

Rajshree Educational Trust

July 05, 2021

Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	65.05 (Reduced from 70.45)	CARE BBB; Stable (Triple B; Outlook: Stable)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)
Total Bank Facilities	65.05 (Rs. Sixty-Five Crore and Five Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Rajshree Educational Trust (RET) takes into account consistent improvement in operational performance supported by steady growth in student intake, enrolment of additional batch of MBBS and PG students in FY21 (refers to the period April 01 to March 31), healthy surplus margin and sustained improvement in liquidity. The rating also takes cognizance of prepayment of term debt by the trust during FY21 resulting in further improvement in overall gearing of the trust. The rating continues to derive comfort from extensive experience of the management, improvement in the financial risk profile, 100% occupancy in the MBBS Programme, and approval for MBBS course for the period of 5 years from Ministry of Health and Family Welfare in consultation with National Medical Council (NMC) received in June, 2019. These rating strengths are, however, partially offset high competition, decreasing revenue from the hospital segment, and regulatory challenges in the sector.

Rating Sensitivities

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

- Improvement in the overall enrolment above 70%.
- Any significant increase in the intake capacity with 100% enrolment in the MBBS Programme.
- Improvement in the total debt to gross cash accruals below 1.15x.

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

- Any significant decline in the enrolment in MBBS programme.
- Any significant deterioration in the liquidity profile.
- Significant increase in the total debt resulting in deterioration in the overall gearing above 1.10x.

Detailed description of the key rating drivers**Key Rating Strengths**

Improving operational performance: The trust has reported y-o-y growth of 12.64% in its total operating income in FY21 to Rs. 124.04 crore from Rs. 110.12 crore for FY20 (FY19: Rs. 99.33 crore) mainly attributable to intake of fresh batch of MBBS students and PG students. Subsequently, due to no major change in the operating cost, the SBID and Surplus margin of the trust improved to 49.99% and 27.91% respectively during FY21 (PY: 45.28% and 1509% respectively). However, the revenue from the hospital division has been in declining trend and reduced to Rs. 4.50 crore in FY21 (PY: Rs.8.88 crore) because the hospital under the trust was selected as Covid-19 center resulting in negligible revenue from IPD and OPD services. The total student strength of all the institutes combined was 3724 for AY21. The registration for MBBS programme for AY22 is expected to start after NEET exam results are announce. During AY21 the trust reported 100% enrolment in its MBBS Programme. In June 2019, the trust received the recognition for giving admission in its MBBS course for the period of 5 years from the Ministry of Health and Family Welfare in consultation with NMC. This recognition ensures revenue visibility for the trust in the medium term.

Improving financial risk profile: Owing to prepayment of term debt and accretion of surplus to the corpus fund, the overall gearing of the trust improved to 0.44x as on March 31, 2021 from 0.76x as on March 31, 2020. The trust prepaid Rs. 12.48 crore out of its total scheduled repayments of Rs. 20.25 crore for FY22 by March 31, 2021. Healthier SBID margin and decline in the total debt also resulted in improvement in the debt coverage parameters as evident from adequate total debt to SBID of 1.18x in FY21 (PY: 1.97x). Due to prepayment of debt and decrease in the interest rate by the bank, the interest cost of the trust also decreased to Rs. 7.26 crore in FY21 from Rs. 11.79 crore in FY20 resulting in improvement in interest coverage ratio of the trust to 8.54x for FY21 against 4.23x in FY20.

Extensive experience of management: Rajshree Educational Trust is managed by Mr. Rajendra Agarwal who is a post graduate from Bareilly College and has an experience of more than a decade as a government civil contractor. He is well supported by Dr. Rajesh Agarwal who is a doctor and has been practicing in Bareilly for the last 32 years. Mr. Rajesh is mainly responsible for

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

the technical support required for setting and running a hospital and medical facilities. The top management of the trust is also well supported by qualified and experienced professionals possessing extensive industry knowledge.

Key Rating Weaknesses

Regulatory challenges in the sector: The “education” being a subject in the concurrent list of India, is the responsibility of both the state and central governments. The standards and policies for higher and technical education in India are thus, laid down by the Ministry of Human resource development under Central government. The sector is further regulated by the federal agencies viz. University Grants Commission (UGC), All India Council for Technical Education (AICTE) and various other specialized bodies like National Medical Commission etc. The education industry thus faces regulatory challenges as the institutions are bound by the regulations pertaining to fee structure, number of seats and changes in curriculum laid down by the aforementioned authorities.

High competition: The trust also faces high competition from various smaller and larger educational institutions in the wake of student requirements for quality education along with progressive infrastructure facilities and course curriculum. The competition in the area is intensified by the presence of other established universities such as Amity International University, Sharda University and Galgotias University. The prospects of RET would thus depend on its ability to attract higher enrolments and provide quality education through experience faculty amidst high competition.

Industry Prospect:

In such unprecedented times, managing the finances and working capital requirement will be crucial for educational institutions. Availability of additional liquidity either in the form of unencumbered liquid investments, financial support from resourceful promoters or unutilised bank limits would provide some cushion. 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.

There was no major impact of outbreak of Covid-19 on the enrolment in the medical college as the enrolment remained 100% in the MBBS programme in AY21. The classes for all the student are currently conducted through online mode except for MBBS final year students. There was impact of Covid-19 on the hospital segment as the hospital maintained by the trust was converted into Covid-19 centre resulting in lower revenue from the IPD/OPD services.

Liquidity: Strong

The liquidity position of the trust derives comfort from significant amount of free cash and cash equivalent, adequate cash accruals and unutilized working capital limits. As on June 25, 2021 the trust had free cash and cash equivalent of ~Rs. 25 crore. The collection of fees from the existing students is expected to continue till August, 2021 and the liquidity position of the trust might strengthen from the inflow of funds as fees from the students in next two months. The trust has already prepaid its entire term debt due till September 30, 2021 and partial payment towards its installment due in March, 2021 is also made. RET's capex requirements are routine and expected to be funded using internal accruals and available free cash balance. The trust is planning to increase the capacity of the hospital to 1,100 beds which may further impact the surplus margin of the trust. The total scheduled repayment for FY22 was 20.25 crore, out of that the trust prepaid debt of Rs. 12.48 crore by March 31, 2021. The trust has not availed moratorium from any of its lender under RBI's Covid-19 relief package.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning “Outlook” and “credit watch” to Credit Ratings](#)

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

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

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

[Rating Methodology- Education Sector](#)

About the Trust

Rajshree Educational Trust was formed in September, 2008 in Bareilly, Uttar Pradesh, and it operates under the banner of 'Rajshree Group of Institutions'. The trust administers 6 colleges under which different disciplines are running such as Engineering, Management, Law and Medical etc. In all, the trust is offering 11 different courses with total student strength of 3724 students for AY21. Initially, the trust started with technical courses under Rajshree Institute of Management & Technology. Furthermore, the trust is engaged in the operation of 650 bedded hospital located within the campus of the university.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (Prov./UA)
Total operating income	110.12	124.04
SBID	49.87	62.00
Surplus (SAT)	16.62	34.62
Overall gearing (times)	0.76	0.44
Interest coverage (times)	4.23	8.54

A: Audited; Prov.: Provisional; UA: Unaudited

Status of non-cooperation with previous CRA: NA

Any other information: Nil

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	-	-	March, 2025	60.05	CARE BBB; Stable
Fund-based - LT-Cash Credit	-	-	-	5.00	CARE BBB; Stable

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	60.05	CARE BBB; Stable	-	1)CARE BBB-; Stable (08-Jan-21)	1)CARE BBB-; Stable (21-Feb-20)	1)CARE BB+; Stable (25-Dec-18) 2)CARE BB; Stable (17-Jul-18)
2.	Fund-based - LT-Cash Credit	LT	5.00	CARE BBB; Stable	-	1)CARE BBB-; Stable (08-Jan-21)	1)CARE BBB-; Stable (21-Feb-20)	1)CARE BB+; Stable (25-Dec-18) 2)CARE BB; Stable (17-Jul-18)

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

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	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 for any clarifications.

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About CARE Ratings:

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