December 18, 2023

Maharashtra Academy Of Engineering And Educational Research: 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	286.09	322.09*	[ICRA]A+ (Stable); reaffirmed
Long Term – Fund based – Cash Credit	71.98	76.98	[ICRA]A+ (Stable); reaffirmed
Long Term – Non-Fund based – Others	30.00	30.00	[ICRA]A+ (Stable); reaffirmed
Long Term – Unallocated Limits	66.75	25.75	[ICRA]A+ (Stable); reaffirmed
Total	**454.82**	**454.82**	

**Instrument details are provided in Annexure-I; *as on September 30,2023*

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- (Positive)), 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 a long track record of over 40 years and the Group's diversified presence across the education spectrum. ICRA also considers the non-affiliated, self-financed status of the four universities under MAEER, which 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) and MIT Institute of Design (MITIOD) – in Maharashtra as well as the healthy seat occupancy levels of 95-100% for its flagship courses, which lend 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. 483 crore of capex in FY2024 and FY2025 at the consolidated level. Of this, capex worth Rs.200 crore has been planned at the standalone level (primarily towards setting up of a new university in Solapur, Maharashtra, multispecialty hospital in Pune and for expansion and construction of existing and new academic building in MIT Academy of Engineering, Alandi and MIT Arts, Commerce & Science College, Alandi). 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 mismatch, given the irregular nature of revenues. In FY2023, the trust faced delay in receipt of fees from the state government for the reserved category, resulting in high pending receivables of Rs. 174.9 crore as on March 31, 2023, at the standalone level. ICRA, however, draws comfort from the trust's healthy unencumbered cash balance of Rs. 339.8 crore (consolidated) as on March 31, 2023. 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 education segments – MAEER, a well-known education trust with an established presence in the education industry since 1983, has more than 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 more than 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 61% to the trust's consolidated revenues in FY2023 (against 57% in FY2022). These universities, being non-affiliated and self-financed, decide their course structure and examination pattern. The fee 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, healthy occupancy levels – 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. Major institutes of the trust have consistently recorded strong occupancy rates of over 95%, indicating a fair degree of revenue visibility for the trust. 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 58,684 in FY2023 against 50,990 in FY2022.

Healthy financial risk profile -– Aided by increasing student strength, revenues improved by 28% YoY in FY2023 and stood at Rs.1,383.6 crore (Provisional). At the consolidated level, the operating profit margin (OPM) also remained healthy at 18.6% in FY2023 although the same declined by 580 bps over FY2022, led by an increase in the employee cost after commencement of provisioning for gratuity for teaching staff from FY2023. Despite the regular capex, given the adequate accruals, the gearing remained comfortable at 0.6 times as on March 31, 2023 (against 0.5 times as on March 31, 2022). The debt protection metrics also remained comfortable with an interest coverage of 6.3 times and total debt to operating profit of 2.1 times in FY2023.

Credit challenges

Significant capex plans in FY2024 and FY2025 – The trust regularly incurs capex for upgrading infrastructure/setting up of new hospital and university. At the consolidated level, the trust envisages capex of Rs. 483 crore over FY2024 and FY2025. Of this, capex worth Rs. 200 crore has been planned at the standalone level towards construction of a multi-speciality hospital in Kothrud, Pune with a capacity of 250 beds , towards setting up a new university in Solapur, Maharashtra with an envisaged capacity of 2,000 students and for expansion and construction of existing and new academic building in MIT Academy of Engineering, Alandi and MIT Arts, Commerce & Science College, Alandi.

The university will be self-financed and would offer courses related to engineering and management. The requisite approvals are in place. It is established under Maharashtra Self-Financed Universities Act 2011, through a separate act, which is passed in state assembly by the Government of Maharashtra. The above capex for hospital, university and academic building is envisaged at a cost of Rs.208 crore and funded through term loan of Rs. 156 crore [of this, Rs. 60 crore towards the hospital has been sanctioned and around Rs.7-8 crore is yet to disbursed, Rs.36 crore towards the academic building, of which around Rs.7.5 crore is disbursed till November 30,2023. The balance Rs. 60 crore is towards the university, of which Rs.15 crore is yet to be disbursed and the rest will be met by internal accruals]. In addition, the trust proposes to incur Rs. 220 crore of capex in

MIT WPU towards construction of Phase IV of the IT establishment building as well as construction of hostel in FY2024 and FY2025, funded through term loan of Rs. 90 crore and the balance via internal accruals. Additionally, around Rs. 65 crore is expected to be incurred in FY2024-FY2025 in MIT ADT towards maintenance and renovation capex, to be funded through internal accruals.

Exposure to cash flow mismatch; healthy unencumbered cash balance provides comfort – Volatility in cash flows due to irregular fees payments necessitates prudent cash flow management. At the standalone level, receivables stood at Rs.174.9 crore and at the consolidated level, the same stood at Rs. 249.2 crore as on March 31, 2023. There are delays in receipt of fees from the state government for reserved category students (majorly for medical courses), resulting in higher receivables as of March end. As per the management, the same is expected to be recovered soon. Further, postponement of new admissions in engineering and medical courses in FY2021 and 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. 339.9 crore and adequate unutilised overdraft limits of Rs. 18.0 crore (MAEER) provide some comfort.

Exposed to intense competition from other reputed universities and strict regulations in the 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. 132.8 crore as on July 31, 2023, and undrawn fund-based limits of Rs. 11.6 crore at MAEER (standalone) as on June 30, 2023. Moreover, MIT ADT has cash and bank and liquid investments of Rs. 39.1 crore as on July 13, 2023, and utilised bank limits of Rs. 19.0 crore as on June 30, 2023. Besides, MITWPU's liquidity is supported by unencumbered fixed deposit of Rs. 105.1 crore as on March 13, 2023, and unutilised bank limits. The Group has repayment obligations of Rs. 112.5 crore in FY2024 and Rs. 100.6 crore in FY2025 and capex commitments of around Rs. 248 crore in FY2024, which is being funded by Rs.108 crore of debt (sanctioned) and capex of Rs. 235 crore in FY2025, proposed to be funded via debt of Rs. 80 crore. Aided by increasing student enrolments in key courses, ICRA expects MAAER's cash flows during FY2024-FY2026 to remain healthy with retained cash flows of Rs. 220-310 crore 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 above 1.5 times on a sustained basis would be a negative rating factor.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Higher Education Corporate Credit Rating Methodology
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 (audited)

Consolidated	FY2022	FY2023 Prov.
Operating income	1,080.7	1,383.6
PAT	169.6	139.1
OPBDIT/OI	24.4%	18.6%
PAT/OI	15.7%	10.1%
Total outside liabilities/Tangible net worth (times)	1.2	1.2
Total debt/OPBDIT (times)	1.5	2.1
Interest coverage (times)	8.2	6.3

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

Status of non-cooperation with previous CRA

The press release of Acuite Ratings & Research dated August 01, 2023, 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 (FY2024)					Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Sep 30, 2023 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Dec 18, 2023	Nov 16, 2023	Aug 10, 2022	May 13, 2021	-
1	Term loans	Long term	322.09	322.09	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	-
2	Fund-based limits	Long term	76.98	--	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	-
3	Non-Fund based limits	Long term	30.00	--	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	-
4	Unallocated limits	Long term	25.75	--	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loan	Simple
Long Term – Fund based – Cash Credit	Simple
Long Term – Non-Fund based – Others	Very Simple
Long Term – Unallocated Limits	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 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 Fund-based – Term loan**	FY2017	-	FY2030	322.09*	**[ICRA]A+ (Stable)**
NA	**Long Term – Fund based – Cash Credit**	NA	NA	NA	76.98	**[ICRA]A+ (Stable)**
NA	**Long Term – Non-Fund based – Others**	NA	NA	NA	30.00	**[ICRA]A+ (Stable)**
NA	**Long Term – Unallocated Limits**	NA	NA	NA	25.75	**[ICRA]A+ (Stable)**

*Source: MAEER; *as on September 30,2023*

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

Annexure II: 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:

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