August 10, 2022

Maharashtra Academy of Engineering and Educational Research: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loan	277.32	286.85	[ICRA]A + (Stable); Reaffirmed/ Assigned
Long Term - Fund Based	97.50	87.50	[ICRA]A + (Stable); Reaffirmed
Long Term – Non-fund Based	30.00	30.00	[ICRA]A + (Stable); Reaffirmed
Long Term – Unallocated	-	50.47	[ICRA]A + (Stable); Assigned
Total	**404.82**	**454.82**	

**Instrument details are provided in Annexure-1*

Rationale

While arriving at the rating, ICRA has considered the consolidated financials of the trust, Maharashtra Academy of Engineering and Educational Research (MAEER), and its four universities –MIT World Peace University (MIT WPU; rated [ICRA]A (Stable)), MIT Art Design and Technology University (MIT ADT; rated [ICRA]A- (Stable)), Awantika University, Ujjain, and MIT University, Shillong. MAEER is the sponsoring body of these universities, and there are strong management, operational and financial linkages among these entities (together called the MAEER Group).

The rating continues to factor in MAEER's status as a reputed player in the education sector, with long track record of over 35 years and the Group's diversified presence across the educational spectrum. ICRA also considers the non-affiliated, self-financed status of the four universities under MAEER provides strong operational and financial flexibility with respect to the student intake capacity, new courses to be added as well as the fee structure. The rating further derives comfort from the strong reputation enjoyed by its flagship institutes – Maharashtra Institute of Technology (MIT), MIT School of Management (MITSOM), MIT Institute of Design (MITIOD) and Maharashtra Academy of Naval Education and Training (MANET), in Maharashtra as well as the healthy seat occupancy levels of 95-10% for its flagship courses, which lends adequate revenue visibility. The rating also derives strength from increasing student enrolments, resulting in generation of healthy revenues and operating surplus and thus, a satisfactory financial profile for the trust.

The trust had incurred significant debt-funded capital expenditure (capex) towards setting up new universities/colleges and upgrading its existing facilities during FY2017-FY2022. These investments are expected to continue over the medium term, with the trust expected to incur over Rs.400 crore of capex in FY2023 and FY2024 at the consolidated level. Of this, capex worth Rs.195 crore has been planned at the standalone level (primarily towards setting up of a new university in Solapur, Maharashtra and a multispecialty hospital in Pune). The trust's ability to generate adequate surplus from these investments remains a key rating monitorable.

The trust, like other entities of the education sector, remains exposed to the risk of cash flow mismatches given the irregular nature of revenues. In FY2022, the trust did not face any major issue in collection of tuition receipts from students in its colleges. However, there was delay in receipt of fees from the state government for the reserved category due to the pandemic, resulting in high pending receivables of Rs. 129.9 crore as on March 31, 2022 at the standalone level. As per the management, it has started receiving the pending dues from June and expects to recover the balance soon. ICRA, however, draws comfort from the trust's healthy unencumbered cash balance of Rs. 190.2 crore (consolidated) and Rs. 34.5 crore (standalone) as on March 31, 2022. Besides, the rating factors in the trust's exposure to significant competition in the higher education sector, which puts pressure on attracting and retaining talented students and faculty members. The education sector is highly regulated in India, which further exposes the trust to significant regulatory risks associated with stringent compliance requirements.

The Stable outlook reflects ICRA's opinion that the trust would continue to witness healthy enrolments across key courses, aided by its strong reputation, leading to healthy revenue and surplus generation.

Key rating drivers and their description

Credit strengths

Reputed player in the Indian education sector with a track record of over 35 years; diversified presence across the educational segments – MAEER, a well-known education trust with an established presence in the education industry since 1983, has over 65 institutions and four self-financed universities, providing quality education in diverse fields. The trust provides education in various fields like engineering, management, naval engineering, design, film technology, among others. In addition, the trust operates 35 schools and junior colleges. All the major institutes of the trust have consistently recorded healthy enrolment levels, lending adequate revenue visibility for the Group.

Non-affiliated, self-financed universities under MAEER provide operational and financial flexibility – Self-financed universities contributed around 57% to the trust's consolidated revenues in FY2022. These universities, being non-affiliated and self financed, decide their course structure and examination pattern. The fees structure prescribed by the universities, however, needs to be approved by the Government's fee structure review committee. Besides, these universities are authorised to collect full fees from the reserved category students and does not rely on the recovery of receivables from any Government body. Thus, the associated liquidity risk is likely to remain minimal for the said universities.

Good reputation of flagship institutes and universities operating under the trust – MIT, the flagship engineering institute of the trust, enjoys a strong brand name. MIT's reputation as a quality technical education institute has also aided the patronage of its other institutes. At present, MIT WPU Faculty of Engineering has been ranked 116th among the Top 500 Institutes of Engineering in India, as per the National Institute Ranking Framework (NIRF) Engineering Survey 2022. Major institutes of the trust have consistently recorded strong occupancy rates of over 95%, indicating a fair degree of revenue visibility.

Continued healthy student occupancy levels for flagship courses result in healthy financial risk profile – The occupancy levels for flagship courses have remained healthy in the range of 95%-100%. The trust has been witnessing continuous increase in student strength, which stood at 50,076 in FY2022 against 44,972 in FY2021. Aided by increasing student strength, revenues improved by 19% YoY in FY2022 and stood at Rs.1,071.6 crore. At the consolidated level, the operating profit margin (OPM) also remained healthy at 20.9% in FY2022. The gearing remained comfortable at 0.5 times as on March 31, 2021 (against 0.6 times as on March 31, 2021). The debt-protection metrics also remained comfortable with an interest coverage of 8.4 times and total debt to operating profit of 1.6 times in FY2022.

Credit challenges

Significant capex plans in FY2023 and FY2024 – The trust regularly incurs capex for upgrading infrastructure/setting up of new colleges and universities. At the consolidated level, the trust envisages capex of Rs. 400 crore over FY2023 and FY2024. Of this, capex worth Rs. 195 crore has been planned at the standalone level towards construction of a multispeciality hospital in Kothrud, Pune with a capacity of 180 beds and towards setting up a new university in Solapur, Maharashtra with an envisaged capacity of 2,000 students. The university will be self financed and would offer courses related to engineering and management. The approval for the same has been received from the Government of Maharashtra. The above capex would be funded through term loan of Rs. 100 crore (of this, Rs. 40 crore (towards the hospital) is sanctioned and undisbursed and balance Rs. 60.0 crore (towards the university) the trust has received in-principle approval) and the balance through internal accruals. In addition, the trust proposes to incur Rs. 150 crore of capex in MIT ADT towards construction of Phase IV of IT establishment building, purchase of land as well as construction of hostel in FY2023 and FY2024, funded through term loan of Rs. 73 crore (of which Rs. 48 crore has been sanctioned) and the balance via internal accruals. Additionally, around Rs. 59 crore is expected to be incurred in FY2023-FY2024 in MIT WPU towards maintenance capex, to be funded through internal accruals.

Exposure to cash flow mismatches; healthy unencumbered cash balance provide comfort – Volatility in cash flows due to irregular fees payments necessitates prudent cash flow management. At the standalone level, receivables stood at Rs.105.8 crore as on July 7, 2022 (social welfare fees to be received from the state government). The same is expected to be recovered soon. Further, postponement of new admissions in engineering and medical courses in FY2022 due to the pandemic resulted in higher receivables as of March end at the consolidated level. Nevertheless, a healthy unencumbered cash balance of Rs. 190.1 crore and adequate unutilised overdraft limits of Rs. 37.5 crore (MAEER and MITADT) provide some comfort.

Intense competition from other reputed universities; highly regulated sector – The MAEER Group faces intense competition from reputed public institutions and private institutions in Maharashtra. The institute also faces competition from universities across the country as it also attracts students from outside the state. This puts pressure on attracting and retaining talented students and faculty members. Though the Group's independent universities enjoy greater financial as well as operational flexibility, these universities along with other institutes under the MAEER trust are 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 Group's revenues as well as operational growth.

Liquidity position: Adequate

The Group's liquidity position is adequate with unencumbered cash and liquid investments of Rs. 190.1 crore and undrawn fund-based limits of around Rs. 8.33 crore at MAEER (standalone) and Rs.29.2 crore at MITADT as on March 31, 2022. The Group has repayment obligations of Rs. 73.2 crore and capex commitments of around Rs. 264 crore in FY2023. The same is expected to be funded via debt of Rs. 193 crore (of this, Rs. 108 crore has been sanctioned and Rs.60.0 crore has been in-principally sanctioned). Aided by increasing student enrolments in key courses, ICRA expects MAAER's cash flows in FY2023-FY2025 to remain healthy against its repayment obligations and equity commitment for the ongoing capex.

Rating sensitivities

Positive factors – The rating may be upgraded if the Group can significantly increase its revenue receipts, supported by increased student intake and fee hikes, leading to an improvement in the overall financial risk profile and liquidity position on a sustained basis.

Negative factors – Pressure on the rating could arise if there is any significant decline in revenue receipts and operating surplus or any large debt-funded capex, leading to weakening in the overall financial risk profile. Weakening in the consolidated net debt-to-operating surplus to below 1.5 times on a sustained basis would be a negative factor.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Higher Education
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of MAEER trust and the four universities — MIT WPU, MIT ADT, Awantika University, Ujjain, and MIT University, Shillong. MAEER is the sponsoring body to these universities. The details are given in Annexure-2.

About the company

MAEER, established in 1983, is a well-known educational trust with over 10 campuses in Maharashtra spanning across almost 1,200 acres. The trust provides higher education in the fields of engineering, management, pharmacy, medical, teaching and other non-conventional courses like telecom management, naval engineering, design institute, film institute, and railway engineering among others, along with distance and school education. The trust offers education through institutes under its own board and through four self-financed universities of MIT World Peace University, MIT Art Design and Technology University, Awantika University, Ujjain, and MIT University, Shillong.

Key financial indicators

	FY2021 (A)	FY2022 (Prov.)
Operating Income (Rs. crore)	892.7	1,071.6
PAT (Rs. crore)	113.7	135.6
OPBDIT/OI (%)	21.6%	20.9%
PAT/OI (%)	12.7%	12.7%
Total Outside Liabilities/Tangible Net Worth (times)	1.4	1.1
Total Debt/OPBDIT (times)	1.9	1.6
Interest Coverage (times)	7.7	8.4

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Source: Company, ICRA Research; All ratios as per ICRA's calculations; A: Audited; Prov.: Provisional

Status of non-cooperation with previous CRA:

The press release of Acuite Ratings & Research dated May 11, 2022 mentions that – "Acuité has been requesting for data, information and undertakings from the rated entity (MAEER) for conducting surveillance & review of the rating. However, the issuer/borrower failed to submit such information before the due date. This rating continues to be flagged as "Issuer not-cooperating", in line with prevailing SEBI regulations and Acuité's policies".

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) as on Mar 31, 2021	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2020	Date & Rating in FY2019
					Aug 10, 2022	May 13, 2021	Jan 3, 2020	Feb 14, 2019
1	Term Loan	Long- Term	286.85	286.85	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)
2	Fund Based Limits	Long-Term	87.50	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)
3	Non-fund Based Limits	Long-Term	30.00	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	-	-
4	Unallocated	Long-Term	50.47	-	[ICRA]A+ (Stable)	-	-	-

Amount in Rs. Crore

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loan	Simple
Long Term - Fund Based	Simple

Long Term - Non-fund Based	Very Simple
Long Term – 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: www.icra.in

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	FY2017	-	FY2030	286.85	[ICRA]A+ (Stable)
NA	Fund Based Limits	-	-	-	87.50	[ICRA]A+ (Stable)
NA	Non-fund Based Limits	-	-	-	30.00	[ICRA]A+ (Stable)
NA	Unallocated	-	-	-	50.47	[ICRA]A+ (Stable)

Source: MAEER

Please click here to view details of lender-wise facilities rated by ICRA

Annexure-2: List of entities considered for consolidated analysis:

Company Name	Ownership	Consolidation Approach
MIT WPU	100%	Full Consolidation
MIT ADT	100%	Full Consolidation
Awantika University, Ujjain	100%	Full Consolidation
MIT University, Shillong	100%	Full Consolidation

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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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