May 17, 2023

Maharishi Markandeshwar Trust: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Unallocated limits	290.00	290.00	[ICRA]A+ (Stable); reaffirmed
Total	**290.00**	**290.00**	

**Instrument details are provided in Annexure-I*

Rationale

While reaffirming the rating, ICRA takes into account the steady operational and financial risk profiles of Maharishi Markandeshwar Trust (MMT), driven by continued stable growth in admissions across courses, including the large-ticket and long-duration medical courses and periodic fee revisions. The revenue receipts of the Trust grew by 3% to Rs. 498.5 crore in FY2022 and are estimated to grow at a healthy pace of ~21% in FY2023, aided by increased fee structure and student strength. The overall student strength increased to ~16,407 in AY2023 compared to ~15,698 in AY2022. Further, the Trust's financial profile continues to be robust, characterised by a conservative capital structure (reflected by gearing of 0.1 times for FY2022), healthy surpluses, and strong liquidity position on the back of strong cash flow from operations generated over the years, despite the planned capex. While the Trust undertook capex of Rs. 200 crore in a phased manner for construction of a college-cum-hospital at its Sadopur (Ambala, Haryana) campus, it continues to enjoy healthy financial flexibility, backed by its sizeable cash and cash equivalents estimated at more than ~Rs. 650 crore as on March 31, 2023. ICRA, however, also takes cognizance of the non-availment of tax exemption under Section 12A, which resulted in tax outflow of ~Rs. 41 crore in FY2022 and estimated tax outflow of ~Rs. 57 crore in FY2023, which lead to net cash accruals of Rs. 146 crore in FY2023, almost in line with earlier years of FY2020 and FY2021.

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. 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 ~60% of its revenue receipts and ~67% of its student strength. In this context, ICRA notes that with the gradual ramp up of the Solan campus and the hospital-cum-college at the Ambala campus, the dependence on the latter is expected to reduce in the medium term. The rating also factors in the vulnerability to any adverse regulatory changes, given the highly regulated nature of the higher education sector in India. Additionally, ICRA believes that attracting students and retaining faculty members would remain key challenges, owing to the increasing competition in the higher education segment. Further, the ability to maintain stable admission and placement track records and achieve the targeted operational parameters will be important from the credit perspective.

The Stable outlook reflects ICRA's expectations that MMT will maintain steady operational and financial risk profiles, while gradually reducing its concentration on courses as well as on a single campus. Further, ICRA expects the Trust's liquidity position and credit metrics to remain strong, led by generation of surplus cash flow from operations.

Key rating drivers and their description

Credit strengths

Established brand presence in Haryana and adjoining states; operational track record of three decades – MMT, through its institutes, has been present in the higher education sector in Haryana for almost three decades, 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 ~11,000 in Haryana alone (Mullana and Sadopur [Ambala] campuses put together), besides ~3,600 students in the two schools operating in the state. In addition, the Trust has ~1,750 students in its university and school in Himachal Pradesh.

Strong occupancy in long-duration, large-ticket medical courses provide revenue visibility – MMT offers medical courses at its Mullana and Solan campuses. Medical courses accounted for ~15% of the Trust's student strength in AY2023, and ~75% of the revenue receipts in FY2022. In AY2023, the student strength in medical courses witnessed an increase of ~12%. While the Mullana campus has been offering the MBBS[1] 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 a longer duration of five years, high occupancy in the course provides revenue visibility. Further, the Trust is coming up with a medical college-cum-hospital at its Sadopur (Ambala, Haryana) campus with the fresh MBBS batch and a sanctioned capacity of 150 students starting in AY2024, which is expected to boost the Trust's revenues by another Rs. 20-25 crore in its first year of operations.

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 ~1,700 in AY2023, almost close to the strength in the Mullana school. Moreover, the strength in the Karnal school remains low at ~206 students in AY2023.

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 and liquid balance of more than Rs. 650 crore as on March 31, 2023). 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 and Ambala campuses.

Credit challenges

High concentration risk in medical courses – Earlier, engineering used to be the Trust's largest stream, accounting for ~47% of its total student strength in AY2014. However, with increased admissions in other courses and segments (such as medical, medicinal and schools), the engineering student share declined to 16% of the total student strength in AY2023 and correspondingly, the share of other courses in the total student strength increased over the last few years. While growth in admissions in these courses helped offset the decline in student strength in engineering courses, the overall student base largely remained healthy. Further, dependence on medical courses has increased considerably with it being the major revenue contributor, keeping the Trust exposed to course concentration risk.

High dependence on single campus with Mullana contributing around 60% to the revenues in FY2022– 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 ~60% of the revenue receipts and 36% towards the surpluses, and ~67% of the student strength.

[1] *Bachelor 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 changes 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. The Trust's steady and healthy free cash and bank balance (including FDRs) of more than ~Rs. 680 crore as on March 31, 2023 with nil debt repayment obligations, strengthen its liquidity position.

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. Specific credit metric for the rating downgrade would be Total Debt/OPBDITA above 1.5 times, on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Higher Education Sector
Parent/Group support	Not Applicable
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 16,000 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. Sadopur's new Medical College Ambala has a 428-bed hospital with new batch of MBBS commencing from AY2024. MMT has been accredited by the NAAC (National Assessment and Accreditation Council) with Grade A++ in second cycle of assessment.

Key financial indicators (audited)

MMT	FY2021	FY2022
Operating income	485.0	498.5
PAT	99.3	59.0
OPBDIT/OI	25.3%	23.3%
PAT/OI	20.5%	11.8%
Total outside liabilities/Tangible net worth (times)	0.6	0.6
Total debt/OPBDIT (times)	1.1	0.8
Interest coverage (times)	15.3	36.2

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					May 17, 2023	-	Feb 18, 2022	Oct 30, 2020
1	**Bank Guarantee**	Long term	-	--	-	-	-	**[ICRA]A+ (Stable)**
2	**Unallocated Limits**	Long term	290.00	--	**[ICRA]A+ (Stable)**	-	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Unallocated Limits	NA

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	**Long-term – Unallocated Limits**	-	-	-	290.00	[ICRA]A+ (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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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.

For more information, visit www.icra.in

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