

April 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.

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.

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