



SMERA RATINGS LIMITED

Marwadi Education Foundation (MEF)

Rating
RationaleApril 11, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	10.00	SMERA BB-/ Stable (Assigned)
Term Loans	61.65 [reduced from Rs.63.60 crore]	SMERA BB-/ Stable (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA BB-'** (read as **SMERA double B minus**) to the bank facilities of Marwadi Education Foundation (MEF). The outlook is '**Stable**'. The rating remains constrained by MEF's limited track record of operations and high leverage. However, the rating draws comfort from MEF's strong brand recognition, improving student enrolment rate, healthy operating profit margin and moderate interest coverage ratio.

MEF is a part of the Marwadi Group. MEF provides educational courses in engineering, management and computer applications. The foundation was established in 2008 and is yet to achieve complete scale-up of operations. MEF continues to have a highly leveraged profile. As on March 31, 2013, the foundation had high leverage of 2.67 times.

MEF continues to benefit from the strong brand recognition of the Marwadi Group (Marwadi Shares & Finance Ltd.). The foundation's student enrolment has grown at a healthy compound annual growth rate of (CAGR) of 69 per cent during the past five years. MEF reported healthy operating profit margin of 44.24 per cent in FY2012-13 (refers to financial year, April 01 to March 31). The foundation's interest coverage is moderate at 3.53 times in FY2012-13.

Outlook: Stable

SMERA believes the outlook on MEF's rated facilities will remain stable over the medium term on the back of the foundation's healthy student enrolment rate. The outlook may be revised to 'Negative' in case of lower-than-anticipated student enrolment, larger-than-expected debt-funded capex, deterioration in debt protection metrics or stretch in working capital cycle. The outlook may be revised to 'Positive' if the foundation achieves sustained improvement in its financial profile while maintaining healthy student enrolment rate.

SMERA 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. SMERA ratings 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA ratings 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.smera.in) for the latest information on any instrument rated by SMERA.



SMERA RATINGS LIMITED

Marwadi Education Foundation (MEF)

*Rating
Rationale*

About the foundation

MEF is a Rajkot-based foundation established in 2008 by Mr. Ketan H. Marwadi. MEF provides educational courses in engineering, management and computer applications. The aforementioned courses are approved by the All India Council for Technical Education (AICTE) and affiliated to the Gujarat Technological University (GTU). MEF's 22-acre campus has three hostel blocks (with capacity to house 1,600 students) and two academic blocks with total built-up area of over four lakh square feet.

For FY2012-13, MEF reported surplus of Rs.7.21 crore on income from college activities of Rs.41.52 crore, as compared with surplus of Rs.6.08 crore on income from college activities of Rs.26.41 crore for FY2011-12. MEF's corpus fund stood at Rs.37.71 crore as on March 31, 2013. This excludes unsecured loans of Rs. 49.13 crore extended by MEF's trustees.

Contact List:

Media/ Business Development	Analytical Contacts	Rating Desk
Sanjay Kher Head Sales - Corporate Ratings Tel : +91 22 6714 1193 Cell : +91 98191 36541 Email : sanjay.kher@smera.in Web: www.smera.in	Umesh Nihalani – Head, Corporate Ratings, Tel: +91-22-6714 1106 Email: umesh.nihalani@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

SMERA 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. SMERA ratings 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA ratings 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.smera.in) for the latest information on any instrument rated by SMERA.