Rajshree Educational Trust

January 08, 2021

Rating

Facilities	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	70.45 (Reduced from 90.84)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	**70.45 (Rs. Seventy Crore and Forty-Five Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Rajshree Educational Trust (RET) continues to derive comfort from experienced management, improving financial risk profile, stable operational performance led by 100% occupancy in MBBS course and strong liquidity position. The rating also takes into consideration approval from for MBBS course for the period of 5 years from the Ministry of Health and Family Welfare in consultation with National Medical Commission (NMC) (erstwhile Medical Council of India). These rating strengths are, however, partially offset by the small scale of operations albeit improvement with high competition 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%.
- Sustained improvement in liquidity and cash accruals leading to overall gearing below 0.50x.

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 and significant increase in the total debt resulting in deterioration in the overall gearing above 1.20x.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced 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 31 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.

Improving financial risk profile: The overall gearing of the trust improved marginally to 0.76x as on March 31, 2020 (March 31, 2019: 0.82x) mainly due to scheduled repayment of the term debt. The Total debt to GCA of the trust also improved marginally to 2.55x as on March 31, 2020 as against 2.95x as on March 31, 2019. The interest coverage ratio of the trust also improved to 4.23x for FY20 (refers to the period April 01 to March 31) (PY: 3.77x). During 9MFY21 (refers to the April 01 to December 31, 2020), the trust has prepaid its debt obligations that are due in Q4FY21 on the back of continuous improvement in the liquidity profile supported by increasing and healthy enrolment ratio.

Stable operational performance: The total operating income of the trust improved to Rs. 110.12 crore for FY20 (PY: Rs. 99.53 crore) despite decrease in the hospital receipts from Rs. 12.90 crore in FY19 to Rs 8.88 crore in FY20, mainly because of increase in the annual fees of the MBBS Programme. However, the SBID and surplus margins declined to 45.28% (PY: 51.98%) on account of the decline in the hospital fees realized by the trust during FY20. Subsequently, surplus margin of the trust declined to 15.09% in FY20 (PY: 25.08%) on account of increase in the depreciation cost. The total student strength of all the institutes combined is 3220 for AY21 as on December 27, 2020 (excluding interns) against 3306 students for AY20. The registeration for MBBS programme has completed with 100% enrolment. 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 National Medical Commission (NMC). This recognition ensures revenue generation from its MBBS course for the period of 5 years.

Key Rating Weaknesses

Small scale of operations albeit improvement: RET, established in 2008 commenced its operations from AY09-10 and since its inception it has expanded its operations and has branched out into various functional colleges. However, due to increase in the competition coupled with decline in the demand for the technical courses has led to slowdown in the enrolment for the B. Tech, MBA and other courses except MBBS. The trust has received full enrolment for its MBBS batch in last four academic years (AY18 to AY21) which has provided the requisite strength to the trust and improve its scale of operations; which albeit remains small.

High competition and 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. The university 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:

As a preventive measure to curb the further spread of the COVID-19 pandemic, schools universities, training centres and other educational institutions were closed across India since mid-March 2020. 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.

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 December 27, 2020, balance of free cash and cash equivalent stood adequate at Rs. 22.75 crore. Additionally, the trust has receivables of Rs. 17.56 crore from Director General of Medical Education (DGME), Uttar Pradesh, against the enrolment of students in the MBBS pogramme (AY21). The trust has already prepaid its entire term debt due till March 31, 2021 and partial payment of Rs. 5.66 crore towards its installment due in September, 2021. RET's capex requirements are routine and expected to be funded using internal accruals and available free cash balance. The trust has not availed moratorium from any of its lender under RBI's Covid-19 relief package.

Analytical approach: Standalone

Applicable Criteria

Rating Outlook and Credit Watch
CARE's Policy on Default Recognition
Rating Methodology- Education Sector
Financial ratios – Non-Financial Sector
Rating Methodology- Liquidity Analysis of Non-Financial Sector Entities

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 3306 students being enrolled for AY20. 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)	FY19 (A)	FY20 (A)
Total operating income	99.33	110.12
SBID	51.64	49.87
Surplus	24.91	16.62
Overall gearing (times)	0.82	0.76
Interest coverage (times)	3.77	4.23

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: NA

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	65.45	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 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	65.45	CARE BBB-; Stable	-	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 (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.*

Contact us

Media Contact
Mr. Mradul Mishra
+91-22-6754 3573
mradul.mishra@careratings.com

Analyst Contact
Mr. Sachin Mathur
+91-11- 45333206
sachin.mathur@careratings.com

Business Development Contact
Ms. Swati Agrawal
+91-11-45333200
swati.agrawal@careratings.com

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**