

December 24, 2021

## MIT World Peace University: Rating upgraded to [ICRA]A (Stable)

### Summary of rating action

Instrument <sup>^</sup>	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term Fund Based – Term Loan	35.00	32.00	[ICRA]A(Stable); upgraded from [ICRA]A-(Stable)
Unallocated	-	3.00	[ICRA]A(Stable); upgraded from [ICRA]A-(Stable)
<b>Total</b>	<b>35.00</b>	<b>35.00</b>	

<sup>^</sup>Instrument details are provided in Annexure-1;

### Rationale

The rating upgrade for MIT World Peace University (MIT WPU) reflects the steady expansion in its scale of operations, aided by healthy admission levels in its flagship courses, which also lends adequate revenue visibility. MIT WPU's financial risk profile continues to remain comfortable, characterised by a low gearing of 0.7 times and healthy debt coverage indicators. The liquidity position also remains adequate, supported by cash and bank balance and deposits/ liquid investment of Rs. 141.8 crore as on November 24, 2021. Besides, the rating continues to favourably factor in the brand strength as well as the financial flexibility enjoyed by the university, with Maharashtra Academy of Engineering & Educational Research (MAEER; rated [ICRA]A+/ Stable) acting as a sponsoring body. Being a non-affiliated and self-financed university, MIT WPU enjoys operational and financial flexibility in deciding the syllabi as well as the fee structure. The cash flows are not dependent on recovery of receivables from any government body.

The rating, however, remains constrained by the university's exposure to revenue concentration risk, with engineering courses generating about 46% and management courses (undergraduate and post graduate) accounting for about 34% of the total revenue receipts of the university. ICRA, however, notes the reputation of the engineering college as one of the first private engineering colleges in Maharashtra. The university also makes continuous investment for upgrading its infrastructure facilities to remain competitive, which leads to sizeable recurring capital expenditure (capex). 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 risks associated with the highly regulated education sector. Any adverse Government regulations may impact revenue growth and surplus. The university, like other entities in the education sector, also remains exposed to the risk of cash flow mismatches given the irregular nature of revenues.

The Stable outlook 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 flexibility derived from the same** – The sponsoring body, MAEER, is a well-known educational trust with an established presence since 1983 and has over 75 institutions under its aegis, providing education in diverse fields. The brand strength of MAEER extends benefits to MIT WPU as well. Besides, the current debt (Rs. 56.3 crore as on March 31, 2021), as recorded in the books of MIT WPU, has been sanctioned to MAEER and are serviced by

the university. 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 MIT WPU during an academic year. The same remains a strong indicator of parent support to the university.

**Non-affiliated and self-financed university status provides operational and financial flexibility** – As it is a non-affiliated and self-financed university, MIT WPU 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 need to 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 15,693 in AY 2021-22 vis-à-vis 14,472 in AY 2020-21. The first-year admissions remained strong at 5,734 students in AY 2021-22 (till November 25, 2021) vis-a-vis 4,995 students in AY 2020-21. Engineering and management courses account for around 60% of the fresh admissions, which have a healthy occupancy of 89-95%, lending adequate revenue visibility.

**Healthy financial risk profile** – Aided by increasing receipts, MIT WPU's financial profile has remained comfortable, marked by a healthy capital structure and robust coverage indicators with a gearing of 0.7 times as on March 31, 2021, an interest cover of 9.5 times and the total debt vis-à-vis the operating profit of 1.2 times as on March 31, 2021. MIT WPU intends to incur capex of Rs. 42 crore in FY2022 for infrastructure development. The capex is being funded by debt of Rs. 32 crore and the balance via internal accruals. However, the capital structure and coverage matrix are likely to remain comfortable, supported by steady cash flows.

## Credit challenges

**Dependence on three institutes for bulk of revenue and profits** – MIT WPU has 17 institutes under its affiliation, but it derived about 80% of its total fee receipts in FY2021 from its 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 the revenue share from other institutes remains minimal at present, the institute is incurring capex plan towards building new infrastructure for other courses, which should also help increase enrolments in other courses over the medium term.

**Intense competition from other reputed public and private institutes** – MIT WPU 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 ability of the university to maintain healthy enrolment levels for all its course offerings will be a key rating sensitivity.

**Highly regulated sector; exposure to cash flow mismatches** – 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, however, largely aligned with its debt repayments. In addition, cash and bank and liquid investments of Rs. 141.8 crore provide additional comfort.

## Liquidity position: Adequate

MIT WPU's liquidity position is adequate, with expected fund flow from operations of nearly Rs. 35-40 crore per annum, aided by increasing student strength. The university's liquidity is also supported by unencumbered term deposit of Rs.103.52 crore and bank balance of Rs.38.32 crore as on November 24, 2021. Of the total projected receipts of ~Rs. 380 crore in FY2022, the trust has already collected Rs. 250 crore till December 15, 2021 and expects to recover another Rs. 93 crore in December 2021.

Against this, the annual repayment obligations are to the tune of Rs. 1.5 crore between December 2021 and March 2022 and Rs. 12.5 crore in FY2023. The university also proposes to incur capex of Rs. 42 crore in FY2022, to be funded via debt (sanctioned) of Rs. 32 crore. MIT WPU undertakes foreign tour for eligible students each year for which the provision is made in the first year of course itself. As on March 31, 2021, the university had created Rs. 90 crore of provision for the same, of which Rs. 27.0 crore was refunded in YTD FY2022 as the university could not conduct these tours amid the pandemic. Amid reduction in the number of Covid cases, the university is planning to conduct these student tours and expects an annual outgo of Rs. 21-25 crore towards the same.

## Rating sensitivities

**Positive factors** – ICRA could upgrade MIT WPU's rating if the university is able to significantly improve its revenue, 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 MIT WPU's rating could arise if there is a significant decline in new admissions in its flagship institutes or if the TD/OPBITDA exceeds 2 times on a sustained basis due to an increase in debt-funded capex. Weakening of linkages with MAEER and/or a deterioration in the credit profile of MAEER would also be negative factors.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Higher Education</a>
Parent/Group Support	Maharashtra Academy of Engineering and Educational Research (sponsoring body). ICRA expects MAEER to provide need-based funding support to MIT WPU. MAEER has also provided infrastructure support to the university.
Consolidation/Standalone	The rating is based on the standalone financial statements of the rated entity

## About the Company

MIT WPU, incorporated in May 2017, is 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 15,693 students at its Kothrud campus, Pune in AY2021-22. 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 (Standalone)

	FY2020(A)	FY2021(Prov.)
Operating Income (Rs. crore)	284.8	313.2
PAT (Rs. crore)	24.4	30.9
OPBDIT/OI (%)	12.1%	15.0%
PAT/OI (%)	8.6%	9.9%
Total Outside Liabilities/Tangible Net Worth (times)	3.6	2.5
Total Debt/OPBDIT (times)	1.6	1.2
Interest Coverage (times)	7.0	9.5

Source: University data and ICRA research; A – Audited; Prov.: Provisional; 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 (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Dec-24-2021	13-Nov-2020	-	-
1	Term Loan	Long term	32.00	-	[ICRA]A (Stable)	[ICRA]A- (Stable)	-	-
2	Unallocated amount	Long term	3.00	-	[ICRA]A (Stable)	-		

Amount in Rs. Crore

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term Fund Based – Term Loan	Simple
Long term Fund Based- Unallocated	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, is available on ICRA's website: [Click Here](#)

### Annexure-1: Instrument details

ISIN No./Lender name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
Bank of India	Term Loan	-	-	-	32.00	[ICRA]A (Stable)
-	Unallocated amount	-	-	-	3.00	[ICRA]A(Stable)

### Annexure-2: List of entities considered for consolidated analysis – Not applicable

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