

January 27, 2025

## Maharashtra Academy of Engineering and Educational Research: 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	322.09	696.00	[ICRA]A+ (Stable); reaffirmed and assigned for enhanced amount
Long-term – Fund based – Cash credit	76.98	42.00	[ICRA]A+ (Stable); reaffirmed
Long-term – Non-fund based – Others	30.00	30.00	[ICRA]A+ (Stable); reaffirmed
Long-term – Unallocated limits	25.75	-	-
<b>Total</b>	<b>454.82</b>	<b>768.00</b>	

\*Instrument details are provided in Annexure-I

### 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 five universities – MIT World Peace University (MIT WPU; rated [ICRA]A (Stable)), MIT Art Design and Technology University (MIT ADT; rated [ICRA]A(Stable)), Awantika University, Ujjain, MIT University, Shillong and MIT Vishwapravag University. 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 factors in MAEER's standing in the education sector, as one of the reputed players, with a long track record of over 40 years and the Group's diversified presence across the education spectrum. ICRA considers the self-financed status of the five 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 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 draws strength from the increasing student enrolments, resulting in 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 projected to incur ~Rs. 250-300 crore of capex per annum in FY2025 and FY2026 at the consolidated level. Of this, capex worth Rs. 150-200 crore has been planned at the standalone level (primarily towards setting up of a new university in Goa and Solapur, Maharashtra). 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 concentrated nature of revenue inflow. ICRA, however, draws comfort from the trust's healthy unencumbered cash balance of Rs. 111 crore (consolidated) as on December 31, 2024. Besides, the rating factors in the trust's exposure to stiff competition in the higher education sector, which puts pressure on attracting students and retaining talented faculty members. The education sector is highly regulated in India, which exposes the trust to significant regulatory risks associated with stringent compliance requirements.

The Stable outlook reflects ICRA's opinion that the trust would witness healthy enrolments across key courses, aided by its strong reputation and continued healthy demand, leading to healthy revenue and surplus generation.

## Key rating drivers and their description

### Credit strengths

**Established player in Indian education sector with long track record and diversified presence across segments** – MAEER is a well-known education trust with an established presence in the education industry since 1983. It has more than 65 institutions and five 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.

**Operational and financial flexibility derived by self-financed universities under MAEER** – Self-financed universities contributed to around 61% of the trust's consolidated revenues in FY2024 (against 60% in FY2023). These universities, being non-affiliated and self-financed, decide their course structure, examination pattern as well as fee structure. Besides, these universities are authorised to collect full fees from the reserved category students and do not rely on the recovery of receivables from any Government body. Thus, the associated receivable risk is likely to remain minimal for the said universities.

**Reputed 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 the flagship courses remain healthy in the range of 95%-100%. The trust has been witnessing continuous increase in student strength, which stood at 65,360 in FY2024 against 58,684 in FY2023.

**Comfortable financial risk profile** – Aided by increasing student strength, the revenues improved by 24% YoY in FY2024 and stood at Rs. 1,585.4 crore. At the consolidated level, the operating profit margin (OPM) remained healthy at 20.4% in FY2024, improved from ~19.9% in FY2023. Despite the regular capex, given the adequate accruals, the gearing remained comfortable at 0.5 times as on March 31, 2024 (against 0.6 times as on March 31, 2023). The debt protection metrics remained comfortable with an interest coverage of 6.2 times and total debt to operating profit of 1.8 times in FY2024.

### Credit challenges

**Exposed to execution related risks on account of planned debt-funded capex** – The trust regularly incurs capex for upgrading infrastructure/setting up of new university. At the consolidated level, the trust envisages capex of Rs. 250-300 crore p.a. in FY2025 and FY2026 each. Of this, capex worth Rs. 150-200 crore has been planned at the standalone level towards construction of a new university in Goa. The university will be self-financed and would offer courses related to Liberal Sciences. ICRA notes that the trust started a new university in Solapur in FY2024. It has been established under the Maharashtra Self-Financed Universities Act 2011, passed in the state assembly by the Government of Maharashtra. This capex is expected to be funded by a mix of debt and equity. Moreover, while the existing universities have stabilised, these new universities will require some support from the trust in the initial years, until operations stabilise.

**Exposure to cash flow mismatches** – Volatility in cash flows due to concentrated fee receipts necessitates prudent cash flow management. The fees are generally received over March-June. However, the expenses including debt repayments, etc, are spread over the fiscal year. At the standalone level, the receivables stood at Rs. 101.6 crore and at the consolidated level, the same stood at Rs. 194.7 crore as on March 31, 2024. 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 every year. This phenomenon is expected to continue due to the nature of business.

**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 trust's institutes and universities face competition from universities across the country as it 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 higher 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 liquidity position remains adequate with cash and bank balance of ~Rs. 111 crore as on December 31, 2024, healthy cash accruals from operations and moderate debt repayment obligations. The annual debt repayments for FY2025-2026 stood at ~Rs. 55-60 crore p.a against likely cash accruals of more than Rs. 300 crore. The capex is expected to be ~Rs. 250-300 crore per annum in FY2025-2026, which is likely to be funded by a mix of debt and internal accruals. Aided by increasing student enrolments in key courses, ICRA expects MAEER's cash flows during FY2025-FY2026 to remain healthy with retained cash flows of Rs. 300-350 crore against its repayment obligations and equity commitment for the ongoing capex.

### Rating sensitivities

**Positive factors** – The rating may be upgraded in case of sustained increase in the trust's revenue, 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 of the consolidated Total debt/OPBITDA of above 2 times, on a sustained basis, would be a negative rating factor.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Higher Education</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of MAEER trust and the five universities — MIT WPU, MIT ADT, Awantika University, Ujjain, MIT University, Shillong and MIT Vishwaprayag University, Solapur. MAEER is the sponsoring body to these universities. The details are given in Annexure II.

### 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)

MAEER Consolidated	FY2023	FY2024
Operating income	1,080.7	1,278.7
PAT	169.6	139.1
OPBDIT/OI	24.4%	19.9%
PAT/OI	15.7%	10.9%
Total outside liabilities/Tangible net worth (times)	1.2	1.2
Total debt/OPBDIT (times)	1.5	2.1
Interest coverage (times)	8.2	6.7

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

Any other information: None

### Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current rating (FY2025)		Chronology of rating history for the past 3 years		
			Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022
			Jan 27, 2025	Dec 18, 2023	Nov 16, 2023	Aug 10, 2022	May 13, 2021
1	Term loans	696.0	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)
2	Fund-based limits	42.0	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)
3	Non-fund based limits	30.00	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)
4	Unallocated limits	-	-	[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

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	696.00	[ICRA]A+ (Stable)
NA	Long-term – Fund-based – Cash credit	NA	NA	NA	42.00	[ICRA]A+ (Stable)
NA	Long-term – Non-fund based – Others	NA	NA	NA	30.00	[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**

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
MIT Vishwaprayag University	100%	Full Consolidation

Source: Annual report

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