

Maratha Vidya Prasarak Samaj, Nashik

April 07, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	16.92 (Reduced from 19.42)	CARE A+; Stable (Single A Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	1.00	CARE A1 (A One)	Reaffirmed
Total Bank Facilities	17.92 (Rs. Seventeen Core and Ninety-Two Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings to the bank facilities of Maratha Vidya Prasarak Samaj, Nashik (MVPS) takes into account the long track record of operations of the trust for over a century, established brand name, large number of institutions offering diverse courses, comfortable gearing levels and strong liquidity position. However, the ratings are constrained by moderate scale of operations and surplus with a decline in FY21 (refers to the period April 01 to March 31), 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 surplus margins

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 leading to stretched liquidity on sustained basis.

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 487 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 487 in FY21 from 485 in FY20. 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. 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. Vasanttrao Pawar Medical college Hospital & Research center (Nasik) with a capacity of 1000 beds. MVPS continues to manage both aided and nonaided 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.

Comfortable capital structure: Total debt primarily includes working capital borrowings, machinery, vehicle loans, loan backed by fixed deposit, and term loans which stood at about Rs.40.08 crore as against a tangible net-worth base of Rs.719.28 crore as on March 31, 2021 (Rs.714.07 crore as on March 31, 2020). The capital structure of MVPS though deteriorated continues to remain strong, marked by overall gearing of 0.06x as on March 31, 2021 against 0.02x as on March 31, 2020. Further, due to decline in surplus, the debt coverage indicators of the trust deteriorated in FY21. However, the same is supported by strong liquidity position of the trust.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key Rating Weaknesses

Moderate scale of operations and surplus with a decline in FY21

The total operating income (TOI) of the trust registered a de-growth of 5.31% Y-o-Y to Rs. 593.43 crore in FY21 as against Rs.626.71 crore during FY20 mainly on account of decline in hostel and transportation income owing to classes being operating on online mode. Further, there was some delay in receipt of fee grant from the state government. Resultantly, with decline in TOI coupled with increase in employee costs & capital charges (mainly interest cost), the trust registered operating loss of Rs. 1.15 crore and deficit of Rs.29.42 crore in FY21. During FY22 also the trust is expected to report low surplus due to online mode of education and irregular grants, however during FY23 with resumption of physical education the trust is expected to achieve pre covid turnover and surplus.

Significant dependence on government grants

MVPS receives various grants from Government of Maharashtra (about 68% of its TOI) related to its operations (for aided schools and colleges) and therefore timely receipt of the same is very significant for its operations. Most of the grant is in terms of salary grant which is received on a monthly basis by MVPS. Further, there was some delay in receipt of fee grant from the Government in FY21 & FY22, which was received subsequently during the year. The timely receipts of grants from the government remain key rating monitorable.

Presence in and around the areas of Nashik 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 Nashik district. It has been offering education services for over a century and has been concentrating towards the backward and rural areas of the Nashik district. Majority of the professional colleges of MVPS are based out of Nashik. 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 and highly regulated industry

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. Further, MVPS is operating in a highly regulated industry. Despite the increasing trend of privatisation of education sector in India, the sector continues to operate under stringent regulatory purview. The operating flexibility of the education sector is limited, as regulations govern almost all aspects of operations, including fee structure, number of seats, changes in curriculum and infrastructure requirements. These factors have significant impact on the revenue and profitability of the institutions.

Prospects

The long-term outlook for the sector is favourable on the expectation of increasing population, increase in per capita income, rising enrolment ratios, variety of courses being offered, growth in the vocational courses, government support in terms of Fee Reimbursement Scheme, flexibility in curriculum, and innovation fund for secondary education.

Liquidity: Strong

The liquidity is marked by sufficient cushion in accruals as against repayment obligation of Rs.2.90 crore in FY23 and liquid investments in the form of cash and bank balance and fixed deposits to the tune of Rs.142 crore as on March 28, 2022. The trust's cash flow from operating activities stood around Rs.2.07 crore during FY21. The trust's capex requirements are modular and are to be funded using debt of around Rs.25.00 crore, 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. The average utilisation of cash credit limit (Sanctioned amount of Rs. 25 crore) from January 01 2022 to March 25, 2022 was around 80%. Prior, to that cash credit limit utilisation was on a very lower side.

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Education](#)

About the Company

Maratha Vidya Prasarak Samaj, Nashik (MVPS) is one of the leading and reputed educational trust operating around 487 educational institutes and one printing press in the state of Maharashtra with student strength of more than 2 lakhs. The trust was established in 1914 and is registered under the Bombay Public Trust Act, 1950 and Societies Registration Act. MVPS

manages around 487 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)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	626.71	593.43	NA
PBILDT	49.17	-1.15	NA
PAT	22.00	-29.42	NA
Overall gearing (times)	0.02	0.06	NA
Interest coverage (times)	35.50	-0.55	NA

A: Audited; NA: Not Available

Status of non-cooperation with previous CRA: Nil

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	ISIN	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		-	-	-	7.50	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 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	0.42	CARE A+; Stable	1)CARE A+; Stable (05-Apr-21)	-	1)CARE A+; Stable (27-Mar-20)	1)CARE A+; Stable (29-Mar-19)
2	Fund-based - LT-Cash Credit	LT	5.00	CARE A+; Stable	1)CARE A+; Stable (05-Apr-21)	-	1)CARE A+; Stable (27-Mar-20)	1)CARE A+; Stable (29-Mar-19)
3	Fund-based - LT-Bank Overdraft	LT	4.00	CARE A+; Stable	1)CARE A+; Stable (05-Apr-21)	-	1)CARE A+; Stable (27-Mar-20)	1)CARE A+; Stable (29-Mar-19)
4	Fund-based - LT-Term Loan	LT	7.50	CARE A+; Stable	1)CARE A+; Stable (05-Apr-21)	-	1)CARE A+; Stable (27-Mar-20)	1)CARE A+; Stable (29-Mar-19)
5	Non-fund-based - ST-BG/LC	ST	1.00	CARE A1	1)CARE A1 (05-Apr-21)	-	1)CARE A1 (27-Mar-20)	1)CARE A1 (29-Mar-19)

* Long Term / Short Term

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-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

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 Ltd. 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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