

April 04, 2017

Mody Education Foundation (formerly Known as Mody Institute of Education and Research)

Instrument*	Rated Amount (in crore)	Rating Action
Long-term Fund-based – TL	30.0	[ICRA]BBB+(Stable); Reaffirmed
Total	30.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long-term rating of [ICRA] BBB+ (pronounced ICRA triple B plus) [†] on the Rs. 30.0-crore long-term facilities of Mody Education Foundation (formerly Known as Mody Institute of Education and Research) (MEF). The outlook on the long-term rating is ‘Stable’.

Rationale

ICRA’s ratings factor in the long standing experience of the MEF’s promoters and the established position of its school as a leading residential girl’s school with good infrastructure having domestic and international affiliations in place. The ratings continue to take into account the stable year on year increase in the school’s occupancy as well as its adequate faculty strength to student ratio. The rating positively consider the society’s healthy margins (operating surplus margin of 49.6% and net surplus margin of 52.1% in FY2016), comfortable capital structure and satisfactory debt protection metrics with DSCR of 9.5 times and NCA/TD of 136.8% in FY2016. However, the ratings are constrained by the moderate operating scale of the society, limited flexibility on fee fixation and competition faced by the group’s colleges. MEF derives a large part of its revenues from boarding income from Mody University of Science & Technology, thus rendering it dependent on enrolment and fees of the University’s colleges.

Going forward, the society’s ability to maintain its operating metrics and debt coverage while improving its return indicators and scale would be the key rating sensitivities. ICRA will also continue to monitor the society’s capital expenditure plans and its impact on its financial profile.

Key rating drivers

Credit strengths

- Long standing experience of the trustees in the education sector
- Strong affiliations in place for the school at domestic and international level
- Good quality of infrastructure provided by the school, established position as a girls residential school
- Healthy profitability. debt coverage metrics and liquidity position

[†] For complete rating definition please refer to ICRA Website www.icra.in or any of the ICRA Rating Publications

Credit weaknesses

- The society faces regulatory risk with the incorporation of a fee committee formed by the state government; AY2017 saw negligible growth in fee revision
- Moderate operating scale
- Competition faced by the colleges in Mody University, as MEF receives part of its revenues through lodging and boarding income

Detailed description of key rating drivers highlighted above:

Mody School has a current strength of 1049 students in AY2017 seeing a marginal growth from 1023 students in AY2016 with an occupancy of 95%. The healthy operating metrics signify the school established position as a residential girls school. The society had been revising its fees regularly over the period till FY2016 (premium fees being charged is in line with the good quality of infrastructure provided by school); however post the formation of a new state level committee, the fees for FY2017 remained stagnant as compared to more than 6% growth each year in FY2016 and FY2015. Nevertheless, the revenue receipts of the society saw a growth of around 17% primarily led by higher student strength. About 37% of the receipts come from boarding and lodging income hence MEF remains exposed to competitive pressures on the performance of the group society. With income from one single school and hostel income from Mody University, MEF's scale remains small. The revenue from boarding and lodging income has also been stagnant with student strength showing a marginal CAGR of 2.3% in Mody University over past two years. The operating surplus margin on the other hand improved as a result of lower general and administration cost towards the rented facilities and hostel as well as downward revision in employee structure and payout. The faculty profile remained adequate with satisfactory student to teacher ratio of 13:1 for AY2016. With very low dependence on debt, the capital structure of the society has been comfortable with strong debt coverage indicators. The society has been incurring significant capex year on year, though largely through its internal accruals.

As is prevalent in the education sector, the society runs on a negative working cycle as the fees is received at the beginning of every half year while the repayments are done quarterly. Also the society maintains sufficient cash deposits (Rs. 15.5 crore as on Mar 31, 2016) which support its liquidity position.

Analytical approach: Standalone**Links to applicable criteria**

ICRA Rating Methodology: Higher Education

http://www.icra.in/Files/Articles/Rating%20Methodology_Higher%20Education_20151028.pdf

About the society:

Mody Education Foundation is a charitable society registered in 1986, under the Registrar of Societies, Delhi. Established by Dr. Rajendra Prasad Mody, the society runs an English medium school for girls from the third to twelfth standard "Mody School" at Lakshmangarh in Sikar, Rajasthan. The school is affiliated to the Central Board of Secondary Education (CBSE) along with an accreditation from the National Accreditation Board for Education and Training. The school is also affiliated to the International Baccalaureate of Geneva, Switzerland (IBO) for IB Diploma Programme for Classes XI and XII, which is in addition to the CBSE curriculum. The total area of 265 acres is shared by two societies operating a school and six colleges. The total gross block of Rs. 236.8 cr. as on March 31, 2016 is part of MEF's balance sheet and it receives a boarding and lodging income from the hostels in Mody University of Science & Technology. The promoters are part of 'The Hindusthan Group'.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years:

Table: Rating History

S.No	Name of Instrument	Current Rating (Year)			Chronology of Rating History for the past 3 years		
		Type (long term/ Short term)	Rated amount (Rs. crore)	Month-year & Rating	Month- year & Rating in 2016	Month- year & Rating in 2015	Month- year & Rating in 2015
				April 2017	June 2016	April 2015	NA
1	Term Loan	LT	30.00	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	NA

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instrument

Name of the instrument	Date of issuance ^	Coupon rate ^	Maturity Date ^	Size of the issue	Rating assigned, along with Rating Outlook
Term Loan	May 2014	NA	June 2024	30.00	[ICRA]BBB+ (Stable)

Source: Company

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