

## Maratha Vidya Prasarak Samaj, Nashik

April 05, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	19.42 (Reduced from 25.10)	CARE A+; Stable (Single A Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	1.00	CARE A1 (A One)	Reaffirmed
<b>Total Bank Facilities</b>	<b>20.42</b> <b>(Rs. Twenty Crore and Forty-Two Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings to the bank facilities of Maratha Vidya Prasarak Samaj, Nashik (MVPS) takes into account the long track record of operations of over a century, established brand name of the trust, large number of institutions offering diverse courses, strong financial risk profile marked by low gearing and comfortable debt protection metrics. However, the ratings are constrained by relatively low surplus margins on account of non-profit making objective of the trust, geographic concentration in the areas of Nashik, significant dependence on government of Maharashtra for grants for staff salaries of aided schools and colleges. The rating further takes into account the competition from other established engineering and management institutes in Maharashtra region and stringent regulatory framework for the education sector in India.

### Rating Sensitivities

*Positive Factors - Factors that could lead to positive rating action/upgrade:*

- Improvement in the trust's operational profile leading to sustained growth in TOI and improvement in profitability margins with SBIDT margin improving by 300 bps.

*Negative Factors- Factors that could lead to negative rating action/downgrade:*

- Deterioration in debt servicing parameters and profitability margins due to any un-envisaged debt leading to overall gearing deterioration beyond 0.50x
- Delay in receipt of grants by the State Government bodies.

### Detailed description of the key rating drivers

#### Key Rating Strengths

#### **Long track record of over a century and established operations**

The trust has been operating various schools and institutes since 1914. It has been operating for past 100 years and has established several educational institutes in many segments of education systems including that of engineering, medical, architecture, law, agriculture, management, polytechnic, etc. The trust currently manages around 485 institutes with a student base of more than two lakhs. The courses offered by the trust are affiliated to University of Pune, All India Council of Technical Education (AICTE), Maharashtra State Board of Secondary and Higher Education, Central Board of Secondary Education (CBSE) and Indian Certificate of Secondary Education. The medical college is affiliated to Maharashtra University of Health Sciences (MUHS).

#### **Large number of institutes offering a diverse range of courses**

The total number of institutes under the trust has increased to 485 in FY20 from 484 in FY19. The institutes continue to offer diverse range of courses in the sectors of Management, Engineering, Medical, Arts, Commerce, Agriculture, Science, Pharmacy, Polytechnic, nursing, etc. It offers various other diploma courses and graduate and undergraduate courses.

<sup>2</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

The medical college offers both graduate and post graduate courses. It offers post graduate courses under more than 14 subjects including General surgery, Medicine, Gynecology, Ophthalmology, Orthopedics, Pediatrics, Pathology, Radiology, ENT, Dermatology, Psychiatry and Anesthesiology. It also operates a hospital - Dr. Vasantrao Pawar Medical college Hospital & Research center (Nasik) with a capacity of 1000 beds. MVPS continues to manage both aided and non-aided institutions. MVPS primarily manages aided schools and colleges whose salaries and expenditures are fully paid by the government and there is no fees income received from the students.

***Strong financial risk profile marked by low gearing and comfortable debt protection metrics***

Total debt primarily includes machinery, vehicle loans and term loans for construction which stood at about Rs.15.45 crore and working capital loan of Rs.1.67 crore as against a tangible net-worth base of Rs.714.07 crore as on March 31, 2020 (Rs.649.04 crore as on March 31, 2019). The capital structure of MVPS remained strong, marked by overall gearing of 0.02x as on March 31, 2020 against 0.01x as on March 31, 2019. Furthermore, due to decline in surplus margin and increase in finance charges the debt coverage indicators of the trust deteriorated but remained comfortable during FY20 as indicated by SBILD interest coverage and total debt to cash flow from operations at 35.50x and 0.31x as against 77.30x and 0.09x during FY19 respectively. Also, the TDGCA deteriorated to 0.36x in FY20 from 0.09x in FY19.

**Key Rating Weaknesses**

***Improved scale of operation albeit low surplus margins on account of non-profit making objective of the trust***

The total operating income of the trust registered a growth of 20.27% Y-o-Y to Rs.626.71 crore during FY20 from Rs.521.09 crores during FY19 mainly on account of upward revision of fee, marginal increment in student enrolled in certain disciplines and increase in grants from state government. SBILD margin of the trust moderated and remained low at around 7.85% during FY20 from 8.20% during FY19 on account of implementation of seventh pay leading to increase in employee cost. However, the surplus margin remained stable at around 3.51% during FY20 due to relatively lower depreciation charged during the year.

***Significant dependence on government grants, mitigated to some extent on account of timely receipt of salary grants which accounts for an average of 62.06% of the total income***

MVPS receives various grants from Government of Maharashtra related to its operations (for aided schools and colleges) and therefore timely receipt of the same is very significant for its operations. The majority of the grant is in terms of salary grant which is received on a monthly basis by MVPS. The timely receipts of grants from the government remain key rating monitorable.

***Presence in and around the areas of Nasik district leading to geographic concentration***

MVPS operates large number of primary and secondary schools and various graduate, post-graduate and vocational colleges which are spread across the areas of Nasik district. It has been offering education services for over a century and has been concentrating towards the backward and rural areas of the Nasik district. Majority of the professional colleges of MVPS are based out of Nasik. Though large in the number of institutes and schools however, limited geographic presence hinders the growth of the student strength to some extent.

***Competition from the larger and more established educational institutes***

MVPS is in education sector, which is highly fragmented in nature with the presence of various educational institutes. This leads to high competition for institutes of MVPS. Furthermore, the Central Government is also encouraging private sector participation in the education sector which will further intensify the level of competition for MVPS. Increasing competition may lead to decline in student enrolment which will directly impact the revenue visibility for the society. However, considering the brand image of MVPS and long track record, the risk is mitigated to a large extent. The enrollment ratio of the professional courses of MVPS remains on an average around 95-100% on account of its brand and established presence.

***Impact of COVID-19***

The nationwide lockdown post outbreak of pandemic COVID-19 affected the operations of the trust during 9MFY21. The normal classes remained shut which were replaced by online classes. The hostels were shut, and the transportation facilities were at halt. The hostels of medical college only remained on. The trust did resume to physical classes in February 2021, however, due to the surge in the new cases of COVID patients in the state and state government's restrictive guidelines over the same the classes were again called off in March 2021. The total income of the trust during FY21 is expected to remain lower than in a course of normal year due to COVID-19 led lockdown which led to decrease in transportation fee and hostel fee. However, the trust did not avail the facility of moratorium under RBI COVID-19

regulatory package and serviced its debt obligations on time due to strong liquidity position and low repayment obligation.

**Liquidity: Strong**

Strong liquidity characterized by sufficient cushion in cash flow from operations of Rs.54.35 crore during FY20 and unencumbered cash and bank balance of Rs.186.78 crore (includes free fixed deposits of Rs.99.64 crore) as on March 31, 2020 and around Rs.144 crore (includes Rs.68.00 crore of free FDRs) as on March 20, 2021 vis-à-vis repayment obligations of Rs.3.66 crore in FY21. The trust's capex requirements are modular and are proposed to be funded using debt of around Rs.15.00 crore (in FY22), for which it has sufficient headroom, and partly by capital receipts and internal accruals. The society undertakes regular expansion and capex towards the existing colleges and schools which is met through capital receipts (received from students for non-aided institutes and state government for aided institutes in the form of various earmarked funds) internal accruals and bank borrowings. Its bank limits are utilized to the extent of Rs.7.88% on an average in past 12 months ended February 28, 2021.

**Industry Outlook:**

The sector was estimated at ~USD 101 bn in FY19, with a growth of 10% over the previous year. With the Government allowing 100% FDI (automatic route) in the Indian education sector, it witnessed FDI equity inflows of USD 3.2 bn between April 2000 and March 2020. Also, the Government's rising emphasis on improving education levels in the country has led to increased expenditures on the sector and in Union budget. Furthermore, the New Education Policy (NEP) 2020 shall bring major structural reforms in school and higher education systems of the country.

However, the industry saw closure of school's universities, training centres and other educational institutions across India since mid-March 2020 as a preventive measure to curb the spread of the COVID-19 pandemic which created a paradigm shift in the education system and affected most student population and the physical classes were replaced by online classes. The long-term outlook for the sector is favourable on expectation of increasing population, increase in per capita income, rising enrolment ratios, variety of courses being offered, growth in vocational courses, government support in terms of Fee Reimbursement Scheme, flexibility in curriculum, innovation fund for secondary education, etc.

Also, the Healthcare sector in India has become one of the largest sectors - both in terms of revenue and employment. The industry is estimated to return to normal levels by end of Q1FY22 backed by expected improvement in occupancy rates, footfalls and ongoing vaccination program. However, MVPS faces regulatory risk associated with the regulations governing the education sector such as cap on fees, courses and certification changes etc. and also regulations governing the healthcare sector.

**Analytical approach:** Standalone

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[Short Term Instruments](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology- Education Sector](#)

**About the Company**

Maratha Vidya Prasarak Samaj, Nashik (MVPS) is one of the leading and reputed educational trust operating around 485 educational institutes and one printing press in the state of Maharashtra with student strength of around 2,13,182 as on March 31, 2020 (as compared to 2,12,59843 students as on March 31, 2019). The trust was established in 1914 and is registered under the Bombay Public Trust Act, 1950 and Societies Registration Act. MVPS manages around 485 institutes comprising of 402 schools and 54 professional institutions including B.Ed colleges, medical colleges, colleges of polytechnic, architecture, nursing, etc. It also operates a medical college and hospital at Nasik named Dr. Vasantrao Pawar Medical College Hospital and Research Center established in 1990. The main objective of the society is to provide quality education in several streams. It manages various pre-primary, primary, secondary, higher secondary schools located in and around Nashik district.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	521.09	626.71
SBILDT	42.71	49.17
PAT	16.70	22.00
Overall gearing (times)	0.01	0.02
Interest coverage (times)	77.30	35.50

A: Audited

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	0.42	CARE A+; Stable
Fund-based - LT-Cash Credit	-	-	-	5.00	CARE A+; Stable
Fund-based - LT-Bank Overdraft	-	-	-	4.00	CARE A+; Stable
Fund-based - LT-Term Loan	-	-	-	10.00	CARE A+; Stable
Non-fund-based - ST-BG/LC	-	-	-	1.00	CARE A1

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	0.42	CARE A+; Stable	-	1)CARE A+; Stable (27-Mar-20)	1)CARE A+; Stable (29-Mar-19)	1)CARE A+; Stable (06-Mar-18) 2)CARE A+; Stable (20-Apr-17)
2.	Fund-based - LT-Cash Credit	LT	5.00	CARE A+; Stable	-	1)CARE A+; Stable (27-Mar-20)	1)CARE A+; Stable (29-Mar-19)	1)CARE A+; Stable (06-Mar-18) 2)CARE A+; Stable (20-Apr-17)
3.	Fund-based - LT-Bank Overdraft	LT	4.00	CARE A+; Stable	-	1)CARE A+; Stable (27-Mar-20)	1)CARE A+; Stable (29-Mar-19)	1)CARE A+; Stable (06-Mar-18) 2)CARE A+; Stable (20-Apr-17)
4.	Fund-based - LT-Term Loan	LT	10.00	CARE A+; Stable	-	1)CARE A+; Stable (27-Mar-20)	1)CARE A+; Stable (29-Mar-19)	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
5.	Non-fund-based - ST-BG/LC	ST	1.00	CARE A1	-	1)CARE A1 (27-Mar-20)	1)CARE A1 (29-Mar-19)	-

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- NA**

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Bank Overdraft	Simple
2.	Fund-based - LT-Cash Credit	Simple
3.	Fund-based - LT-Term Loan	Simple
4.	Non-fund-based - ST-BG/LC	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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