

## Rajshree Educational Trust

July 04, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	30.00	CARE BBB+; Stable	Assigned
Long Term Bank Facilities	42.01 (Reduced from 44.08)	CARE BBB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Rajshree Educational Trust (RET) derives strength from the experience of the trustees, comfortable surplus margins along with sustained improvement in liquidity and comfortable capital structure driven by healthy gearing and debt coverage indicators. The ratings also factor in the prepayment of the term debt instalment due in September 2023 made in FY23 (refers to period from April 1 to March 31). The ratings also take into cognizance 100% enrolment in MBBS programme and increase in the sanctioned intake for MBBS programme from 150 to 250 for the next assessment year.

The strengths are, however, partially offset by the declining revenue from hospital segment, high competition and regulatory challenges in the sector.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in enrolment ratio leading to TOI above Rs 200 crore with sustained improvement in SBILD T above 45%.
- Improvement in overall enrolment above 70%.

#### Negative factors

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

### Analytical approach: Standalone

#### Outlook: Stable

Outlook is stable on expectation of increasing population, increase in per capita income, increase in the sanctioned intake for MBBS programme and flexibility in curriculum.

### Detailed description of the key rating drivers:

#### Key strengths

##### Extensive experience of management

Rajshree Educational Trust is managed by Mr. Rajendra Agarwal who is a postgraduate 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 34 years. Dr. 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 operational performance

The trust reported y-o-y growth of ~16% in its total operating income in FY23 to Rs 126.00 crores from Rs 110.05 crores in FY22 (FY21: Rs 111.73 crore) mainly attributable to the intake of fresh batches of PG students and increase in the student strength. Further SBID and surplus margin have moderated in FY23 to 49.18% and 31.48% respectively (PY: 55.86% and 33.21% respectively) due to opening of the colleges post COVID which led to increase in the employee cost and other overhead expenses

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

like rent, electricity, advertisement, maintenance, print and stationery, etc. The hospital revenue was on a declining trend from FY19-FY22, however, revenue increased in FY23 to Rs 4.16 crore from Rs 2.56 crore in FY22. The total student strength of all the institutes combined was 4,129 for AY23 (PY: 3,937 students). During Academic Year 2023, 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. Furthermore, the trust has also received approval for increase in sanctioned intake for MBBS programme from 150 currently to 250 from AY24 onwards providing revenue visibility in medium term

### Comfortable 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 increase in the student strength which helped the trust to prepay its term debt over the years. The overall gearing of the trust improved to 0.07x as on March 31, 2023 (PY: 0.31x). The trust has already done prepayment of Rs 7.00 crore for instalment due in September 2023 in FY23. Healthy SBID margin and reduction in total debt has also resulted in improvement in debt coverage metrics as evident from adequate total debt to gross cash accruals (TD/GCA) of 0.30x as on March 31, 2023 (PY: 1.09x) and Interest coverage ratio of 17.86x in FY23 which has also improved from 12.82x during FY22

### Key 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 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 and colleges such as Shree Ram Murti Medical College, Rohilkhand medical College, Amity International University, Sharda University, Galgotias University, etc. 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 a significant amount of free cash and bank balance, improved cash accruals and prepayment of its term liabilities during the year. As on March 31, 2023, the company has free cash and bank balance of Rs 64.20 crore (PY: Rs 70.32 crore). The trust has been sanctioned OD limit of Rs. 10 crore and BG limit of Rs. 20 crores by HDFC bank. However, the company is yet to avail the OD facility. The current ratio remains comfortable at 2.23x as on March 31, 2023 (PY: 2.85x). Being in the education sector the working capital remains negative.

Since the sanctioned intake capacity for MBBS course has increased from 150 to 250, the trust will be required to have additional infrastructure for additional students' intake. The trust has sufficient internal accruals to fund the same.

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Education](#)

[Policy on Withdrawal of Ratings](#)

### About the trust and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Other Consumer Services	Education

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 9 colleges under which different disciplines are running such as Engineering, Management, Law and Medical etc. In all, the trust is offering 13 different courses with total student strength of 4129 students

for AY23. Initially, the trust started with technical courses under Rajshree Institute of Management & Technology. Furthermore, the trust is engaged in the operation of 1200 bedded hospital located within the campus of the university.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (Prov.)
Total operating income	111.73	110.05	126.02
PBILDT	62.67	61.47	61.97
PAT	36.58	36.55	39.67
Overall gearing (times)	0.39	0.31	0.07
Interest coverage (times)	8.48	12.82	17.86

A: Audited Prov.: Provisional; Note: 'the above results are latest financial results 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:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	10.00	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	December 2028	42.01	CARE BBB+; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	20.00	CARE BBB+; Stable

#### Annexure-2: Rating history for the 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 2023-2024	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
1	Fund-based - LT-Term Loan	LT	42.01	CARE BBB+; Stable	-	1)CARE BBB+; Stable (06-Jul-22)	1)CARE BBB; Stable (05-Jul-21)	1)CARE BBB-; Stable (08-Jan-21)
2	Fund-based - LT-Cash Credit	LT	-	-	-	1)Withdrawn (06-Jul-22)	1)CARE BBB; Stable (05-Jul-21)	1)CARE BBB-; Stable (08-Jan-21)
3	Fund-based - LT-Bank Overdraft	LT	10.00	CARE BBB+; Stable				

4	Non-fund-based - LT-Bank Guarantee	LT	20.00	CARE BBB+; Stable				
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\*Long term/Short term.

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

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT-Bank Guarantee	Simple

**Annexure-5: Lender details**

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

**Note on the complexity levels of the rated instruments:** 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.

## Contact us

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