

Gramaudyogik Shikshan Mandal

April 05, 2019

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Limits	-	49.66	[ICRA]BBB+ (Stable); reaffirmed
Unallocated limited	49.66	-	
Issuer rating	-	-	[ICRA]BBB+ (Stable); Put on notice of withdrawal

*Instrument details are provided in Annexure-1

Rationale

The reaffirmation of the rating continues to take into account the extensive track record of Gramaudyogik Shikshan Mandal ('GSM' or 'the trust') and its eminent governing council members in the field of education. The technical recognitions achieved by some of its institutes accredited by agencies of the Government of India (GoI), adds to its repute and marketability. The rating also factors in GSM's comfortable capital structure and liquidity position, which is backed by a strong net worth base, coupled with a sizable liquid cash balance.

The ratings, however, continue to remain constrained by the fluctuating profitability and weak return indicators of the trust during the period under study. ICRA notes the sizeable debt-funded capital expenditure (capex) that has been undertaken by the trust and its vulnerability to time and cost overruns, given the early stage of the capex. The rating also takes into account the moderate placement of the track record of key institutes and the stiff competition in the higher education segment, which has led to moderate fresh enrolments during the last three years.

Outlook: Stable

The trust is expected to demonstrate a moderate operating performance over the medium to long-term, given its good recognition, particularly in the engineering and diploma education space in Maharashtra. The rating may be revised upwards if the trust could achieve the optimum operating metrics through improvement in fresh enrolments and improve its placement scenario, coupled with timely execution of its ongoing expansion plans and stabilisation of its new projects, as per expected operational parameters, which will strengthen its operational and financial profile. Conversely, decline in fresh enrolments and placements or any delays in project execution or any adverse regulatory changes, which would affect revenue growth and accruals, and weaken the liquidity profile of the trust, will have a negative impact on the rating.

Key rating drivers

Credit strengths

Vast experience and reputation of the management in the education sector - GSM was established in 1975 to encourage educational activities in Maharashtra, particularly in Aurangabad and its nearby areas. Over the last four decades, GSM has established 19 institutes in different fields of education and five industrial training and learning centres. Dr. Yadnavir Anandrao Kawade (President), an M.E. and a Ph.D., is a founding member of GSM, and has spent more than 50 years in the education and training sector. Furthermore, Prof. Munish Rattanlal Sharma (General Secretary) and several other well-educated trustees, with a vast experience of two to four decades in education, are the key management personnel of the trust.

Diverse presence across the education spectrum through established schools and colleges offering varied under-graduate and post-graduate courses – At present, GSM has around 12,000 students enrolled across 24 institutes, ranging from primary schools to post-graduate courses as well as targeted vocational training programmes. GSM, through its premier institutes, referred to as the MIT Group of institutes, offers a wide range of under-graduate and post-graduate courses through its premier institutes. The graduate programmes include courses for engineering, architecture, food processing technology, agricultural science, health science and nursing. The post-graduate programmes include courses for engineering, food processing technology and architecture. The MIT Group also offers several job-specific technical programmes through diploma and industrial skill development courses.

Well recognised technical institutes that have achieved the recognition of GoI agencies - Several technical institutes within GSM have achieved recognition from Government agencies, resulting in healthy visibility within the student community. The Bureau of Energy Efficiency (BEE) set up by the GoI has awarded the Energy Service Company status (ESCO status) to The Marathwada Institute of Technology, Aurangabad. The MIT Robotic Centre of Excellence (RCOE) has been recognised as an anchoring institute under the Unant Maharashtra Abhiyan (UMA) of the State Government of Maharashtra (GoM) and has also achieved the status of Scientific and Industrial Research Organisation (SIRO) from the GoI. Furthermore, the MIT Centre for Analytical & Research Studies (CARS), with the support and registration from the Department of Agriculture, Government of Maharashtra, houses a variety of analytical instruments to issue soil health certificate to farmers all over Maharashtra. This laboratory was approved by the Natural Mission for Sustainable Agriculture, GoI, as well as by the Life Science Sector Skills Council of the GoI. Moreover, the Group has received approval from the Ministry of Micro, Small and Medium Enterprises (MSME) as an incubation centre for encouraging students towards innovation and entrepreneurship. In addition, the trust has also established Centres of Excellence (COEs) under the Group of institutes, providing research and development (R&D) platforms for its students, which facilitates research, experimentation and training. The COEs are specialised in areas of computer-aided engineering (CAE), metallurgy and material engineering, process instrumentation, automation and mechatronics, and biofuels. Along with several other achievements of the MIT institutes, this provides a strong base for the future growth of the technical institutes of the trust.

Comfortable capital structure and liquidity position – The strong net worth level of the trust has led to a comfortable capital structure as represented by a low gearing level of 0.09 time as on March 31, 2018. Though the trust has undertaken a debt-funded capex with a project gearing of ~2.00 times, the capital structure is expected to remain comfortable in the near-to-medium-term due to its strong net worth base. Furthermore, the high unencumbered cash and cash equivalents of Rs. 12.35 crore during FY2018 provides comfort to the liquidity position, with minimal utilisation of overdraft bank facilities.

Credit challenges

Fluctuating profitability and weak return indicators – The profitability of the trust remained moderate and fluctuating during the period under study. Profitability as represented by OPM improved marginally from ~16.17% in FY2017 to ~19.51% in FY2018 due to decline in operational and administrative expenses. However, the return indicators remain weak and declined marginally, as depicted by decline in ROCE and RONW of 7.62% and 7.86%, respectively, during FY2017, and to 6.27% and 6.44%, respectively, in FY2018.

Vulnerability to time and cost overruns, given the early stage of capex - The trust has an ongoing capex plan of Rs. 74.50 crore, which would be funded through a term loan of Rs. 49.66 crore and own funds of Rs. 24.84 crore. The scope of the capex plan includes an incubation centre, additional facility at its MIT hospital, women's hostel and other additional classroom facilities to accommodate the fresh intake of students in various courses, which are to be set up in the next few years. The capex was expected to be completed by March 2019, however, the project has been delayed and the revised estimated completion date is December 2020. The trust has incurred a cost of Rs. 25.38 crore (34% of total estimated cost) till September 2019. Since considerable capex is yet to be incurred, the project remains exposed to risks of time and cost overruns.

Moderate placement track record among Group's key engineering institutes – The Marathwada Institute of Technology, (Aurangabad) and the Maharashtra Institute of Technology (Aurangabad), which offer several under-graduate and post-graduate courses in engineering along with architecture, MCA and MBA courses, are the key institutes

of the Group. The institutes achieved a moderate placement of ~4% and ~24% students during the last two years. Weak placement scenarios weaken the growth prospects and the future development plans of the trust.

Intense competition from several well-established institutes – The institutes operating under the trust are exposed to stiff competition from several institutes that operate in Maharashtra, particularly in Mumbai and Pune. The total authorised intake capacity across courses among the MIT Group stands at ~3,000 students. Against the same, fresh enrolments remained moderate and declined to ~58% in FY2018 from ~75% in FY2016, due to stiff competition and weakening demand for engineering courses.

Liquidity position

The trust had an outstanding loan term debt of ~Rs. 0.74 crore as on March 31, 2018, which is expected to be repaid in FY2019. Moreover, for the ongoing capex, the company is expected to avail a term loan of ~Rs. 49.66 crore in a phased manner by FY2021. The same is expected to be repaid via annual installments of ~Rs. 7.64 crore for FY2020 and FY2021. Due to moderate profitability, and considerable unused overdraft limit, the liquidity profile of the trust is expected to remain comfortable.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Rating methodology for Higher Education Sector Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	Standalone financial

About the company

Gramaudyogik Shikshan Mandal was established in 1975 to encourage education in Maharashtra, particularly in Aurangabad. GSM is the parent trust of the MIT Group of Institutes (MIT) offering a wide range of programmes. GSM is present in Maharashtra, Delhi and Uttar Pradesh. At present, around 12,000 students are enrolled across the different campuses of the trust.

The Maharashtra Institute of Technology – Aurangabad, the Marathawada Institute of Technology – Aurangabad, the Marathawada Institute of Technology (Polytechnic) – Aurangabad, the Marathawada Institute of Technology (Polytechnic) – Rotegeon, the Marathawada Institute of Technology – CIDCO, Aurangabad, the MIT College of Nursing – Aurangabad, and the MIT College of Food Technology – Aurangabad, are the key institutes of the Group. Further, the trust also houses the MIT Hospital at Aurangabad.

The trust recorded a net profit of Rs. 12.60 crore on an operating income of Rs. 97.21 crore for the year ending on March 31, 2018. This was against a net profit of Rs. 12.58 crore on an operating income of Rs. 99.11 crore for the year ended March 31, 2017.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	99.11	97.21
PAT (Rs. crore)	12.58	12.60
OPBDIT/ OI (%)	16.17%	19.51%
RoCE (%)	7.62%	6.44%
Total Debt/ TNW (times)	0.07	0.09
Total Debt/ OPBDIT (times)	0.71	1.02
Interest Coverage (times)	21.31	30.10
NWC/ OI (%)	5%	21%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

Instrument	Current Rating (FY2020)				Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating	Date & Rating in FY2019	Date & Rating in FY2018		Date & Rating in FY2017
				April 2019	-	January 2018	November 2017	-
1 Term loan	Long term	49.66	7.00	[ICRA]BBB+ (Stable)	-	-	-	-
2 Unallocated limits	Long term	-	-		-	[ICRA]BBB+ (Stable)	-	-
3 Issuer rating	Long term	-	-	[ICRA]BBB+ (Stable); Put on notice of withdrawal	-	-	[ICRA]BBB+ (Stable)	-

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: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	June 2018	-	Sept 2026	49.66	[ICRA]BBB+ (Stable)
NA	Issuer rating	-	-	-	-	[ICRA]BBB+ (Stable) Put on notice of withdrawal

Source: Gramaudyogik Shikshan Mandal

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