

Rajshree Educational Trust

July 06, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	44.08 (Reduced from 60.05)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Revised from CARE BBB; Stable (Triple B; Outlook: Stable)
Long Term Bank Facilities	0.00		Withdrawn
Total Facilities	44.08 (Rs. Forty-Four Crore and Eight Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Rajshree Educational Trust (RET) takes into account the consistent improvement in the operational performance supported by steady growth in student intake, enrolment of additional batch of PG students in FY22 (refers to the period from April 01 to March 31), healthy surplus margin along with sustained improvement in liquidity and capital structure driven by healthy gearing and interest coverage indicators. The rating also takes into cognizance of the prepayment of term debt done by the trust during FY22 and Q1FY23 (refers to period from April 1 to June 30) resulting in further improvement in overall gearing and lower interest for the year. The ratings also drive comfort from extensive experience of management and 100% occupancy in MBBS programme. The strengths are, however, partially offset by the declining revenue from hospital segment, high competition and regulatory challenges in the sector.

CARE has withdrawn the long-term fund-based CC facilities assigned to Rajshree Educational Trust with immediate effect, as the trust has repaid the term loan in full and there is no amount outstanding as on date.

Rating Sensitivities

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

- Improvement in TOI above Rs 200 crores along with sustained improvement in SBID margin above 45%.
- Improvement in overall enrolment above 70%.

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

- Any significant decline in enrolment in MBBS programme.
- Any significant deterioration in liquidity profile of the trust.
- Significant increase in total debt resulting in deterioration in overall gearing above 1.00x.

Detailed description of the key rating drivers

Key Rating Strengths

Improving operational performance

The trust reported y-o-y growth of ~12% in its total operating income in FY22 to Rs 126.00 crores from Rs 112.77 crores in FY21 (FY20: Rs 110.12 crore) mainly attributable to the intake of fresh batches of PG students and MBBS students as the trust has started various new courses under its PG batch. Further SBID and surplus margin have moderated in FY22 to 43.48% and 26.31% respectively (PY: 56.50% and 32.44% respectively) due to opening up of the colleges which led to increase in the employee cost and other overhead expenses like rent, electricity, advertisement, maintenance, print and stationery, etc. The hospital revenue was on a declining trend from FY19-FY21, however, revenue increased in FY22 to Rs 5.50 crore from Rs 3.80 crore in FY21. The total student strength of all the institutes combined was 3937 for AY22 (PY: 3724 students). During AY22 (refers to the period from June 01 to March 31) 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 (National Medical Council). This recognition ensures revenue visibility for the trust in the medium term

Improved financial risk profile

The financial risk profile of the trust has been improving consistently owing to the accretion of surplus to the corpus fund on account of the intake of fresh batches of PG students and MBBS students as the trust has started various new courses under its PG batch which helped the trust to prepay its term debt over the years, the overall gearing of the trust improved to 0.32x as on March 31, 2022 (PY: 0.39x). The trust has already done prepayment of Rs 17.37 crore for FY23 in June 2022. Healthy SBID margin and reduction in total debt has also resulted in improvement in debt coverage parameters as evident from adequate TDGCA of 1.22x as on March 31, 2022 (PY: 1.14x). Due to prepayment of debt during the first quarter of the fiscal and reduction in interest rates by bank, the interest cost of the trust has also decreased to Rs 4.65 crore in FY22 from Rs 7.39 crore in FY21 resulting in improvement in interest coverage ratio to 11.78x for FY22 as against 8.62x in FY21.

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 33 years. Mr. Rajesh is mainly responsible for 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.

Liquidity: Adequate

The liquidity position of the trust derives strength from significant amount of free cash and bank balance, adequate cash accruals and prepayment of its term liabilities during the year. As on March 31, 2022 the trust has free cash and bank balance of Rs 46.80 crore (PY: Rs 31.33 crore). The trust has also closed its CC limits which used to remain unutilized. The current ratio remains comfortable at 2.61x as on March 31, 2022. Being in the education sector the operating cycle remains negative. Owing to the prepayment of entire principal debt in Q1FY23, the interest obligation has reduced for the current year. The trust has sufficient cash accruals in order to fund any capex going forward.

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](#)

[Policy on withdrawal of ratings](#)

About the Company

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)	31-03-2021 (A)	31-03-2022 (Prov.)	Q1FY23 (Prov.)
Total operating income	111.73	126.00	NA
PBILDT	62.67	54.79	NA
PAT	36.58	33.16	NA
Overall gearing (times)	0.39	0.32	NA
Interest coverage (times)	8.48	11.78	NA

A: audited, Prov.: provisional, NA: not available

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	IS I N	Date of Issuance	Coup on Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March, 2025	44.08	CARE BBB+; Stable
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	44.08	CARE BBB+; Stable	-	1)CARE BBB; Stable (05-Jul-21)	1)CARE BBB-; Stable (08-Jan-21)	1)CARE BBB-; Stable (21-Feb-20)
2	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BBB; Stable (05-Jul-21)	1)CARE BBB-; Stable (08-Jan-21)	1)CARE BBB-; Stable (21-Feb-20)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

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

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

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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