

## Manav Rachna International Institute Of Research And Studies

March 23, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB-; Stable (Double B Minus; Outlook: Stable) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A4 (A Four) and Withdrawn
<b>Total Bank Facilities</b>	<b>0.00</b> <b>(Rs. Only)</b>		

Details of facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE has reviewed and reaffirmed the rating assigned to the bank facilities of **Manav Rachna International Institute Of Research And Studies (MRIRS)** to CARE BB-; Stable/CARE A4 (Double B Minus; Outlook: Stable; A Four) and has simultaneously withdrawn it, with immediate effect. The ratings factor in the constraint relating to company's modest scale of operations, Leveraged capital structure, High regulation in educational sector in India, Increasing competition and limited reach. The rating however draws comfort from Experience Trustees and track record of operations, Diversified courses offered, Deemed University status resulting in greater autonomy and positive Industry prospects of higher/professional education.

The rating withdrawal is at the request of Manav Rachna International Institute of Research And Studies and 'No Objection Mail' received from the bank that have extended the facilities rated by CARE.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### **Modest scale of operations**

The scale of operations of MRIRS continue to remain modest as marked by total operating income of Rs.107.03 crore and Rs.12.53 crore in FY20 as against Rs. 99.63 crore in FY19 (refers to the period April 1 to March 31; based on audited results). The modest scale limits, MRIRS's financial flexibility in times of stress and deprives it from scale benefits. The corpus fund stood at Rs.15.18 crore as on March 31, 2020 as compared to Rs.14.61 crore as on March 31, 2019.

##### **Leveraged capital structure**

The profitability margin of the trust stood moderate for the past three financial years that is FY18-FY20 as marked by SBID margin of 17.69% in FY20 as against 2.49% in FY19.

The overall gearing of the trust has deteriorated as marked by overall gearing of 6.08x as on March 31, 2020 as against 5.68x as on March 31, 2019 on account of increase in the external borrowings of the trust.

##### **High regulation in educational sector in India**

In addition to AICTE, the educational institutes are regulated by respective state governments with respect to the number of management seats, amount of the tuition fees charged for the government quota and management quota. The factors have a significant impact on the revenue and profitability of the institution. The state and central government have provided thrust to demand for engineering colleges by introducing policy changes like abolition of entrance exams for admission in professional course. The education industry remains highly regulated industry with constant intervention from the central state government and other regulatory bodies.

##### **Increasing competition and limited reach**

All the institutes of the MRIRS are in Faridabad, Haryana which limits the reach penetration level for the trust to tap opportunities. Furthermore, due to increasing focus on technical education in India, a number of colleges have been opened up in proximity. This exposes the revenue of MRIRS to competition from other colleges. However, despite the high competition, MRIRS has been able to increase its scale of operations by adding more streams and seats to its college and has been able to maintain healthy enrolments for most of its courses.

##### **Liquidity analysis: Stretched**

The client had availed the moratorium for interest servicing from March- August 31, 2020 as per RBI guidelines as a Covid-19 relief measure.

### **Key Rating Strength**

#### ***Experience Trustees and track record of operations***

MRIRS is currently being managed Mr Prashant Bhalla, Chairman/Chancellor of the university, having a total experience of around two decade in operating education institutions. He is well supported by Mr Amit Bhalla, Secretary of the university who has been associated with the Manav Rachna Group for around two decade.

#### ***Diversified courses offered***

MRIRS provides education in various UG and PG courses including B. Tech, M. Tech., BBA, MBA, B.Com, B.A., M. Com., M.A., Bachelor of Journalism & Mass Communication among others. The diverse course profile helps the university to cater to a wider student market.

#### ***Deemed University status resulting in greater autonomy***

MRIRS is a deemed university and therefore has independence in the selection of faculty members and number of students' intake in various courses. Furthermore, it also has independence in determination of fee for its various courses. Thus, the deemed university status provides higher autonomy and independence to MRIRS in managing its operations.

#### ***Industry prospects of higher/professional education***

MRIRS is primarily engaged in providing higher education, which comprises of graduation and post-graduation courses; and as per CARE research, the demand of these courses are growing at a phenomenal pace in India. The increase in government spending on education over the years has provided an impetus to the growth of Higher education in India.

**Analytical approach:** Standalone

#### **Applicable Criteria**

[Policy on Withdrawal of ratings](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Rating Methodology – Education Sector](#)

[Criteria for Short Term Instruments](#)

[CARE's default recognition policy](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

#### **About the trust**

Manav Rachna International Institute of Research and Studies (MRIRS) (Formerly known as Manav Rachna International University (MRIU)) is a deemed university under section 3 of University Grants Commission (UGC) Act, 1956 and forms an integral part of Manav Rachna Group. Ministry of HRD, GOI, conferred the 'Deemed to be University' status to MRIRS on October 21, 2008. Manav Rachna group has been established by Dr O. P. Bhalla who established the first private Engineering College in Faridabad in 1997, in the name of 'Career Institute of Technology & Management' (CITM). MRIRS admitted its first batch of students for the academic session 2008-09. It presently has over 431 faculty members on its rolls with an average experience of more than 6.5 years. The University also has two central auditoriums, two amphitheatre and 9 seminar halls, various sports facilities, two boys and one girl's hostel in campus and a well-equipped central library. MRIRS offers various graduation and post-graduation courses under different streams called 'Faculty'

<b>Brief Financials (Rs. crore)</b>	<b>FY18 (A)</b>	<b>FY19 (A)</b>	<b>FY20(A)</b>
Total Operating Income	94.24	99.63	107.03
SBILDT	15.00	12.89	18.93
Surplus	0.62	-2.37	2.66
Overall Gearing (times)	1.34	5.68	6.08
Interest coverage (times)	2.28	1.69	1.92

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**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
Term Loan-Long Term	-	-	-	0.00	Withdrawn
Fund-based - ST-Bank Overdraft	-	-	-	0.00	Withdrawn

**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.	Term Loan-Long Term	LT	-	-	1)CARE BB-; Stable (06-Apr-20)	1)CARE BB-; Stable (19-Sep-19)	1)CARE BB; Stable (19-Mar-19)	1)CARE BB; Stable (26-Mar-18)
2.	Fund-based - ST-Bank Overdraft	ST	-	-	1)CARE A4 (06-Apr-20)	1)CARE A4 (19-Sep-19)	1)CARE A4 (19-Mar-19)	1)CARE A4 (26-Mar-18)

**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 the Instrument	Complexity Level
1.	Fund-based - ST-Bank Overdraft	Simple
2.	Term Loan-Long Term	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### 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.

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