructure and operating standards established by regulatory organizations. Various state and central bodies, including AICTE, NBA, NAAC, CBSE, and SPPU, among others, prescribe a regulatory framework for MEF based on the professional courses that are being offered. Thus, continual investment in the workforce and infrastructure is required to run operations

efficiently.

Rating Sensitivities

- Continued growth in the student strength leading to improvement in the operating performance
- Any further deterioration in the financial risk profile
- Timely execution of planned capex without any cost and time overruns

Liquidity Position **Adequate**

The company's liquidity position is adequate marked by net cash accruals of Rs. 21.27 Cr. in FY24 as against long term debt repayment of Rs. 12.38 Cr. over the same period. Going forward, the company is estimated to generate net cash accruals of Rs. 45-60 Cr. for FY25-FY27 to repay its maturing debt obligation of Rs. 44-70 Cr. for the same period. The working capital limits are marked by almost full utilizations of fund-based limit of ~99.20 percent in the last six months ended March '25. The current ratio stood at 0.48 times as on March 31, 2024. Further, the cash and bank balances of the company stood at Rs. 1.82 Cr. as on March 31, 2024.

Outlook: Stable

Other Factors affecting Rating None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	139.35	152.64
PAT	Rs. Cr.	(8.47)	23.12
PAT Margin	(%)	(6.08)	15.15
Total Debt/Tangible Net Worth	Times	1.37	1.25
PBDIT/Interest	Times	2.07	3.79

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook	
25 Jan 2024	Term Loan	Long Term	79.75	ACUITE BBB	Stable (Assigned)
	Cash Credit	Long Term	33.00	ACUITE BBB	Stable (Assigned)
	Term Loan	Long Term	72.20	ACUITE BBB	Stable (Assigned)
	Term Loan	Long Term	40.00	ACUITE BBB	Stable (Assigned)
	Proposed Term Loan	Long Term	5.05	ACUITE BBB	Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of India	Not avl. / Not appl.	Cash Credit	25 Oct 2024	Not avl. / Not appl.	Not avl. / Not appl.	33.00	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.65	Simple	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	12 Mar 2025	Not avl. / Not appl.	07 Aug 2026	15.02	Simple	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	12 Mar 2025	Not avl. / Not appl.	07 Mar 2029	24.58	Simple	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	12 Mar 2025	Not avl. / Not appl.	07 Jul 2027	37.55	Simple	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	12 Mar 2025	Not avl. / Not appl.	07 Jan 2026	7.73	Simple	ACUITE BBB Stable Reaffirmed
TATA Capital Financial Service Ltd.	Not avl. / Not appl.	Term Loan	11 Oct 2022	Not avl. / Not appl.	11 Oct 2029	27.72	Simple	ACUITE BBB Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	06 Mar 2025	79.75	Simple	Not Applicable Withdrawn

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Akshit Agrawal Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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