

## Educational Development Trust

February 05, 2019

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	13.37 (reduced from 15.28)	<b>CARE BBB-; Stable</b> <b>[Triple B Minus; Outlook: Stable]</b>	Reaffirmed
Long Term/ Short-term Bank Facilities	2.00	<b>CARE BBB-; Stable/CARE A3</b> <b>[Triple B Minus; Outlook: Stable / A Three]</b>	Reaffirmed
<b>Total Facilities</b>	<b>15.37</b> <b>(Rs. Fifteen crore and thirty seven lacs only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Educational Development Trust (EDT) continues to derive strength from the strong promoter group, experienced management team, diverse course offering through The Neotia University (TNU) along with modern campus infrastructure and collaboration with reputed organization and association of experienced faculties. The ratings are constrained by deterioration in financial risk profile in FY18 (refers to the period from April 01 to March 31), low enrolment rates and intense competition & regulated nature of the industry.

Continued support from the promoter group, improvement in enrolment rates under both EDT and TNU and any debt laden capex are the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Strong promoter group & experienced managerial team:** EDT has been under its current promoters, the Ambuja Neotia group, since 2008. Ambuja Neotia group, promoted by Mr Harshavardhan Neotia is an established player in the real estate, hospital and hospitality space in eastern India. Although education is relatively a new field for the present promoters, comfort is drawn from their rich business acumen. Furthermore, the other trustees of EDT and members of The Neotia University (TNU) are experienced professionals from diverse backgrounds.

The promoters after taking over the trust in July 2008 extended support in the form of unsecured loans of Rs.17 crore which was gradually been repaid as the trust generated surplus on its own. From FY16 to H1FY19, the promoters infused money in the trust/university in the form of donation of Rs.33.33 crore and Rs.18.52 crore as unsecured loans. Going forward, the support from the promoter group is likely to be there and is a key rating sensitivity.

**Diverse course offerings through TNU:** From FY18 onwards EDT, through Neotia Institute of Technology, Management and Science (NITMAS), offers only 2 courses (Electronics & Communication Engineering (ECE) and Computer Science Engineering (CSE)).

However, under TNU, there are total 20 courses in FY19, out of which various new courses have been launched and some of the courses were transferred from NITMAS. In FY18, NITMAS and TNU had enrolments for total 459 students against total capacity of 1010.

**Modern campus infrastructure:** NITMAS has modern infrastructure in place and latest tools & technologies. The campus features well-equipped classrooms, laboratories, computer centres, conference rooms, seminar hall, Wi-Fi internet facility, well stocked library, playground, healthcare centre and other resources. Over the years, the management has gradually expanded the infrastructure facilities at the campus by bringing in modern amenities and by upgrading/renovating the existing structures.

**Collaboration with reputed organizations & association of experienced faculties:** TNU is establishing relationships with several companies for industrial exposure to the students. This apart, TNU has academic collaboration with reputed universities & institutions across the world. The faculties have requisite experience in their area of discipline. The faculties are headed by a Head-of-the-Department (HOD) for each discipline who are alumni of reputed educational institutes and are well experienced in their respective fields of study. The institute has a stringent faculty selection criteria and a minimum of master's degree is required to be selected as a faculty.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**Key Rating Weaknesses**

**Deterioration in financial risk profile in FY18:** The operating income of the trust on a combined basis declined by about 8% y-o-y in FY18 mainly on account of fall in total no of students from 604 in FY17 to 559 in FY18. Accordingly the trust on a combined basis continued to report operating loss due to under absorption of fixed costs. The capital charge also could not be absorbed resulting in deficit in FY18 to the tune of Rs.12.05 crore. The interest servicing obligation and operating expenses in FY18 were met through contributions received from the promoters in the form of donation of Rs.13.43 crore. On standalone basis, EDT reported loss of Rs.8.43 crore on total operating income of Rs.4.61 crore in FY18.

In H1FY19, the trust on a combined basis reported deficit of Rs.3.41 crore on a total receipts of Rs.6.89 crore mainly on account of under absorption of fixed overheads. However the promoters infused unsecured loans of Rs.6.62 crore to meet to meet its debt repayment & interest servicing obligations of Rs.1.00 crore & Rs.1.56 crore respectively.

The overall gearing ratio on combined basis remained stable at 0.63x as on Mar.31, 2018 vis-à-vis 0.65x as on Mar.31, 2017. However the same has moderated to 0.89x as on Sep 30, 2018 due to increase in unsecured loans and depletion of reserves as a result of operating losses. On standalone level, EDT reported overall gearing of 0.35x as on March 31, 2018.

**Low enrolment rates albeit gradual improvement witnessed in TNU:** The average enrolment rate for EDT during last three years has remained around 44% of intake capacity. The enrolment rate for TNU was low at ~16% in FY18 since it was only in the third year of operation. TNU has taken number of steps; like designing the courses on industry need basis, in-house selection process in addition to the existing selection process through WBJEE, partnership with various industry players to impart internship and practical training to the students. Counsellors have been appointed which helps in garnering students through advertisement and TNU has also launched number of new courses in FY19. This has led to improved enrolment rate of 46.18% in FY19.

**Intense competition and regulated nature of the industry:** Despite the increasing trend of privatization of education sector in India, the sector continues to operate under stringent regulatory control of University Grants Commission (UGC). Accordingly, the players, at times, find it difficult to realize their plans or cope up with the framework resulting in failure of the institution. Furthermore, the fees for the engineering colleges like NITMAS are regulated by the state fee commission resulting in limited flexibility and scope for growth in revenues through increase in basic course fee structure. Hence regulatory challenges continue to pose a significant risk to educational institutions as they are highly susceptible to changes in regulatory framework.

**Liquidity:** The average utilization of the working capital limit is comfortable at 68% in the last 12 months ending December 2018. The trust on a combined basis reported free cash & bank balance of Rs.0.95 crore as on March 31, 2018. The current ratio of the trust stood low at 0.40x as on Mar 31, 2018.

**Analytical approach:** Combined

For arriving at the ratings, CARE has combined the financials of EDT and TNU as they are in same line of business having a common management team and also have financial linkages.

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Education Sector](#)

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

[Rating Methodology – Factoring Linkages in Ratings](#)

**About the Company**

EDT, registered with Registrar of Assurance and under Income Tax Act 1961, was established in 2000 by Mr. Shyamal Bhattacharya and his associates to offer courses across various engineering streams by opening Institute of Technology & Marine Engineering (ITME) in South 24 Parganas district, West Bengal in the year 2002. In July 2008, the trust was taken over by the Neotia family of the Ambuja Realty Group and the college was rechristened as Neotia Institute of Technology, Management and Science (NITMAS). The 32 acre institute is located in Diamond Harbour, near Kolkata. In 2015, NITMAS was offering 10 different courses comprising of B-Tech, Bachelor in Nautical Science & M-Tech degrees. The courses are approved by All India Council for Technical Education (AICTE) and are affiliated to Moulana Abdul Kalam Azad University of Technology (MAKAUT), formerly known as West Bengal University of Technology (WBUT) and its Marine courses are also approved by Director General of Shipping, Mumbai.

EDT received approval for private university status on February, 2015 and The Neotia University (TNU) was formed. As per the notification issued by Government of West Bengal, NITMAS transferred land (11.66 acres) and building (including electrical installations and capital work in progress) of Rs.11.64 crore to TNU in FY15.

The Ambuja realty group, promoted by the Neotia family of Kolkata is an established group in West Bengal having two decades of presence in the realty sector. EDT and TNU are endeavours of the group in the field of technological education.

Standalone Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	7.60	4.61
SBID	(4.34)	(4.00)
Surplus	5.75	(8.43)
Overall gearing (times)	0.66	0.35
Interest coverage (times)	NM	NM

A: Audited; NM: Not Meaningful

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

**Any other information:** Not Applicable

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

**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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**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 2023	11.37	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	2.00	CARE BBB-; Stable
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	2.00	CARE BBB-; Stable / CARE A3

**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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	11.37	CARE BBB-; Stable	-	1)CARE BBB-; Stable (05-Mar-18) 2)CARE BBB-; Stable (27-Apr-17)	1)CARE BBB- (15-Apr-16)	-
2.	Fund-based - LT-Cash Credit	LT	2.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (05-Mar-18) 2)CARE BBB-; Stable (27-Apr-17)	1)CARE BBB- (15-Apr-16)	-
3.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	2.00	CARE BBB-; Stable / CARE A3	-	1)CARE A3 (05-Mar-18) 2)CARE A3 (27-Apr-17)	1)CARE A3 (15-Apr-16)	-

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