

Educational Development Trust

March 18, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	15.25	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long/ Short-term Bank Facilities	0.30	CARE BBB-; Stable/ CARE A3 (Triple B Minus; Outlook: Stable/ A Three)	Reaffirmed
Total facilities	15.55 (Rupees. Fifteen Crore and Fifty Five Lakh Only)		

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 along with modern campus infrastructure and collaboration with reputed organization and association of experienced faculties. The ratings are constrained by intense competition & regulated nature of the industry, weak financial performance due to initial years of University and low, though improving, enrolment rates.

Rating Sensitivities

Positive factors

- Sustained improvement in enrolment rates leading to improvement in SBID margin
- Improvement in Gross Cash Accruals on a sustained basis

Negative factors

- Inability to infuse funds on timely manner by the promoter group

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. The group, promoted by Mr Harshavardhan Neotia, is an established player in the real estate, healthcare 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.

From FY17 to FY19, the promoters infused money in the trust/university in the form of donation/corpus fund of Rs.35 crore. Further, unsecured loan outstanding as on September 30, 2019 stood at Rs.9.5 crore (Rs.19.2 crore as on March 31, 2019). Timely fund support from the promoter group shall remain the key rating sensitivity.

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.

Diverse course offerings: EDT, through Neotia Institute of Technology, Management and Science (NITMAS), offers 2 courses (Electronics & Communication Engineering (ECE) and Computer Science Engineering (CSE)). TNU offers 27 courses, including various new courses and courses transferred from NITMAS. The courses are approved by All India Council for Technical Education (AICTE) and are affiliated to Moulana Abdul Kalam Azad University of

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Technology (MAKAUT), formerly known as West Bengal University of Technology (WBUT) and its Marine courses are also approved by Director General of Shipping, Mumbai.

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. There are about 281 teaching staff including laboratory and workshop staffs at NITMAS & TNU for imparting education & technical knowhow to students across different streams. 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.

Key Rating Weaknesses

Low but improving enrolment rates: The enrolment rate of TNU has improved from 5% in FY17 to 48% in FY19 with gradual popularity of the University which was set up in 2015. The enrolment rate of NITMAS remained moderate at 40% in FY19 with improvement to 52% in FY20.

Weak financial performance

The combined operating income of EDT and TNU increased by about 26% y-o-y in FY19 to Rs.11.21 crore mainly on account of increase in total no of students under TNU from 408 in FY18 to 668 in FY19. However, it reported operating loss due to under absorption of fixed costs and high employee costs. Liquidity is marked by cash loss of Rs.6.51 crore in FY19 as compared to repayment obligations of Rs.3.08 crore in FY19. The repayment was met by way of unsecured loan and donations from the promoters. The overall gearing ratio deteriorated to 0.93x as on March 31, 2019 vis-à-vis 0.63x as on March 31, 2018 due to increase in unsecured loan coupled with decline in tangible net worth.

In H1FY20, the EDT and TNU together reported deficit of Rs.2.67 crore on a total receipts of Rs.10.94 crore.

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.

Industry outlook

With close to one-third of India's population under the age of 15 years, the country creates a huge opportunity size for growth of this industry. The outlook of this sector remains bright in light of growing middle class population with rising income levels, increasing enrolment of students in colleges and universities, emphasis on girls' education, increasing private spend on education, increasing variety of courses offered by colleges and universities, etc. However, challenges relating to access to and participation in education, quality of education imparted, governance and management, and financial commitment to education development continue to persist.

Liquidity: Adequate

The trust (EDT and TNU collectively) has taken fresh term loan in FY20 which was utilised for repayment of unsecured loan and outstanding term loan. Further, the trust has unutilized line of credit (overdraft) amounting to Rs.2.00 crore and modest cash and bank balance of Rs.1.68 crore as on September 30, 2019. Also, as demonstrated in the past, the trust has received strong promoters support in the form of donations / unsecured loan /contribution to corpus fund by the promoters and timely receipt of support will be crucial.

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 operational linkages. Further, TNU being part of the Ambuja Neotia group enjoys financial flexibility & group support as demonstrated in the past.

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 – Consolidation and Factoring Linkages in Ratings](#)

About the Trust

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 2002. In July 2008, the trust was taken over by the Ambuja Neotia Group and the college was rechristened as NITMAS. The 32 acre institute is located in Diamond Harbour, near Kolkata. EDT received approval for private university status on February, 2015 and TNU was formed.

TNU was set up in 2015 and is promoted by Educational Development Trust. TNU was established vide the West Bengal State Government Act XXIII of 2014. The Neotia University has started offering the courses from the Academic session 2015-16 in various field of Technology, Maritime Studies and in other general areas of education.

Brief Financials (Rs. crore)- Standalone EDT	FY18 (A)	FY19 (A)
Total operating income	4.61	2.75
PBILDT	(4.00)	(3.81)
PAT (after deferred tax)	(8.43)	(5.82)
Overall gearing (times)	0.35	0.38
Interest coverage (times)	NM	NM

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: Not Applicable

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

Annexure-1: Details of 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	-	-	December 2030	14.75	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	0.50	CARE BBB-; Stable
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	0.30	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	14.75	CARE BBB-; Stable	-	1)CARE BBB-; Stable (05-Feb-19)	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	0.50	CARE BBB-; Stable	-	1)CARE BBB-; Stable (05-Feb-19)	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	0.30	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (05-Feb-19)	1)CARE A3 (05-Mar-18) 2)CARE A3 (27-Apr-17)	1)CARE A3 (15-Apr-16)

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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