

June 14, 2024

MIT World Peace University: Ratings reaffirmed; rated amount enhanced

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	122.00	[ICRA]A (Stable); reaffirmed and assigned for enhanced amount
Long-term Fund-based – Overdraft	-	60.00	[ICRA]A (Stable); assigned
Long-term – Unallocated Limits	3.00	3.00	[ICRA]A (Stable); reaffirmed
Total	35.00	185.0	

*Instrument details are provided in Annexure-I

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 and operational and financial support 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 MITWPU. Being a non-affiliated and self-financed university, MITWPU can decide its own course structure, examination pattern and fee structure, resulting in high operational and financial flexibility. The liquidity position of MITWPU remains adequate, supported by free cash and bank balances and fixed deposits of ~Rs. 91.5 crore as on March 31, 2024. The university's financial risk profile is also healthy, marked by a low gearing of 0.8 times as on March 31, 2024, and robust debt coverage indicators, with total debt to operating profit before depreciation, interest, tax and amortisation (OPBDITA) and an interest coverage of 1.5 times and 7.8 times, respectively, in FY2024 (as per provisional financials). ICRA expects MITWPU's financial risk profile to remain healthy in the near-to-medium term, aided by strong admission level, resulting in a rise in scale and improvement in profits, thereby maintaining a comfortable credit profile despite the ongoing capital expenditure (capex) plans of the company.

MITWPU has been witnessing healthy occupancy across its key courses, with its flagship courses recording occupancy level of 89-95%, thus lending adequate revenue visibility. The university is, however, exposed to revenue concentration risk, with engineering courses generating about 38% of its total revenues in FY2024 and management courses [undergraduate (UG) and postgraduate (PG)] accounting for about 35%. 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 generating 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 support derived from the same – The sponsoring body, MAEER (rated [ICRA]A+ (Stable)), is a well-known educational trust with an established presence since 1983 and has over 80 institutions under its aegis, providing education in diverse fields. The brand strength of MAEER extends benefits to MITWPU

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 MITWPU 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 MITWPU. 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, MITWPU 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 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 18,692 in AY2022-23 vis-à-vis 16,241 in AY2021-22, and further to 22,001 in AY2023-24. Engineering and management courses account for around 59% of the student strength, which have a healthy occupancy of 90-95%, lending adequate revenue visibility. Thus, the revenues increased by 26% on a YoY basis in FY2024 to Rs. 616.0 crore (as per provisional financials).

Healthy financial risk profile – Aided by increasing receipts, MITWPU's financial profile has remained healthy, marked by a robust capital structure and healthy coverage indicators with a gearing of 0.8 times as on March 31, 2024, an interest cover of 7.8 times and total debt vis-à-vis OPBDITA of 1.5 times as on March 31, 2024 (as per provisional financials). MITWPU's financial risk profile would remain healthy in the near-to-medium term, aided by strong admission levels, resulting in a rise in scale and improvement in profits, thereby maintaining a comfortable credit profile despite the ongoing capex plans of the company.

Credit challenges

Requirement of continuous capex towards adding new courses and upgrading its infrastructure facilities – MITWPU incurred capex of Rs. 260 crore over FY2023 and FY2024, mainly towards construction of buildings for design courses and computer related courses amounting to Rs. 47 crore and Rs. 74 crore, respectively. Another Rs. 38 crore was incurred for constructing the sports complex (expected to commence operations in FY2025) and the balance towards renovation of the existing building as well as furniture and fixtures. The university also has capex plans of around Rs. 120 crore in FY2025, mainly towards construction of building for computer courses (which will commence operations in August 2024) and renovation/ repair of old building and campus development. The same is to be funded through a term loan of Rs. 90 crore (Rs. 54.2 crore availed till March 31, 2024). Subsequently in FY2026, the capex is envisaged to be around Rs. 80 crore, largely pertaining to renovation/repair of existing campus and campus development. 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 monitorable.

Dependence on three institutes for bulk of revenue – MITWPU has 24 institutes under its affiliation, but it derived about 73% of its total fee receipts in FY2024 from 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 rise in the medium term amid an increase in students' enrolment and stabilisation of these courses. The same is also evident from an increase in revenue contribution from the Faculty of Science to around 7% in FY2024 from 2% in FY2018 and from the Faculty of Design to around 4% in FY2024 from 1% in FY2019.

Intense competition from other reputed public and private institutes – MITWPU 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 university's ability 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 largely aligned with its debt repayments. In addition, the university generally maintains free fixed deposits of around Rs. 70-80 crore, which provide additional comfort.

Liquidity position: Adequate

MITWPU’s liquidity position is adequate, with healthy fund flow from operations, aided by increasing student strength. The university’s liquidity is also supported by unencumbered cash and bank balances and fixed deposits of Rs. 91.5 crore as on March 31, 2024, and unutilised working capital limits of Rs. 23.9 crore as on May 31, 2024. Against this, the annual repayment obligations stand at Rs. 23.3 crore in FY2025 and Rs. 33.2 crore in FY2026. For FY2025, the university has capex plans of around Rs. 120.0 crore, to be funded via debt (sanctioned) of Rs. 90 crore. Additionally, MITWPU arranges foreign tours for eligible students each year for which the provision is made in the first year of the course itself. As on March 31, 2024, the university had created provision worth Rs. 98.0 crore for the same. An annual outgo of Rs. 15-25 crore is expected towards the study tour.

Rating sensitivities

Positive factors – ICRA could upgrade MITWPU’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 MITWPU’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
Parent/Group support	Maharashtra Academy of Engineering and Educational Research (sponsoring body). ICRA expects MAEER to provide need-based funding support to MITWPU.
Consolidation/Standalone	The rating is based on the standalone financial statements of the rated entity.

About the company

MITWPU, incorporated in May 2017, has been 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 22,001 students at its Kothrud campus, Pune in AY2023-24. 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 (audited)

	FY2023	FY2024*
Operating income	489.2	616.0
PAT	17.8	48.9
OPBDIT/OI	8.3%	14.2%
PAT/OI	3.6%	7.9%
Total outside liabilities/Tangible net worth (times)	2.6	1.9
Total debt/OPBDIT (times)	2.7	1.5
Interest coverage (times)	6.5	7.8

Source: Company, ICRA Research; * Provisional numbers; 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)	Amount outstanding as of March 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
				Jun 14, 2024				
1	Term loans	Long term	122.00	122.0	[ICRA]A (Stable)	-	[ICRA]A (Stable)	[ICRA]A (Stable)
2	Overdraft	Long term	60.00	--	[ICRA]A (Stable)	-	-	-
3	Unallocated Limits	Long term	3.00	--	[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 – Overdraft	Simple
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 Fund-based – Term loan	2024	9.0% -9.2%	2031	122.00	[ICRA]A (Stable)
NA	Long-term Fund-based – Overdraft	NA	NA	NA	60.00	[ICRA]A (Stable)
NA	Long-term – Unallocated Limits	NA	NA	NA	3.00	[ICRA]A (Stable)

Source: Company

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

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

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