

Mother Theresa Educational Society

December 22, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	34.57 (Enhanced from 25.80)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	34.57 (₹ Thirty-Four Crore and Fifty-Seven Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The reaffirmation in rating assigned to the enhanced bank facilities of Mother Theresa Educational Society (MTES) continues to derive strength from experienced and resourceful promoter members, various courses offered by the medical college with satisfactory enrolment ratio, satisfactory infrastructure with modern equipment and services and long-standing association with lectures and doctors. The rating also takes note of MTES' stable scale of operations and stable margins in FY22, comfortable capital structure and debt coverage indicators. However, the rating continues to remain constrained by moderate operating cycle due to elongated collection period, high competition, and regulatory framework for educational sector in India.

Rating sensitivities

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

- Increase in scale of operations beyond Rs 125 crore coupled with SBILDT margin of above 20% on a sustained basis.
- Notable improvement in the collection days

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

- Further elongation in operating cycle thereby impacting the liquidity profile
- Overall gearing going above 1.25x as on a sustained basis.

Detailed description of the key rating drivers

Key rating strengths

Experienced promoter:

MTES is a part of Chaitanya group which was established by Mr. K V V Satyanarayana Raju in the year 1985 with Chaitanya public school at Kakinada in 1985. With gradual development and evolution of educational institutions, he is now the chairman of 14 institutions in the group. He is a double graduate in Arts and Education and has experience of more than three decades in education segment. He is ably supported by his wife Mrs. K. Badari Lakshmi (President), who plays an important role in all the developments in the society. The promoter members have also been providing financial support to the society to expand & upgrade the infrastructural requirement of the medical college and hospital. Further, MTES has a well-structured management team which takes care of the day to day operations.

Stable scale of operations and healthy surplus margins:

The total operating income of the society remains has declined by 7% from FY21 Rs 123.81 crore to Rs. 115 crores in FY22 on account of reduction in other income. It may be noted that the TOI was relatively high in FY21 because of other income such as admission fee and registration fees. However, in FY22, the society did not collect admission fees, registration fees and transportation fees which resulted in the decline of the TOI. Revenue from tuition fees and other streams has remained stable vis-a-vis previous year with marginal increase in income from hospital and sale of medicine. The revenue from the college contributed the most at Rs.72.87 crore (63% of TOI) followed by revenue from hospital at Rs.26.04 crore (23% of TOI). The society also earns revenue through sale of medicine and hostel. The society registered surplus of Rs.13.35 crore during FY21 against surplus of Rs.12.20 crore in FY20. The SBILDT margin and surplus margin of the society remained healthy and stable from 23.20% and 11.17% during FY21 to 23.14% and 11.96% during FY22 respectively.

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

Comfortable capital structure and debt coverage indicators:

The overall gearing of the society remained comfortable at 0.54x as on March 31, 2022 (0.58x as on March 31, 2021) with steady improvement in TNW backed by accretion of profits. The SBILDT interest coverage ratio remains comfortable at 5.37x during FY22 (5.87x during FY21). The debt coverage indicators such as total debt/GCA and total debt/SBILDT are comfortable but marginally slumped from 1.95x and 1.63x during FY21 to 2.23x and 1.90x during FY22 on account of increase in total debt although the company has comfortable cash accruals. The society has availed new term loan of Rs.15 crore during FY22 for funding the purchase of new medical equipment, however, the overall gearing is expected to remain satisfactory in FY23 considering the surplus generated by the society.

Various course offerings with satisfactory enrolment ratio in medical college:

MTES provides various courses like MBBS (Bachelor of Medicine and Bachelor of Surgery), BDS (Bachelor of Dental Surgery), BPT (Bachelor of Physiotherapy), GNM (General Nursing and Midwifery), B.Sc. Nursing, diploma courses and Post- Graduate (PG) courses (MD) in General Medicine, Physiology, Anatomy, General Surgery, Orthopaedics, Obstetrics & Gynaecology (O.B & G.Y), Radio-Diagnosis, anaesthesiology, Pharmacology, Pathology, etc., MDS and MPT. The medical courses are approved by the Medical Council of India (MCI) and are affiliated by NTR Health University, Andhra Pradesh. Admission procedure for the courses like MBBS seats are now filled through National Eligibility cum Entrance Test (NEET) through common counselling and the fees are decided by the Admission & Fee Regulatory Committee (AFRC) on basis of expenses of the institute. The society has added 184 new seats in PG courses and Diploma courses for AY21-22. The enrolment ratio of society has slumped due to delayed admission process for AY21-22 which was conducted between January to March 2022.

Status of statutory approvals and affiliates:

In the year 2005, MTES obtained final recognition for its flagship course i.e. Under graduate (MBBS) degree from Medical Council of India (MCI) and the Government of India in March, 2010, and consequently obtained permission from MCI & Govt. of India for starting Post Graduate (MD) degree courses in the year 2011. The courses are affiliated to NTR Health University, Andhra Pradesh

Satisfactory infrastructure with modern equipment and services:

MTES has increased its total intake capacity from 728 in FY21 to 912 in FY22 by increasing no. of seats in PG seats and Diploma seats. MTES has the necessary infrastructure and provides qualified and experienced faculty. Society also provides hostel facility to its students. The hospital is one of the largest (Non-Government) hospitals in East Godavari District, Amalapuram, Andhra Pradesh with 625 bed capacity. The super speciality hospital with bed capacity of 225 beds was established in the year 2014 and provides various healthcare services. In-order to improve the standard and provide well equipped facilities, the society is incurring funds for capex. The society has also availed new term loan of Rs.15.00 crore during FY22 for purchase of new medical and other equipment and replacement of old equipment.

Long association with experienced lecturers and doctors:

MTES has a long-standing association with highly qualified and experienced faculty. The medical college has 20 professors, 41 associate professors, 63 assistant professors. The hospital has a team of 104 doctors and consultants who are specialist in their designated fields.

Key rating weaknesses**Elongated operating Cycle:**

The operating cycle of the society elongated to 101 days during FY22 from 64 days during FY21 due to increase in the average collection period. In FY21-22 college received fees with a delay as several students requested for deferment due to COVID. Also, on the hospital front receivables from insurance companies and corporate client pay with a tad delay. Hence, the average collection period elongated from 98 days during FY21 to 139 days during FY22. The society has been managing its working capital requirement by availing the GECL loans (COVID lines) and utilizing the working capital limits. The average working capital utilization of the society remained high at 94% for the past 12 months ending September 2022. Nevertheless, majority of receivables from students and entire hospital debtors outstanding as on March 31, 2022 have been recovered as of Oct 2022.

Regulatory framework for educational sector in India:

The education 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 Medical Council of India, Bar 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.

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. MTES 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 society offers.

Industry outlook: stable

"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 Medical Council of India, Bar Council of India, etc. India, with world's second largest population of 1.3bn individual offers immense opportunity for growth of the country's education sector. The education sector in India was estimated to be worth US\$ 117 billion in FY20 and is expected to reach US\$ 225 billion by FY25. India had 38.5 million students enrolled in higher education in 2019-20, with 19.6 million male and 18.9 million female students. Number of colleges in India reached 42,343 in FY20. As of August 23, 2022, the number of universities in India stood at 1,057. In 2022-23, there are 8,902 total AICTE approved institutes in India. Out of these 8,902 institutes, there are 3,577 undergraduate, 4,786 postgraduate and 3,957 diploma institutes. The Indian edtech market size is expected to reach US\$ 30 billion by 2031, from US\$ 700-800 million in 2021.

Liquidity: Adequate

Liquidity is adequate marked by GCA of Rs. 22.72 against total debt obligations of Rs. 8 crores for FY23. The society has taken additional loan of Rs. 15 crore and Rs. 3.45 in FY22 to fund the additional capex for purchase of equipment and renovation of hospital buildings. The current ratio of the society remains comfortable at 1.51x in FY22. This apart, the society has taken working capital limits of Rs 22 crore which remains high utilization of 94% in the last 12 months ending September 2022 to meet additional requirements. The company has free cash balance as of Rs. 4.96 crore as on Nov, 01, 2022. Furthermore, the members of the society are resourceful and are infusing the funds whenever required during exigencies.

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](#)

[Rating Methodology- Education](#)

[Rating Methodology Hospitals](#)

About the Society

Mother Theresa Educational Society (MTES) was established in the year 2002 and belongs to Chaitanya group. The Chaitanya group was established in the year 1985 by Mr. KVV Satyanarayana Raju, who is the chairman of all the 14 institutions in the group and has more than three decades of experience in the education industry. MTES operates General hospital cum medical college Konaseema Institute of Medical Sciences (KIMS Medical College) and operates Super Specialty hospital through a separate block located at Amalapuram, Andhra Pradesh. The Medical College was started in the year 2005 and offers various undergraduate and post graduate courses in medicine and nursing. The hospital was started in the year 2014 with bed capacity of 850. MTES is ISO 9001:2015, ISO 18001:2004 and ISO 14001:2004 certified.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	123.81	115.00	57.3
PBILDT	28.73	26.61	26.43
PAT	13.84	13.77	8.72
Overall gearing (times)	0.59	0.54	0.52
Interest coverage (times)	5.87	5.38	5.33

A: Audited UA: Unaudited

Status of non-cooperation with previous CRA: CRISIL has placed the ratings of MTES under issuer not cooperating as per its PR dated August 19, 2022 due to lack of information

Any other information: Nil

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	22.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	31/03/2031	12.57	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 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	12.57	CARE BBB-; Stable	1)CARE BBB-; Stable (01-Dec-22)	1)CARE BBB-; Stable (29-Oct-21)	1)CARE BBB-; Stable (06-Oct-20)	1)CARE BBB-; Stable (11-Sep-19) 2)CARE BBB-; Stable (26-Jul-19)
2	Fund-based - LT-Bank Overdraft	LT	22.00	CARE BBB-; Stable	1)CARE BBB-; Stable (01-Dec-22)	1)CARE BBB-; Stable (29-Oct-21)	1)CARE BBB-; Stable (06-Oct-20)	1)CARE BBB-; Stable (11-Sep-19) 2)CARE BBB-; Stable (26-Jul-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Nil**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-Term Loan	Simple

Annexure-5: Bank lender details for this companyTo view the lender wise details of bank facilities please [click here](#)

Note on 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.

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About us:

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