



SMERA RATINGS LIMITED

Marwadi Education Foundation (MEF)

Rating Rationale

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.

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*

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.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Sanjay Kher Vice President – Business Development, Flagship Corporate Tel : +91 22 6714 1193 Cell: +91 98191 36541 Email: sanjay.kher@smera.in Web: www.smera.in	Ashutosh Satsangi Vice President –Rating Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@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.