

February 18, 2022

Maharishi Markandeshwar Trust: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non fund based Bank Guarantee	41.50	0	-
Long-term/Unallocated	248.50	290.0	[ICRA]A+(Stable) reaffirmed
Total	290.0	290.0	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation factors in the steady operational and financial risk profiles of Maharishi Markandeshwar Trust (MMT), driven by continued healthy admissions across courses, including the large-ticket and long-duration medical courses. In the academic year (AY) 2021, apart from steady admissions in the medical courses, enrolments in the engineering also remained largely stable after consistently declining for the past few years (owing to unfavourable demand-supply scenario). The overall student strength increased to ~15,298 in AY2021 compared to ~13,459 in AY2020. A growth in student strength, together with periodic revisions in tuition fee supported growth in the trust's revenue receipts as well as steady operating surplus margins in FY2021. The trust has reported healthy admissions in AY2022 in almost all the courses except medical, where admissions are yet to be finalised. However, the admission in medical courses is also expected to remain healthy, owing to which the overall financial profile is likely to remain robust, with a steady build-up of surplus cash reserves aiding in strong liquidity, even after meeting the capex funding requirements towards infrastructure development. ICRA notes that the trust is undertaking a phased capex, involving an estimated outlay of more than Rs. 200 crore for construction of a college-cum-hospital at its Sadopur (Ambala, Haryana) campus.

The rating continues to factor in the high concentration risk, given the trust's dependence on medical courses, which account for more than ~75% of its tuition fee receipts. ICRA notes that owing to a gradual decline in enrolments in other technical courses, particularly in the engineering stream, in line with the industry trend, the trust has gradually shifted its focus to large-ticket medical courses. Apart from dependence on the medical stream as the key driver for its revenues, the trust remains highly dependent on its flagship Mullana (Haryana) campus, which accounts for more than ~70% of the trust's revenue receipts as well as surpluses, and ~60% of its student strength. In this context, ICRA notes that with the gradual ramp-up of the Solan campus and set-up of the hospital-cum-college at Ambala campus, the dependence on the Mullana campus is expected to reduce in the medium term. The ratings also factor in the vulnerability to any adverse regulatory changes, given the highly regulated nature of the higher education sector in India.

The Stable outlook reflects ICRA's expectation that MMT will maintain a steady operational as well as financial risk profile, while gradually reducing its concentration on courses as well as on a single campus.

Key rating drivers and their description

Credit strengths

Established brand presence in Haryana and adjoining states; operational track record of over two decades – MMT, through its institutes, has been present in the higher education sector in Haryana for over two decades (~28 years), and has established its brand presence in the adjoining states as well. This is reflected in the continued high occupancy in its medical courses and

the large student strength of ~10,300 in Haryana alone (Mullana and Sadopur [Ambala] campuses put together), besides ~3,300 students in the two schools operating in the state. In addition, the trust has ~1,300 students in its university and school located in Himachal Pradesh.

Strong occupancy in long-duration, large-ticket medical courses provides revenue visibility – MMT offers medical courses from its Mullana and Solan campuses. Medical courses accounted for ~15% of the trust's student strength in AY2021, and ~75% of the revenue receipts in FY2021. In AY2021, the student strength in medical courses witnessed a ~10% increase. While the Mullana campus has been offering the MBBS¹ course since 2003, it was introduced at the Solan campus in AY2015. Enrolments in MBBS course at the Mullana campus have remained healthy with consistently healthy occupancy. In the Solan campus, the course witnessed a healthy improvement in admissions since its launch. Considering that the MBBS course involves substantially high fee per student vis-à-vis other courses and longer duration of five years, high occupancy in the course provides revenue visibility.

Consistent increase in student strength in schools supports growth and diversification – MMT started two schools in Ambala and Karnal (Haryana) in 2014 and 2016, respectively, in addition to the school in Mullana, which is operational since 2007. The student enrolments in the Ambala school increased rapidly to 1,600 in AY2018, reaching gradually to ~1,842 in AY2020, almost close to the strength in the Mullana School (which started in 2007). However, the same declined in AY2022 to 1,560 students owing to the pandemic. Moreover, the strength in the Karnal school remains low at ~173 students in AY2022.

Healthy financial risk profile, characterised by strong capital structure, coverage indicators and liquidity position – A conservative capital structure, coupled with healthy surpluses, continue to aid strong liquidity, facilitating a build-up of sizeable cash and liquid balances, despite regular capital expenditure undertaken by the trust towards infrastructure development. Although the trust sometimes uses temporary overdraft against fixed deposits at a marginal effective cost, it continues to have a negative net debt position (estimated cash balances of more than Rs. 600 crore as on March 31, 2021). While ICRA notes that the seasonality inherent in fee receipts requires the trust to maintain adequate liquidity in the system to cater to operational expenses during the rest of the year, healthy surplus generation enabled it to build up excess cash balances over the years, thereby strengthening its liquidity profile. Further, in the current academic year, ICRA expects the trust to report steady admissions across established courses, along with a gradual ramp-up of the medical courses in the Solan campus. As a result, the overall financial profile is expected to remain robust, with a steady build-up of surplus cash reserves aiding in strong liquidity, even after meeting the capex funding requirements towards infrastructure development. ICRA notes that the trust is undertaking a phased capex, involving an estimated outlay of more than Rs. 200 crore, for construction of a college-cum-hospital at its Sadopur (Ambala, Haryana) campus.

Credit challenges

High concentration risk in medical courses – While engineering used to be the trust's largest stream (accounting for ~47% of its total student strength in AY2014), it witnessed a consistent decline in admissions over the last few academic years owing to an adverse demand-supply scenario. This resulted in the share of engineering courses in the total student strength declining to ~15% in AY2021. On the other hand, admissions in other courses and segments (such as medical, medicinal and schools) and correspondingly, their share in the total student strength increased over the last five years. While growth in admissions in these courses helped offset the decline in student strength in engineering courses, the overall student base largely remained stable except an increase in AY2021. Further, dependence on medical courses has increased considerably, keeping the trust exposed to course concentration risk.

High dependence on single campus – Despite a healthy growth in admissions in the Solan campus supporting revenue receipts as well as surpluses, MMT's dependence on the Mullana campus remains high. The flagship campus accounts for more than ~70% of the revenue receipts as well as surpluses, and ~60% of the student strength.

¹Bachelor of Medicine and Bachelor of Surgery

Intense competition from other educational institutes in northern region – MMT faces competition from an increased number of educational institutes that have been set up in Haryana, Punjab, Himachal Pradesh and other northern states over the last few years. The competition affects its ability to maintain a large student strength and attract qualified faculty members. However, MMT's demonstrated ability to maintain a stable student strength over the last few years, supported by its large and diversified course offerings and infrastructure, provides some comfort.

Exposure to regulatory risks – MMT, like other entities in the higher education segment, is exposed to regulatory risks owing to the substantially regulated nature of the sector in India. Any adverse regulatory change could impact its student enrolment capability.

Liquidity position: Strong

MMT's liquidity position is strong, corroborated by significant unencumbered cash and bank balances maintained by the trust on an ongoing basis, despite regular outlays towards capital expenditure and irregular nature of fee collection. ICRA notes that despite operational disruptions due to the pandemic, fee collections for existing enrolments in MBBS courses and new admissions across other courses have remained comfortable in the current year, resulting in steady and healthy cash balances (unencumbered surplus cash and bank balances stood at more than ~Rs. 450 crore as of March 2021).

Rating sensitivities

Positive factors – A positive rating action may be driven by a substantial increase in occupancy across courses, campuses and segments (schools/ higher education), contributing to healthy expansion and diversification in the student base, thereby leading to a healthy increase in revenues and profitability.

Negative factors – Inability to maintain healthy occupancy across courses, affecting the overall student strength, or any unfavourable regulatory development or a sizeable capex by the trust, which affects its liquidity, capitalisation and coverage indicators could result in a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Higher Education sector
Parent/Group Support	None
Consolidation/Standalone	Standalone

About the company

Maharishi Markandeshwar Trust (MMT), established in 1993 as Maharishi Markandeshwar Education Trust, offers more than 50 professional courses to over 15,000 students.

The trust's operations span across three universities at Mullana, Sadopur and Solan, under the brand, Maharishi Markandeshwar. The trust also operates three schools under the MM International School brand in Mullana, Karnal and Solan. While the trust operates a Deemed to be University in Mullana, the universities in Sadopur and Solan are state private universities, established in 2010 under the Government of Haryana and the Government of Himachal Pradesh, respectively, and approved by the University Grants Commission (UGC). The universities offer engineering, medicine, dental sciences, management, hotel management, law and teacher education courses. The schools under the trust's ambit are affiliated to the

Central Board of Secondary Education (CBSE) and the Cambridge International Examinations (C.I.E). Moreover, a 1,140-bed hospital is attached to the medical college at the Mullana campus and a 720-bed hospital is attached to the medical college at the Solan campus. MMT has been accredited by NAAC(National Assessment and Accreditation council) with Grade 'A++' in 2nd cycle of assessment.

Key financial indicators (audited)

MMT	FY2020	FY2021
Operating Income (Rs. crore)	451.8	485.0
PAT (Rs. crore)	91.8	99.3
OPBDIT/OI (%)	27.4%	25.3%
PAT/OI (%)	20.3%	20.5%
Total Outside Liabilities/Tangible Net Worth (times)	0.71	0.56
Total Debt/OPBDIT (times)	1.62	1.06
Interest Coverage (times)	10.59	15.32

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31,2021 (Rs. crore)	Date & Rating in	Date & Rating in	Date & Rating in	Date & Rating in	
				February 18,2022	October 30,2020	April 23,2019	-	
1 Non fund based Bank Guarantee	Long term	0	-	-	[ICRA]A+(Stable)	[ICRA]A+(Stable)	-	
2 Long-term/Unallocated	Long term	290	-	[ICRA]A+(Stable)	[ICRA]A+(Stable)	[ICRA]A+(Stable)	-	
3 Fund based term loans	Long term	-	-	-	-	[ICRA]A+(Stable)	-	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non fund based Bank Guarantee	Very simple
Long-term/Unallocated	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Long-term/ Unallocated	-	-	-	290.0	[ICRA]A+(Stable)

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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