

March 27, 2023

MIT World Peace University: Ratings reaffirmed

Summary of rating action

Instrument [^]	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund based- Term Loan	32.00	32.00	[ICRA]A (Stable); reaffirmed
Unallocated	3.00	3.00	[ICRA]A (Stable); reaffirmed
Total	35.00	35.00	

[^]Instrument details are provided in Annexure-1

Rationale

The ratings reaffirmation of MIT World Peace University (MITWPU) factors in the steady expansion in its scale of operations, aided by healthy admission levels in its flagship courses and its strong brand strength. MITWPU also enjoys healthy financial flexibility with the Maharashtra Academy of Engineering & Educational Research (MAEER; rated [ICRA]A+/ Stable) acting as a sponsoring body. ICRA expects MAEER to provide need-based funding support to MIT WPU. The liquidity position remains adequate, supported by fixed deposits of Rs. 105.1 crore. The university's financial risk profile is also healthy, marked by a low gearing and healthy debt coverage indicators. MIT WPU's financial risk profile will remain comfortable in the near-to-medium term, aided by healthy admission levels, resulting in a growing scale.

MIT has been witnessing healthy occupancy across its key courses. The university has been witnessing healthy occupancy levels of 89-95% for its flagship courses, lending adequate revenue visibility. The university is, however, exposed to revenue concentration risk, with engineering courses generating about 42% and management courses [undergraduate (UG) and postgraduate (PG)] accounting for about 34% of total revenue receipts. The university also has sizeable capital expenditure (capex) over the next two years, aggregating to Rs. 220 crore, towards adding new courses and upgrading its infrastructure facilities to remain competitive. Funding mix of the same as well as the ability of trust to generate adequate returns from the same in a timely manner would be important. Besides, the ability of the university to attract high quality students, given the intense competition from other reputed public and private institutes in the country, while maintaining the quality of its teaching staff remains essential. The rating also considers the inherent risk associated with the highly regulated education sector. The university, like other entities in the education sector, also remains exposed to the risk of cash flow mismatches, given the irregular nature of revenues.

The Stable outlook on the long-term rating reflects ICRA's opinion that the university will maintain a steady operational as well as financial risk profile, aided by healthy enrolments across key courses.

Key rating drivers and their description

Credit strengths

Strong parentage of MAEER; operational as well as financial flexibility derived from the same – The sponsoring body, MAEER, is a well-known educational trust with an established presence since 1983 and has over 82 institutions under its aegis, providing education in diverse fields. The brand strength of MAEER extends benefits to MIT WPU as well. MAEER has also created a fixed deposit of Rs. 5.0 crore as a corpus fund-cum-security deposit, which can be utilised in case of any liquidity mismatch in MIT WPU during an academic year. The same remains a strong indicator of parent support to the university. ICRA expects MAEER to provide need-based funding support to MIT WPU. MAEER has also provided infrastructure support to the university.

Non-affiliated and self-financed university status provide operational and financial flexibility – As it is a non-affiliated and self-financed university, MIT WPU can decide its own course structure, examination pattern and fee structure, resulting in high operational and financial flexibility. Besides, the university is authorised to collect full fees from the reserved category students

as well and it does not need to depend on recovery of receivables from any Government body. Thus, the associated liquidity risk remains minimal for the university.

Increasing student strength lends adequate revenue visibility – The university has been witnessing healthy occupancy across its key courses. The total student strength increased to 18,613 in AY 2022-23 vis-à-vis 16,241 in AY 2021-22. The first-year admissions remained strong at 7,493 students in AY 2022-23. Engineering and management courses account for around 57% of the fresh admissions, which have a healthy occupancy of 89-95%, lending adequate revenue visibility.

Healthy financial risk profile – Aided by increasing receipts, MIT WPU's financial profile has remained comfortable, marked by a healthy capital structure and robust coverage indicators with a gearing of 0.7 times as on March 31, 2022, an interest cover of 9.6 times and the total debt vis-à-vis the operating profit of 1.5 times as on March 31, 2022. MIT WPU's financial risk profile shall remain comfortable in the near-to-medium term, aided by healthy admission levels resulting in growing scale.

Credit challenges

Significant capex plans to constrain free cash flows – MIT WPU has incurred capex of Rs. 100 crore in FY2023 mainly towards construction of building for design courses amounting to Rs.41.7 crore, another Rs.36.8 crore towards the renovation of the existing building and furniture and fixtures. The university also has capex plans of around Rs.120 crore in FY2024 and Rs.100 crore in FY2025, which will be funded through a term loan of Rs.90 crore and the balance through own funds. The major part of the capex relates to construction of new academic block for computer related courses at a total cost of Rs. 128.0 crore funded through term loan of Rs.90.0 crore and the balance through internal accruals. The scheduled commercial operations date for this capex is October 2024. Apart from the capex for construction of building for computer courses, the university is setting up a sports complex at a total cost of Rs.33.0 crore, being funded through internal accruals. It has incurred Rs.4.03 crore towards the said project and the entire project would be completed by January 2024. The university is also expanding the capacity of women's hostel by constructing two additional floors and the total envisaged cost of the project is Rs.5.1 crore, of which Rs.1.70 crore has been incurred till March 13, 2023. Given the intense competition prevalent in the education segment, these investments are expected to continue over the medium term. Ability of the university to generate adequate returns on these investments will remain a key rating monitorable.

Dependence on three institutes for bulk of revenue and profits – MIT WPU has 24 institutes under its affiliation, but it derived about 77% of its total fee receipts in FY2022 from its three institutes, viz. Faculty of Engineering, Faculty of Management (undergraduate) and Faculty of Management (postgraduate). These courses were transferred from MAEER during its inception in FY2018 and have an established track record of more than a decade under MAEER. Though contribution from other institutes remains minimal at present as some of the courses started recently, the revenue contribution is expected to increase in the medium term amid an increase in student's enrolment and stabilisation of these courses. The same is also depicted by an increase in revenue contribution of Faculties of Science, Commerce and Economics to around 9% in FY2023 from 4% in FY2018 and to around 3% in FY2023 from 2% in FY2018.

Intense competition from other reputed public and private institutes – MIT WPU faces intense competition from other reputed public and private institutes of Pune and Mumbai. This puts pressure on attracting and retaining talented students and faculty members. Thus, the ability of the university to maintain healthy enrolment levels for all its course offerings will be a key rating sensitivity.

Highly regulated sector; exposure to cash flow mismatch – The university remains exposed to inherent risks associated with the highly regulated Indian education sector. The institutes are governed by various state and central laws. Any adverse government regulation may impact the revenues as well as operational growth. Besides, the university remains exposed to the risk of irregular fees payments, which in turn necessitate prudent cash flow management. The university's fee receipts are, however, largely aligned with its debt repayments. In addition, cash and bank and liquid investments of Rs.105.1 crore as on March 13, 2023 provide additional comfort.

Liquidity position: Adequate

MIT WPU's liquidity position is adequate, with expected fund flow from operations of nearly Rs.40-90 crore per annum over the next four years, aided by increasing student strength. The university's liquidity is also supported by unencumbered fixed deposit of Rs.105.1 crore as on March 13, 2023. Against this, the annual repayment obligations stand at Rs. 8.9 crore in FY2023 and Rs.10.7 crore in FY2024. The total capex for FY2023 has been pegged at Rs. 100 crore, funded through term loans of Rs. 32 crore. For FY2024, the university has capex plans of Rs. 120.0 crore to be funded via debt (sanctioned) of Rs. 90 crore. Additionally, MIT WPU undertakes foreign tour for eligible students each year for which the provision is made in the first year of course itself. As on March 13, 2023, the university had created Rs. 97.6 crore of provision for the same. In case the student tour does not happen going forward, the university's share of provision will be written back, as indicated by the management. An annual outgo of Rs. 25-30 crore is expected towards the study tour.

Rating sensitivities

Positive factors – ICRA could upgrade MIT WPU's rating if the university is able to significantly improve its revenues, along with diversification in revenue receipts, while maintaining its healthy credit profile. An improvement in the credit profile of MAEER will also be a positive rating factor.

Negative factors – Pressure on MIT WPU's rating could arise if there is a significant decline in new admissions in its flagship institutes or if the total debt vis-à-vis the operating profit exceeds 2 times on a sustained basis due to large debt-funded capex. Weakening of linkages with MAEER and/or a deterioration in the credit profile of MAEER would also be negative rating factors.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Higher Education Rating approach- Implicit support from parent or group
Parent/Group Support	Maharashtra Academy of Engineering and Educational Research (sponsoring body). ICRA expects MAEER to provide need-based funding support to MIT WPU. MAEER has also provided infrastructure support to the university.
Consolidation/Standalone	The rating is based on the standalone financial statements of the rated entity

About the company

MIT WPU, incorporated in May 2017, is established under the Dr. Vishwanath Karad MIT World Peace University Act, 2016 (Mah. Act No. XXXV of 2017) in Kothrud, Pune. However, the campus was operational since 1983 and offered courses under MAEER. It offers various courses across engineering, management, design, law and journalism among others. It has 15,693 students at its Kothrud campus, Pune in AY2021-22. The university is self-financed and empowered to award degrees under Section 22 of the University Grants Commission Act, 1956. MAEER is the sponsoring body of the university.

Key financial indicators (Standalone)

	FY2021 (Audited)	FY2022 (Audited)
Operating Income (Rs. crore)	314.9	396.6
PAT (Rs. crore)	27.6	33.4
OPBDIT/OI (%)	12.4%	11.1%
PAT/OI (%)	8.8%	8.4%
Total Outside Liabilities/Tangible Net Worth (times)	3.0	2.5
Total Debt/OPBDIT (times)	1.4	1.5
Interest Coverage (times)	7.6	9.6

Source: Financial statements of MITWPU and ICRA research; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Source: Company, ICRA Research; All ratios as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	
				March-27-2023	Dec-24-2021	13-Nov-2020	-	
1 Term Loan	Long-term	32.00	32.00*	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A-(Stable)	-	
2 Unallocated amount	Long-term	3.00		[ICRA]A (Stable)	[ICRA]A (Stable)	-	-	

*Sanctioned Amount

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term Fund Based – Term Loan	Simple
Long term Fund Based- Unallocated	Not Applicable

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: [Click Here](#)

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs Crore)	Current Rating and Outlook
NA	Term Loan	2021	-	2030	32.00	[ICRA]A(Stable)
NA	Unallocated amount	-	-	-	3.00	[ICRA]A(Stable)

Annexure-2: List of entities considered for consolidated analysis: Not applicable

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