

September 24, 2014

Facilities	Amount (Rs. Crore)	Rating
Term Loans	61.65	SMERA BB/ Positive (upgraded from SMERA BB-/Stable)
Cash Credit	10.00	SMERA BB/ Positive (upgraded from SMERA BB-/Stable)

SMERA has upgraded the rating on the long-term bank facilities of Marwadi Education Foundation (MEF) to '**SMERA BB**' (**read as SMERA double B**) from 'SMERA BB-'. The outlook has also been revised to '**Positive**' from 'Stable'. The upgrade in rating is driven by the healthy growth in student enrolment rate. The upgrade also reflects sustained improvement in the financial profile of the foundation. The revision in outlook is driven by expectation of improvement in the debt matrices of the foundation.

MEF, established in 2008, is a part of the Marwadi Group. MEF provides educational courses in engineering, management and computer applications. The foundation's strong brand recognition is instrumental in the healthy growth of student enrolment rate, which increased at a compound annual growth rate of (CAGR) of ~50 per cent during the past five years.

MEF has a healthy financial profile. The foundation's operating profit margin remains healthy at 43.29 per cent in FY2013–14 (refers to financial year, April 01 to March 31). MEF's interest coverage is healthy at 3.24 times in FY2013–14.

Outlook: Positive

SMERA believes the outlook on MEF's rated facilities is 'Positive' over the medium term. The foundation's financial profile is likely to improve with decline in capex requirements on completion of scale-up plans. The outlook may be revised to 'Stable' in case the foundation undertakes debt-funded capex. The outlook may be revised to 'Negative' in case of deterioration in the foundation's financial risk profile on account of larger-than-expected debt-funded capex, stretch in working capital cycle or lower-than-anticipated student enrolment.

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 FY2013-14 MEF reported surplus of Rs.7.93 crore on operating income of Rs.57.44 crore, as compared with surplus of Rs.7.21 crore on operating income of Rs.41.52 crore in FY2012-13.

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