

March 11, 2025

## Maharashtra Samaj Ghatkopar: Rating reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term loan	45.00	45.00	[ICRA]BBB(Stable); reaffirmed
<b>Total</b>	<b>45.00</b>	<b>45.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

For arriving at the rating, ICRA has taken a consolidated view based on the combined business and financial risk profiles of 35 entities as per Annexure II together referred to as the 'Universal Education Group' (UEG/Group) as these entities have common promoter/management, with strong operational and financial linkages, and most of these are in similar lines of business.

The rating reaffirmation takes into account the Group's established presence in the education sector (majorly K-12), the experienced board of trustees (promoter), along with a long track record of operations. The rating is supported by the Group's vast network of educational establishments, comprising 49 institutes (40 schools, 8 colleges and 1 university) spread across Maharashtra, Karnataka, Tamil Nadu, Sharjah and Dubai, which results in low revenue concentration risks. The rating derives significant comfort from the Group's adequate liquidity, aided by steady cash accruals, coupled with substantial unsecured interest-free loans from promoters with flexible terms. Going forward, ICRA expects the interest-free unsecured loans to remain in the system, with material reduction and support from promoters to continue in case of any exigencies. ICRA expects the Group to be adequately placed to meet the planned capex and other requirements from its own accruals, promoters' support and external long-term debt in the near term. Also, the Group is expected to benefit from the three new premium schools (which became recently operational) and the private university in the long run.

The rating is, however, constrained by the Group's moderate scale of operations as reflected by Rs. 357.4 crore in FY2024. ICRA notes that the Group's operating surplus has been healthy in the past years, except for FY2024, when it was impacted due to high fixed cost of operations towards newly started schools/university. ICRA notes that the same is likely to improve in FY2025 as reflected by the 9M provisional estimates. The rating is also constrained by the Group's highly leveraged debt profile impacting debt protection metrics, given the high debt-funded capex incurred over the last few years for opening new schools (premium Stellar World schools). ICRA, nevertheless, understands that the quantum of capex is expected to sharply taper down from FY2025 onwards, with returns from the recently incurred capex to flow from FY2026 onwards in terms of additional revenue and cash flows. The Group's ability to ramp up intake in their Stellar brand of schools to reach optimum utilisation levels in terms of capacity and adequate returns, will be the key monitorable from the rating perspective. Further, the Group remains exposed to competition from the existing schools and colleges in the vicinity. ICRA also notes that the education sector is highly regulated in India, which will pose regulatory risks for the Group.

The Stable outlook on the long-term rating reflects ICRA's opinion that the Group will benefit from its established track record of operations and its promoters' experience in the education sector, supporting the revenue growth, along with healthy profitability levels. The outlook factors in ICRA's opinion that the Group would fund its capex in a manner that will be commensurate with the existing credit metrics level.

### Key rating drivers and their description

#### Credit strengths

**Experienced promoter and an established track record of the Group in Indian education sector** – The Group's promoters have been involved in the education industry for more than two decades. There are 7 brands under the UEG Group, namely, Universal, Stellar, SilverOak, Alpha, Ebenezer, Primus and Oakwood. The institutions have benefited from the established

brand name and have scaled up quickly with growing enrolments across the affiliated schools and colleges. Besides, the Group's all-round infrastructure, several accreditations and experienced management help it in retaining the existing students and attracting new students.

**Diversified operations with low revenue concentration risk** – UEG has a student strength of around 30,000 across its 51 educational institutes, which are spread across Maharashtra, Karnataka, Tamil Nadu, Sharjah and Dubai. The Group's revenue stream is diversified across schools and colleges with several courses in engineering, management, law and commerce, thus, resulting in a low revenue concentration risk.

**Adequate liquidity levels supported by sizeable interest-free promoter loans on books** – Stable and healthy accruals against manageable annual debt repayment obligations resulted in adequate liquidity levels. The Group has sufficient free balances of ~Rs. 71.9 crore as on March 31, 2024. Also, the promoters support the Group in the expansion of institutes through substantial unsecured interest-free loans with flexible terms (Rs. 381 crore as on March 31, 2024). Going forward, ICRA estimates that the Group would be able to meet the planned capex and other requirements from its own accruals, promoters' infusions and external long-term debt.

### Credit challenges

**Moderate scale of operations** – The Group's scale of operations remains moderate at Rs. 357.4 crore in FY2024. ICRA notes that the Group's operating surplus has been healthy in the past years, except for FY2024, when it was impacted by the high fixed cost of operations towards the newly started schools/university. ICRA notes that the same is likely to improve in FY2025 as reflected in the 9M Provisionals, driven by better capacity utilisation.

**Elevated leveraging levels and moderate debt coverage metrics** – The debt levels remain high due to the large capex undertaken towards new schools/university, leading to a gearing of 2.3 times as on March 31, 2024. The debt coverage indicators remained under pressure as reflected by TD/OPBITDA of ~11.7 times and interest coverage of ~1.3 times in FY2024 (8.8 times and 2.2 times, respectively, in the previous year). Nevertheless, ICRA notes that the promoters have supported the Group through substantial unsecured interest-free loans with flexible terms (Rs. 381 crore as on March 31, 2024). Also, given the large part of debt-funded capex related to Stellar brand school being already over, the debt coverage metrics are expected to improve on the back of better utilisation of the schools and lower capex going forward.

**Exposed to stiff competition in school education sector and high regulatory as well as reputational risks** – As the education industry is well regulated, the Group's schools and colleges are susceptible to changes in the policies of regulatory bodies, including the Central and State Governments. This restricts its flexibility and autonomy with respect to fees and student intake, among others. Any non-compliance or violation of these regulations may lead to cancellation of affiliation and may put restrictions on new admissions, impacting its revenues and cash flows. Further, the company's schools face stiff competition from various Government and private schools offering similar/better infrastructure in attracting students and faculties. However, this risk is partly mitigated by the promoters' extensive experience and its brand position. The Group's ability to generate adequate return on large investments in new schools/courses/universities will remain a key rating monitorable. Following the acquisition or commercialisation of the institutes/universities and the introduction of new courses, the Group is exposed to risks associated with the operational performance as reflected by admission and occupancy levels, which could also impact the fee levels and its overall revenue.

### Liquidity position: Adequate

The Group's liquidity is adequate, driven by healthy cash accruals in FY2025 and beyond, against the scheduled debt repayment of around Rs. 60-65 crore in FY2025-FY2026. The liquidity is supported by the Group's reasonable cash and liquid investments (~Rs. 71.9 crore as on March 31, 2024), which is expected to be adequate to meet its near-term commitments. The Group's liquidity is aided by substantial unsecured interest-free loans with flexible terms from its promoters. Overall, ICRA expects the Group to meet its near-term commitments through internal accruals and support from its promoters, on a need basis, as

witnessed in the past. Also, both cash inflows (tuition fees etc) and cash outflows (repayments of bank loans, etc) are aligned, supporting the Group in managing its liquidity.

### Rating sensitivities

**Positive factors** – The rating could be upgraded if the Group demonstrates a significant increase in revenue and operating surplus, along with a substantial improvement in debt protection metrics on a sustained basis. Specific credit metrics that could lead to a rating upgrade would be DSCR above 1.6 times on a prolonged basis.

**Negative factors** – The rating may be downgraded if there is any sharp decline in revenue receipts and lower-than-expected operating surplus or any large debt-funded capex leading to material weakening in liquidity/debt protection metrics on a sustained basis. Specific credit metrics that could lead to a downgrade would be DSCR below 1.3 times on a consistent basis.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	ICRA has taken a consolidated view of 35 entities of the Universal Education Group, as all the entities have common promoters/management, with strong operational and financial linkages, as most of these are in similar lines of business. The details of consolidation are there in Annexure II.

### About the company

Maharashtra Samaj Ghatkopar (MSG) is a part of the Mumbai-based Universal Education Group. Incorporated in 1957, the trust manages a school as well as college and offers education under International General Certificate of Secondary Education (IGCSE). The school is affiliated to the Cambridge University, while the college is affiliated to the Mumbai University.

The details of the institutes managed by the MSG are as follows:

Sr. No	Institutions Name	Curriculum / Affiliations	Course	Year of Est	Type	Location/Campus
1	Universal School Ghatkopar (IGCSE)	IGCSE	Class I to X	2011	School	Ghatkopar, Mumbai
2	MSG - SGKM College of Arts Science and Commerce	Mumbai University	Degree College	2009	College	Ghatkopar, Mumbai
3	Chhatrapati Shivaji High School	SSC	Class I to X			Ghatkopar, Mumbai

### About the Group

Founded by Mr. Jesus Lall, UEG has presence in the education sector since 2003 and runs 51 educational institutes across 35 entities and offers K-12 education, degree, and technical courses. While most of the entities are in the education sector, some of them are asset holding companies and provide support services to the institutes within the Group. The Group has presence in Maharashtra, Karnataka, Tamil Nadu, Dubai and Sharjah.

### Key financial indicators (audited)

	MSG (Standalone)		UEG (Consolidated)	
	FY2023	FY2024	FY2023	FY2024
Operating income	23.2	23.7	324.6	357.4
PAT	1.5	3.0	67.3	7.9
OPBDIT/OI	27.7%	36.3%	39.7%	27.2%
PAT/OI	6.4%	12.5%	20.7%	2.2%
Total outside liabilities/Tangible net worth (times)	1.8	1.3	3.9	3.6
Total debt/OPBDIT (times)	10.0	5.8	8.8	11.7
Interest coverage (times)	2.2	1.9	2.2	1.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; 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	Type	Current rating (FY2025)			Chronology of rating history for the past 3 years							
		Amount rated (Rs. crore)	Mar 11, 2025	FY2025		FY2024		FY2023		FY2022		
				Date	Rating	Date	Rating	Date	Rating	Date	Rating	
Term loans	Long term	45.00	[ICRA]BBB (Stable)	-	-	19-Feb-2024	[ICRA]BBB (Stable)	-	-	-	-	

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based - Term loan	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 are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loans	Apr 2023	-	Mar 2028	40.95	[ICRA]BBB (Stable)
NA	Term loans*	-	-	-	4.05	[ICRA]BBB (Stable)

Source: Company; \*Unallocated

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Entity Name	Ownership	Consolidation Approach
Maharashtra Samaj Ghatkopar	100%	Full Consolidation
Vidya Vikas Education Trust	100%	Full Consolidation
National Education Society	100%	Full Consolidation
SML Supervalu Education Pvt Ltd	100%	Full Consolidation
Universal Edu Infra Services Pvt Ltd	100%	Full Consolidation
General Computer Services International	100%	Full Consolidation
Super Value Properties Pvt Ltd	100%	Full Consolidation
SML Properties Pvt Ltd	100%	Full Consolidation
Udan Recreation Pvt Ltd	100%	Full Consolidation
JND Edu-Realty Private Limited	100%	Full Consolidation
Utopia Hospitality Pvt. Ltd.	100%	Full Consolidation
JND Realcon Pvt Ltd	100%	Full Consolidation
Universal Education Foundation	100%	Full Consolidation
Almighty Infrastructure Pvt Ltd.	100%	Full Consolidation
SML Realtech Private Limited	100%	Full Consolidation
The Abraham Memorial Educational Trust	100%	Full Consolidation
Alpha Foundation for Education & Research	100%	Full Consolidation
JND Edu-Realty Private Limited	100%	Full Consolidation
Primus Trust	100%	Full Consolidation
SML Edu Infra Pvt Ltd	100%	Full Consolidation
SAA Edu-Infra Services LLP	100%	Full Consolidation
AJL Edu-Solutions LLP	100%	Full Consolidation
Agastya Edu-Realty LLP	100%	Full Consolidation
A.P.Grieg Foundation Trust	100%	Full Consolidation
Bombay Education Trust	100%	Full Consolidation
Gareeb Vidyarathi Sahayak Mandal Trust	100%	Full Consolidation
AJL Buildcon LLP	100%	Full Consolidation
AJL Edu-Infra Services LLP	100%	Full Consolidation
JND Edu-Infra Services Pvt Ltd	100%	Full Consolidation
Sahyog Charitable Trust	100%	Full Consolidation
Universal Edu Realty LLP	100%	Full Consolidation
Universal Edu Con Pvt Ltd	100%	Full Consolidation
Shreeji Education Trust	100%	Full Consolidation
Bolar Education Trust	100%	Full Consolidation
UEG Properties Pvt. Ltd	100%	Full Consolidation

Source: UEG

## ANALYST CONTACTS

**Ashish Modani**

+91 22 6114 3414

[ashish.modani@icraindia.com](mailto:ashish.modani@icraindia.com)

**Suprio Banerjee**

+91 22 6114 3443

[supriob@icraindia.com](mailto:supriob@icraindia.com)

**Manish Pathak**

+91 124 454 5397

[manishp@icraindia.com](mailto:manishp@icraindia.com)

**Maitri Vira**

+91 79 6923 3012

[maitri.vira@icraindia.com](mailto:maitri.vira@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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