August 23, 2024

Maharishi Markandeshwar Trust: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Overdraft	-	254.56	[ICRA]A+ (Stable); reaffirmed
Long-term – Unallocated limits	290.00	35.44	[ICRA]A+ (Stable); reaffirmed
Total	**290.00**	**290.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation reflects the healthy operational and financial risk profiles of Maharishi Markandeshwar Trust (MMT), driven by a steady growth in admissions across courses, including the large-ticket and long-duration medical courses and periodic fee revisions. The Trust's revenue receipts grew by ~20% to Rs. 598 crore in FY2023 and are estimated to grow at a healthy pace of ~24% in FY2024, aided by increased student strength across courses. MMT's revenues in FY2024 were supported by start of new medical college at its Sadopur campus (Ambala, Haryana) and a rise in intake capacity of the MBBS course at Mullana. The overall student strength rose to ~18,126 in AY2024[1] from ~16,507 in AY2023, reflecting a growth of ~10%. Further, the Trust's financial profile continues to be robust, characterised by a conservative capital structure (reflected by gearing of 0.1 times for FY2023), healthy surplus, and strong liquidity position on the back of favourable cash flow from operations generated over the years, despite the planned capex. While the Trust undertook capex of Rs. 400 crore in a phased manner over FY2021-2024 for construction of a college cum-hospital at its Sadopur (Ambala) campus, it continues to enjoy healthy financial flexibility, backed by its sizeable cash and cash equivalents estimated at ~Rs. 758 crore as on March 31, 2024. The Trust benefits from its established brand presence in the northern region of India and a long operational track record.

The rating factors 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 constitutes ~60% of its revenue receipts and ~69% of its student strength. In this context, ICRA notes that with gradual ramp up of the Solan campus and the recently started hospital-cum-college at the Ambala campus, the dependence on the latter is expected to reduce in the medium term. The rating considers the vulnerability to any adverse regulatory changes, given the highly regulated nature of the higher education sector in India. 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 as well as placement track records and achieve the targeted operational parameters will be important from the credit perspective.

ICRA notes the ongoing litigation in relation to the orders issues by the Himachal Pradesh Private Educational Institutions Regulatory Commission (HPPEIRC), which required the Trust to refund the excess fee and pay a penalty. While the regulatory action is under stay by the High Court of Himachal Pradesh, any adverse outcome of the ongoing litigation or incremental adverse regulatory orders, could impact the Trust's liquidity and remains a key monitorable.

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

[1] *Academic years pertain to period from May-July to April-June*

Key rating drivers and their description

Credit strengths

Established brand presence in northern region and long operational track record – 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 like Himachal Pradesh, where it has also established its campus. This is reflected in the continued high occupancy in its medical courses and the large student strength of ~12,750 in Haryana (Mullana and Sadopur [Ambala] campuses put together), besides ~3,600 students in the 3 schools operating in the state. In addition, the Trust has ~1,700 students in its university in Himachal Pradesh.

Healthy operating metrics with increased diversification across campuses/courses – MMT offers medical courses at all of its three campuses. Medical courses accounted for ~17% of the Trust's student strength in AY2024, and ~79% of the revenue receipts in FY2023. While the Mullana and Solan campuses have been offering the MBBS[2] course since 2003 and 2015 respectively, the new medical college at Ambala was started in Sep 2023. Enrolments in the MBBS course at Mullana and Solan campus remained healthy with consistently robust occupancy. In the newly opened Sadopur campus (Ambala), occupancy has been full during its 1st year (AY2024) of operations. Considering that the MBBS course involves substantially high fee per student vis-à-vis other courses and a longer duration of five years, strong occupancy in the course provides medium-term revenue visibility. In addition to medical courses, the Trust is fairly diversified with courses in engineering, management, nursing, physiotherapy, law subjects.

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 maintains a negative net debt position (estimated cash and liquid balance of ~Rs. 758 crore as on March 31, 2024). 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 course at its new campus (Ambala).

Credit challenges

Revenue concentration risk with more than 75% contribution from medical courses – MMT offers medical courses at all of its three campuses. Medical courses accounted for ~17% of the Trust's student strength in AY2024, and ~79% of the tuition fee receipts in FY2023, thus exposing the Trust to course concentration risk. Further, despite a healthy growth in admissions in the Solan campus, with incremental revenue receipts as well as surpluses, MMT's dependence on the Mullana campus remains high. The flagship campus accounts for more than ~62% of the revenue receipts and ~50% towards the surpluses, and ~69% of the student strength. Going forward, with the ramp-up of the newly started medical college at Ambala, the concentration on the flagship campus is expected to decline.

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, 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 related to various approvals could impact its student enrolment capability. The Trust has received adverse orders related to large refunds from the state fee

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[2]*Bachelor of Medicine and Bachelor of Surgery*

regulatory authority in the past, which are now under litigation. Any adverse outcome of such ongoing litigations or future regulatory orders could impact the Trust's liquidity and future revenue.

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 ~Rs. 758 crore as on March 31, 2024 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 revenues and diversification, while maintaining strong liquidity position and sustenance of a healthy operating metrics.

Negative factors – The rating may be downgraded in case of a substantial decline in revenues and profitability owing to reduction in occupancy levels across courses, impacting the overall student strength, or any unfavourable regulatory development or a sizeable debt-funded capex by the Trust, which affects its liquidity position and debt coverage indicators. 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	Higher Education Corporate Credit Rating Methodology
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 18,000 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 Sadopur. 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, medical, 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 a new batch of MBBS commencing from AY2024.

Key financial indicators (audited)

MMT	FY2022	FY2023
Operating income	498.5	597.9
PAT	56.0	116.5
OPBDIT/OI	23.3%	24.4%
PAT/OI	11.2%	19.5%
Total outside liabilities/Tangible net worth (times)	0.55	0.60
Total debt/OPBDIT (times)	0.76	0.81
Interest coverage (times)	18.53	62.71

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

		Current (FY2025)			Chronology of rating history for the past 3 years					
			FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Overdraft	Long term	254.56	**Aug 23, 2024**	**[ICRA]A+ (Stable)**	-	-	-	-	-	-
					-	-	-	-	-	-
Unallocated limits	Long term	35.44	**Aug 23, 2024**	**[ICRA]A+ (Stable)**	May 17, 2023	[ICRA]A+ (Stable)	-	-	Feb 18, 2022	[ICRA]A+ (Stable)
					Aug 03, 2023	[ICRA]A+ (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Overdraft	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 – Overdraft**	NA	NA	NA	254.56	[ICRA]A+(Stable)
NA	**Long-term – Unallocated limits**	NA	NA	NA	35.44	[ICRA]A+(Stable)

Source: Company data

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

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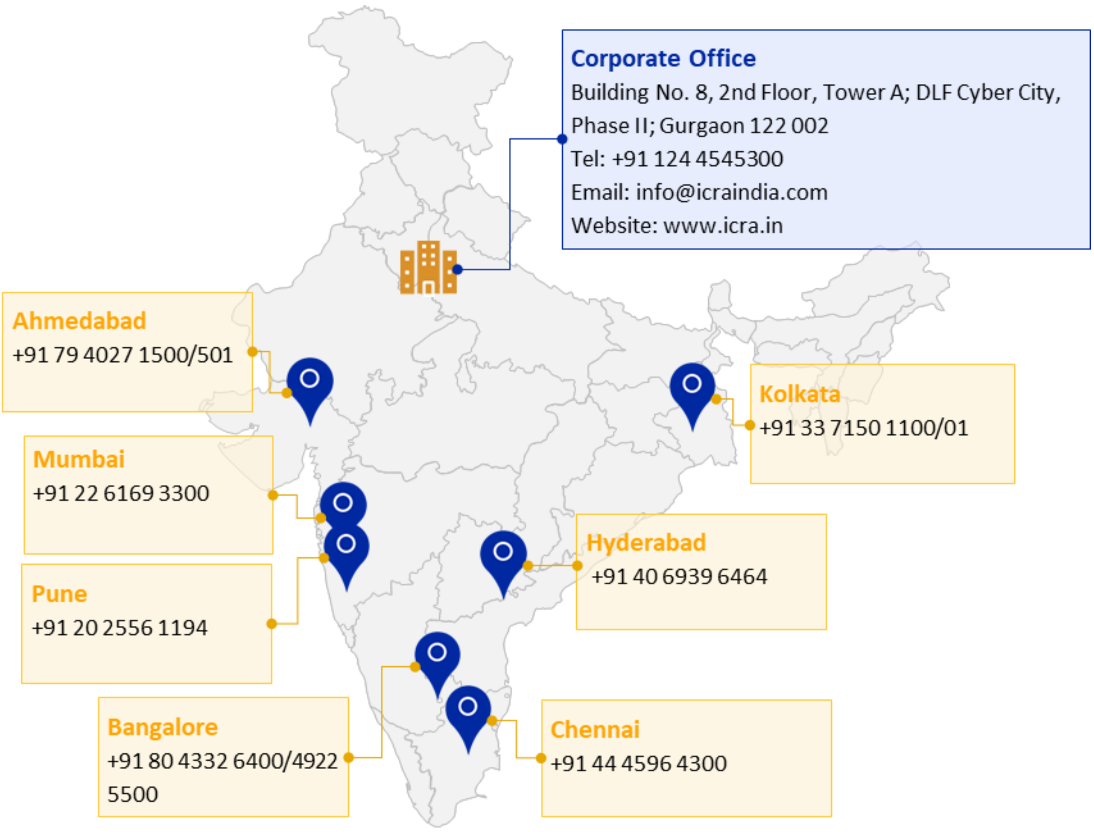

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