

September 24, 2024

MIT Art Design and Technology University: Ratings upgraded to [ICRA]A; Outlook revised to Stable from Positive; 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	92.00	98.30	[ICRA]A(Stable); upgraded from [ICRA]A-(Positive) and outlook revised to Stable from Positive and assigned for enhanced amount
Long-term fund based-Bank Overdraft	35.00	35.00	[ICRA]A(Stable); upgraded from [ICRA]A-(Positive) and outlook revised to Stable from Positive
Long-term-Unallocated amount	87.70	120.00	[ICRA]A(Stable); upgraded from [ICRA]A-(Positive) and outlook revised to Stable from Positive and assigned for enhanced amount
Total	214.70	253.30	

*Instrument details are provided in Annexure-I

Rationale

The rating upgrade takes into consideration the steady increase in MIT Art Design and Technology University's (MIT ADT) revenue, supported by consistent rise in student strength, which is expected to sustain in the medium term. As per ICRA's estimates, the university's scale of operations is projected to grow YoY by 12-14% per annum, led by continuous increase in student strength as well as hike in fees across majority of the courses. Consequently, the overall credit profile of the university has strengthened over the recent years, as reflected by comfortable debt protection metrics with interest cover likely to remain above ~7 times. The rating derives comfort from MIT ADT's brand strength as well as financial flexibility for being a part of the MIT Group, wherein Maharashtra Academy of Engineering & Educational Research (MAEER; rated [ICRA]A+/Stable) acts as a sponsor. While ICRA notes that there has been no need of any financial support by MIT ADT from its sponsor, considering its comfortable financial position in the recent past. However, in case of any urgent need or cash flow mismatch in future, ICRA expects that MAEER would provide adequate and timely support to MIT ADT. The rating factors in the strong reputation of the flagship institutes of MIT ADT, that is, MIT Institute of Design (MITIOD) and MIT School of Engineering (MITSOE). The enrolments in the university's key courses remain healthy at ~90-100%, lending adequate revenue visibility. Further, being a non-affiliated and self-financed university, MIT ADT enjoys operational and financial flexibilities in deciding its syllabus as well as the fee structure. The liquidity position remains adequate, with healthy cash and bank balance and liquid investments of Rs. 34.5 crore as on March 31, 2024, and sizeable buffer in its bank limits (unutilised bank limits of Rs. 35 crore as on July 31, 2024).

The rating, however, remains constrained by the university's dependence on three institutes for bulk of its revenue and profits, despite some increase in revenue from other institutes. Though the flagship institutes of the university have an established track record of more than a decade under MAEER, most of the new courses were added over the last three-four years and have a limited track record. Consequently, the university's reliance on three flagship institutes remained high, with these institutes accounting for 66% of revenues in FY2023. The rating also considers the inherent risks associated with the highly regulated education sector. Any adverse Government regulations may impact revenue growth and surplus. Further, its ability 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, will remain essential. The university remains exposed to the risk of irregular fees payments, which necessitate prudent cash flow management. Additionally, the society is undertaking a fresh debt-funded capex of around Rs. 150 crore during FY2025-2026, which exposes the university to the execution risk along with the risk of generating adequate benefits on these investments.

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, along with regular upwards fee revision. Further, the outlook underlines ICRA's expectations that the university's capex and working capital requirements would be funded in a manner that is able to durably sustain its debt protection metrics commensurate with the existing rating, while maintaining an adequate liquidity.

Key rating drivers and their description

Credit strengths

Strong sponsor (MAEER); established track record of operations with healthy occupancy – The sponsor, MAEER, is a well-known education trust with an established presence since 1983, through over 80 institutions across diverse fields. The brand strength of MAEER extends benefits to MIT ADT as well. Further, MAEER has provided a corporate guarantee to all the existing debt facilities of MIT ADT. ICRA notes that there has been no need of any financial support by MIT ADT from its sponsor considering its comfortable financial position in the recent past. However, in case of any urgent need or cash flow mismatch in future, ICRA expects that MAEER would provide adequate and timely support to MIT ADT. The occupancy levels of MIT ADT's key institutes remain healthy in the range of 95-100%. Further, the trust has been witnessing increasing enrolments in its recently established institutes like College of Management and School of Bio Engineering, School of Food Technology, among others. The total student strength increased to 13,876 in AY¹2023-2024 from 12,362 in AY2022-2023.

Flexibilities derived from the status of being a non-affiliated and a self-financed university – Being a non-affiliated and self-financed university, MIT ADT can decide its own course structure, examination pattern and fee structure, resulting in high operational and financial flexibilities. Further, the university is authorised to collect full fees from its reserved category students, and it need not rely on recovery of receivables from any Government body that might get delayed. Thus, the associated liquidity risk remains minimal for the university.

Comfortable financial risk profile, growing scale and healthy operating metrics – MIT ADT's capital structure remained robust as on March 31, 2023 with a gearing of 0.5 times and total outside liabilities to tangible net worth of 0.7 times. The coverage indicators remain healthy with total debt to operating profit of 1.5 times and interest cover of 6.4 times in FY2024. Going forward, with steady growth in enrolments, the financial risk profile is expected to remain comfortable with total debt to operating surplus below 1.5 times in FY2025.

With growth in student strength, the revenue receipts of the university have been continuously increasing during the last five financial years. In FY2024 (as per provisional estimates), the operating income grew by 20% to Rs. 327.2 crore, led by rise in student strength. Going forward, the revenues are expected to grow further by 12-14% over the medium term, supported by an increase in the student base due to the start of new courses as well as growing popularity of the existing courses. Moreover, the university is steadily increasing the fees of its key courses by around 5-7% on a yearly basis, which positively impacts the scale of operations.

Credit challenges

Course concentration risk with three institutes contributing bulk of revenue and profits – MIT ADT has 18 institutes under its affiliation, but it derived around 68% of its total revenue from its top three institutes, viz., MITIOD, Maharashtra Academy of Navel Engineering & Training (MANET) and MITSOE in FY2024. MITIOD and MANET were transferred from MAEER during their inception in FY2017 and have established track records of more than a decade. From AY2022-2023, MITSOE has been divided into two schools namely, School of Engineering & Sciences and School of Computing, which drove about 22% and 6% of the university's revenues, respectively, in FY2024. The contribution from School of Management has also been rising with ~11% of revenues in FY2024. The revenue from other institutes remains minimal at present, as most courses were started over

¹ AY: Academic Year

the last three-four years. Nonetheless, going forward, with the increase in enrolments and stabilisation of these courses, the revenue contribution is expected to grow in the medium term.

Intense competition from other reputed public and private institutes and highly regulated sector – MIT ADT faces intense competition from other reputed public and private universities in India and the same puts pressure on attracting and retaining talented students and faculty. The new admissions in MANET continue to decline in the current year, owing to increased competition from the existing institutes and the launch of new marine engineering institutes throughout the country. Thus, the ability of the university to attract high quality students, while maintaining the quality of its teaching staff, will remain key monitorable. Further, 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 and any adverse Government regulations may impact the revenues as well as operational growth.

Exposed to cash flow mismatch risks due to seasonal fee schedule; execution risks associated with the planned capex – The university remains exposed to the risk of irregular fees payments, which necessitate prudent cash flow management. The university collects its fees during start of each semester in July-August and December-January, while debt repayments and other operational expenses are monthly. Nonetheless, unutilised overdraft limits of Rs. 35 crore as on July 31, 2024, and cash and bank and liquid investments of Rs. 35 crore as on March 31, 2024, provide comfort to an extent. Over the years, the society has maintained prudent financial management has maintained adequate liquidity cushion to take care of any exigencies.

Going forward, the society is undertaking a fresh debt-funded capex of around Rs. 150 crore during FY2025-2026, which exposes the university to the execution risk, along with the risk of generating adequate benefits on these investments. Notwithstanding additional debt for the ongoing capex, the leverage metrics are expected to remain comfortable with TOL/TNW likely to remain below 1.0 times.

Liquidity position: Adequate

MIT ADT's liquidity is adequate, with healthy cash and bank and liquid investments of Rs. 35 crore as on March 31, 2024, and utilised bank limits of Rs. 35 crore as on July 31, 2024. Aided by a steady increase in profits, the cash flow from the operations of the university is expected to improve to ~Rs. 70-75 crore in FY2025-2027. It has debt repayment of Rs. 20-25 crore. MIT ADT has capex plans of ~Rs. 75 crore per annum for the next 2-2.5 years for setting up of a new academic block, which is likely to be funded by a mix of debt and internal accruals. Overall, ICRA expects MIT ADT to be able to comfortably meet its near-term commitments through internal accruals.

Rating sensitivities

Positive factors – The rating may be upgraded, if the university is able to significantly improve its revenues, along with material diversification in revenues, while maintaining its comfortable credit profile, on a sustained basis. An improvement in the credit profile of its sponsor, MAEER, will also be a positive rating factor.

Negative factors – Pressure on the rating could arise if there is any significant decline in student enrolments in its key institutes, or if the financial profile of MIT ADT weakens due to unanticipated large debt-funded capex or a stretch in working capital cycle leading to a deterioration in its liquidity. ICRA could also downgrade MIT ADT's rating, if there is any weakening of linkages with MAEER or a deterioration in the sponsor's credit profile.

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 MIT ADT. The rating is based on implicit support from MAEER, reflected in its infrastructure support as well as corporate guarantee for bank loans.
Consolidation/Standalone	The rating is based on standalone financial statements of the rated entity

About the company

MIT ADT, incorporated in June 2016, was established under the MIT Art, Design and Technology University Act, 2015. However, the campus became operational from 2004 and offered courses under MAEER, which is its sponsoring body. MIT ADT is Maharashtra's fifth private state university. At present, it offers various courses across arts, design and engineering to over 13,800 students at its Rajbaug campus, Loni Kalbhor, Pune. The university is self-financed and empowered to award degrees under Section 22 of the University Grants Commission Act, 1956.

Key financial indicators (audited)

	FY2023	FY2024*
Operating income	272.3	327.2
PAT	39.0	45.4
OPBDIT/OI	22.4%	23.1%
PAT/OI	14.3%	13.9%
Total outside liabilities/Tangible net worth (times)	1.1	0.7
Total debt/OPBDIT (times)	2.6	1.5
Interest coverage (times)	6.6	6.4

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

Current (FY2025)				Chronology of rating history for the past 3 years					
FY2025				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Sep 24, 2024	Date	Rating	Date	Rating	Date	Rating
Term loan	Long Term	98.3	[ICRA]A (Stable)	10-Aug-2023	[ICRA]A- (Positive)	23-Jun-2022	[ICRA]A- (Stable)	-	-
Bank overdraft	Long Term	35.0	[ICRA]A (Stable)	10-Aug-2023	[ICRA]A- (Positive)	23-Jun-2022	[ICRA]A- (Stable)	-	-
Unallocated	Long Term	120.0	[ICRA]A (Stable)	10-Aug-2023	[ICRA]A- (Positive)	23-Jun-2022	[ICRA]A- (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loan	Simple
Bank overdraft	Simple
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 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	Fund-based – Term loan	May 2022	8.20%-9.50%	Sep-2031	98.3	[ICRA]A (Stable)
NA	Fund-based – Bank overdraft	NA	NA	-	35.0	[ICRA]A (Stable)
NA	Long-term – Unallocated amount	NA	NA	-	120.0	[ICRA]A (Stable)

Source: MITADT

[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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Branches



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