

July 05,2013

| Instrument | Amount (Rs. Crore) | Rating |
|---------------------|--------------------|------------------------------|
| Term-Loan | 12.00 | SMERA BB-/ Stable (Assigned) |
| Term-Loan | 11.90 | SMERA BB-/ Stable (Assigned) |
| Term-Loan | 12.00 | SMERA BB-/ Stable (Assigned) |
| Term-Loan | 19.00 | SMERA BB-/ Stable (Assigned) |
| Term-Loan | 3.60 | SMERA BB-/ Stable (Assigned) |
| Proposed facilities | 5.10 | SMERA BB-/ Stable (Assigned) |

SMERA has assigned ratings of "**SMERA BB-/Stable**" to Marwadi Education Foundation (MEF) Rs.63.60 crores fund based bank facilities. The outlook is '**Stable**'. The ratings are constrained by MEF's limited trackrecord, a stretched liquidity profile and high leverage. However, the rating draws comfort on account of healthy improvement in student intake approval, strong brand recognition, growth in revenue and equity infusion by the promoters.

MEF has a limited track-record in operations, the trust was established in 2009, and the institute is yet to achieve complete scale-up of operations. The institute in the past has witnessed stretched liquidity position and delays in term loan servicing. Although the defaults have now been cured, the liquidity remains tight. MEF has a high leverage of 3.2 times in FY13. The foundation continues to have a highly leveraged profile.

The ratings are however suported by a healthy five year CAGR of 99 per cent in student intake approvals. MEF has recently completed over 5635 enrolments. MEF also enjoys strong brand recall, as it is a part of Marwadi group (Marwadi Shares & Finance Ltd.). The foundation has also benefited from healthy equity infusions by promoters to the tune of 26.86 cr over the last three years.

Outlook - Stable

SMERA believes the outlook on MEF's rated facilities will remain stable over the medium term given the healthy student intake and improving revenue metrics. The outlook could be revised to negative in case of a lower than anticipated admissions, a larger than expected capex, increasing leverage or a further tightening in the working capital. The outlook may be revised to positive if the foundation is able to achieve sustained improvement in financial metrics and a healthy admission rate.

About the Company

Marwadi Education Foundation (MEF) was incorporated in the year 2008 by Mr Ketan H. Marwadi. The Foundation offers courses in Engineering, Management and Computer Application approved by the All India Council for Technical Education (AICTE) and affiliated to Gujarat Technological University (GTU). The campus is spread across 17 acres and has three hostel blocks (to house 1600 students) and two academic blocks with a total built up area of over four lakh square feet. MEF reported surplus of Rs. 7.2 crores on Income from college activities of Rs. 41.5 crores for FY2012-13, as compared with surplus of Rs.6.1 crores on Income from college activities of Rs.26.4 crores for FY2011-12. MEF's Corpus fund stood at Rs. 28.2 crores as on March 31, 2013.

Contact List:

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