

## Rajshree Educational Trust

August 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	47.00 (Reduced from 72.01)	CARE BBB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of the rating 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 take into cognizance 100% enrolment in MBBS programme and increase in the sanctioned intake for MBBS programme from 150 to 250. The strengths are, however, partially offset by modest scale of operations coupled with low enrolment for non-medical courses offered by the trust. The rating also remains constrained by high competition in non-medical courses, regulatory challenges in the education sector and constant requirement to incur capex to upgrade and expand its infrastructure

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

#### Positive factors

- Improvement in enrolment ratio leading to the total operating income above Rs. 200 crores with sustained improvement in SBILDT margin above 45%.
- Improvement in overall enrolment above 70%.

#### Negative factors

- Any significant decline in enrolment in MBBS program.
- 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 with 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:** RET 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.

<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

**Improving operational performance:** The trust has reported y-o-y growth in the total operating income (TOI) by ~13% during FY24 (refers to the period April 01 to March 31) mainly attributable to increase in the intake of MBBS seats from 150 to 250. The hospital receipts contribute to ~2% to the TOI of trust. During the academic year 2024, the trust reported 100% enrolment in its MBBS program. As a result, the trust had adequate liquidity marked by sufficient cushion of funds and lower reliance on external sources, which is reflected by minimal debt as on balance sheet dated March 31, 2024. Furthermore, SBID and surplus margin moderated in FY24 to 43.75% and 35.48% respectively (PY: 48.87% and 39.22%) due to the expenses incurred on hostel and building repairs. The employee cost also witnessed a hike during FY24. Going forward, the operational performance is expected to improve in near to medium term given the increased intake capacity of MBBS seats and new college and hospital being set up.

**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. The overall gearing of the trust remains comfortable at 0.08x as on March 31, 2024 (PY: 0.08x). Total Debt/ GCA (TDGCA) remains comfortable at 0.34x as on March 31, 2024 (PY: 0.26x). Interest coverage ratio has also improved from 20.28x during FY23 to 53.51x in FY24 mainly on account of reduced reliance of external funds, resulting in lower interest cost during FY24. The financial risk profile of the trust is expected to moderate during FY25 and FY26 owing to planned capex plans which will be funded through a mix of bank debt and internal accruals.

### 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, Pharmacy Council of India 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 aforesaid authorities.

**High competition:** The education sector is highly fragmented with the presence of large number of small and big players due to high growth opportunities and government’s thrust on education for all. Therefore, the players in this industry are exposed to competition induced pressures on student enrolments and overall student strength. RET faces high competition from the other educational institutes located in the vicinity. However, it has been able to sustain healthy enrolment ratio for the various courses the trust offers.

### Liquidity: Adequate

The liquidity position of the trust derives strength from a significant amount of free cash and bank balance of Rs. 24.44 crore. Apart from the trust has FDR investments amounting to Rs. 49.45 crore as on March 31, 2024 (PY: Rs. 48.12 crore). The trust has investments of Rs. 3.35 crores which include mutual funds of Rs. 1.35 crores and bonds of Rs. 2.00 crores as on March 31, 2024. Further, the company does not utilize the fund-based working capital limits. The current ratio remains comfortable at 3.76x as on March 31, 2024. Additionally, the trust has capex plans that will be financed through a mix of bank debt and internal accruals. The substantial cash and liquid investments with the trust will support the capex.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

### Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Education](#)

[Financial Ratios – Non financial Sector](#)

## About the company 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 12 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 5500 students for AY24. 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, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	110.05	150.74	169.74
PBILDT	61.47	73.67	74.27
PAT	36.55	59.11	60.22
Overall gearing (times)	0.31	0.08	0.08
Interest coverage (times)	12.82	20.28	53.51

A: Audited UA: Unaudited; 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	17.00	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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	17.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (04-Jul-23)	1)CARE BBB+; Stable (06-Jul-22)	1)CARE BBB; Stable (05-Jul-21)
2	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (06-Jul-22)	1)CARE BBB; Stable (05-Jul-21)
3	Fund-based - LT-Bank Overdraft	LT	10.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (04-Jul-23)	-	-
4	Non-fund-based - LT-Bank Guarantee	LT	20.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (04-Jul-23)	-	-

LT: Long 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](mailto:care@careedge.in) for any clarifications.

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### About us:

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