

December 23, 2024

Muthoot M. George Institute of Technology: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term - Fund Based/Overdraft	3.00	3.00	[ICRA]BBB- (Stable); reaffirmed
Total	3.00	3.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for Muthoot M. George Institute of Technology (MITS) factors in the improvement of its operational performance in FY2024, which is expected to sustain in the medium term, while maintaining healthy operating margins, nil external debt and an adequate liquidity position. The enrolment levels improved to more than 2,100 students in the academic year (AY) 2024 (previous AY: ~1,700 students), leading to a 21% revenue growth to Rs. 50.5 crore in FY2024 (PY: 41.6 crore). This momentum is likely to continue in the current fiscal (FY2025), albeit on a low scale. The Trust is expected to report revenues of Rs. 54-55 crore with healthy operating margins in the range of 53-55% in FY2025. The rating factors in the strengths derived by MITS for being a part of the Muthoot Group, which has diversified presence in sectors such as financial services, hospitality, healthcare, education, etc. ICRA notes that MITS has been receiving regular funds in the form of unsecured loans and corporate social responsibility (CSR) contributions from promoter entities. Thus, the entire term loan was repaid in FY2023 and as of November 2024, there is no external debt outstanding for the Trust. Moreover, given the improvement in the entity's performance, the unsecured loans from the promoters are also expected to be repaid in the medium term.

The rating, however, remains constrained by the limited track record of the college. The net worth of the entity remains negative (although it is improving) as of March 2024, on account of net losses reported till FY2022. Nonetheless, it is expected to turn positive in the near to medium term. MITS faces intense competition from other reputed public and private institutions in India. Moreover, the higher education sector in India is highly regulated by numerous bodies like the University Grants Commission, All India Council of Technical Education, among others, which have stringent compliance requirements. This exposes the college to significant regulatory risks associated with unanticipated changes in regulations, which might have an adverse impact on its operating and/or the financial profile.

The Stable outlook on the [ICRA]BBB- rating reflects ICRA's expectations that the operational performance is likely to improve on account of steady improvement in its student strength while maintaining healthy profitability and nil external debt.

Key rating drivers and their description

Credit strengths

Growth in revenues backed by launch of new courses and increased capacity – The operational performance of MITS improved in FY2024, which is expected to sustain in the medium term, while maintaining healthy operating margins, nil external debt and adequate liquidity position. The enrolment levels improved to more than 2,100 students in the academic year (AY) 2024 (previous AY: ~1,700 students), leading to 21% revenue growth to Rs. 50.5 crore in FY2024 (PY: 41.6 crore). This momentum is likely to continue in the current fiscal (FY2025), albeit on a low scale. The Trust is expected to report revenues of Rs. 54-55 crore with healthy operating margins in the range of 53-55% in FY2025.

Demonstrated track record of promoters; part of the established Muthoot Group – MITS is a non-profit organisation run by the Muthoot Group, which has diversified presence in sectors such as financial services, hospitality, healthcare, education, etc. ICRA notes that MITS has been receiving regular funds in the form of unsecured loans and corporate social responsibility (CSR) contributions from the promoter entities. Hence, the entire term loan in FY2023 was repaid and as of November 2024, there is no external debt outstanding for the Trust. Moreover, given the improvement in the entity's performance, the unsecured loans from the promoters are also expected to be repaid in the medium term.

Credit challenges

Limited track record of operations; negative net worth – The entity established the engineering college in 2013 with the first batch graduating in 2017. It is still in the nascent stage, with gradual additions being made to the course portfolio and seat capacity. Moreover, despite the improvement witnessed over the past few years, the net worth of the entity remained negative (although it is improving YoY) as of March 2024 on account of net losses reported till FY2022. Nonetheless, it is expected to turn positive in the near to medium term.

Exposed to intense competition and regulatory risks – MITS faces intense competition from other reputed public and private institutions in India. Moreover, the higher education sector in India is highly regulated by numerous bodies like the University Grants Commission and All India Council of Technical Education, among others, which have stringent compliance requirements. This exposes the college to significant regulatory risks associated with unanticipated changes in regulations, which might have an adverse impact on its operating and/or financial profile.

Liquidity position: Adequate

The liquidity position is adequate with sufficient cushion available in its working capital limits. Moreover, the entity does not have any repayment obligation or major capex plans in the medium term.

Rating sensitivities

Positive factors – ICRA could upgrade the rating, if the entity demonstrates a healthy growth in its scale of operations and net worth on a sustained basis while maintaining its profitability.

Negative factors – ICRA could downgrade the rating, if there is a decline in the entity's revenues and profits, or if there is significant debt-funded capex resulting in deterioration of debt protection metrics on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Higher Education
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Established in 2013, MITS runs Muthoot Institute of Science and Technology, an engineering college situated in the industrial suburb of Kochi, Kerala, 15 km from the main city. The engineering college is affiliated to Dr. A. P. J. Abdul Kalam Technological University (KTU). Mr. George Alexander Muthoot is the Managing Director of Muthoot M. George Institute of Technology. The other directors of the company are Mr. George Jacob Muthoot and Mr. George Thomas Muthoot from the Muthoot family.

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income (Rs. crore)	41.6	50.5
PAT (Rs. crore)	14.8	20.7
OPBDIT/OI (%)	52.4%	53.9%
PAT/OI (%)	35.7%	40.9%
Total Outside Liabilities/Tangible Net Worth (times)	-5.0	-14.5
Total Debt/OPBDIT (times)	4.6	1.6
Interest Coverage (times)	24.6	254.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts 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	Current rating (FY2025)			Chronology of Rating History for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Dec 23, 2024	Nov 30, 2023	Sep 29, 2022	Sep 6, 2021
1	Overdraft	Long-term	3.00	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	--
2	Fund Based – Term loans	Long-term	--	--	--	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term - Fund-based/Overdraft	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	Overdraft	NA	NA	NA	3.00	[ICRA]BBB- (Stable)

Source: Company

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

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