

Educational Development Trust

December 23, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating1	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 Bank Facilities	15.55 (Rs. Fifteen crore and fifty five only)		

Details of instruments/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 (part of Ambuja Neotia 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 in FY20 (refers to the period April 01, 2019 to March 31, 2020), moderate leverage position and weak debt protection metrics due to initial years of University and low, though improving, enrolment rates.

Rating Sensitivities

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

- Improvement in enrolment rates leading to positive SBID margin of over 10% on a sustained basis.
- Improvement in gross cash accruals leading to TD/GCA of less than 4x

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

- 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 a relatively 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 FY20, 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, 2020 stood at Rs.6.90 crore (Rs.7.65 crore as on March 31, 2020). Timely fund support from the promoter group shall remain the key rating sensitivity.

Modern campus infrastructure

Neotia Institute of Technology, Management and Science (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. Even as the colleges were shut due to imposition of lockdown in wake of the pandemic, the trust has promptly arranged to provide classes on online platforms.

Diverse course offerings

EDT, through 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, in addition to PhD programmes. 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.

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

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 330 teaching staff including laboratory and workshop staffs at NITMAS & TNU for imparting education & technical knowhow to students across different streams. Hence it also maintains a healthy student-faculty ratio. 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 overall enrolment rate improved to 65% in FY21 from 48% in FY20 with gradual popularity of TNU which was set up in 2015. Demand from local students during the pandemic also gave impetus to the enrolment in FY21.

Weak financial performance albeit reducing loss in FY20 and H1FY21

The combined operating income of EDT and TNU grew by about 52% y-o-y in FY20 to Rs.18.88 crore despite decline in donation income on account of increase in total number of students from 832 in FY19 to 1364 in FY20. Higher revenue led to reduction in operating loss from Rs.4.11 crore in FY19 to Rs.1.53 crore in FY20 due to better absorption of fixed costs (mainly employee/staff costs). Consequently, net deficit reduced to Rs.7.03 crore in FY20 from Rs.8.66 crore in FY19. The trusts incurred cash loss of Rs.4.83 crore in FY20 with nil repayment obligations during the year.

On a standalone basis, operating income of EDT declined by 26% from Rs.3.38 crore in FY19 to Rs.2.49 crore in FY20 due to lower enrolments during the year. EDT reported a loss of Rs.7.11 crore in FY20 vis-à-vis a loss of Rs.5.82 crore in FY19.

In H1FY20, the trusts reported an operating surplus of Rs.1.18 crore on total receipts of Rs.9.79 crore vis-à-vis Rs.0.82 crore on total receipts of Rs.9.79 crore in H1FY20 on the back of reduced fixed expenditure post lockdown.

Moderate leverage position and weak debt protection metrics

The overall gearing ratio deteriorated to 1.45x as on Mar.31, 2020 vis-à-vis 0.93x as on Mar.31, 2019 due to increase in term loan coupled with decline in tangible net worth. The unsecured loans were infused for funding losses over the years. In FY20, the trusts availed fresh term loan to replace existing high cost unsecured loans and term loan.

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

As a preventive measure to curb the further spread of the COVID-19 pandemic, schools universities, training centres and other educational institutions were closed across India since mid-March 2020. In such unprecedented times, managing the finances and working capital requirement will be crucial for educational institutions. Availability of additional liquidity either in the form of unencumbered liquid investments, financial support from resourceful promoters or unutilised bank limits would provide some cushion.

The long-term outlook for the sector is favourable on expectation of increasing population, increase in per capita income, rising enrolment ratios, variety of courses being offered, growth in vocational courses, government support in terms of Fee Reimbursement Scheme, flexibility in curriculum, innovation fund for secondary education, etc.

Liquidity: Strong

Liquidity is marked by cash loss of Rs.4.83 crore in FY20 as compared to nil repayment obligations. The trust (EDT and TNU collectively) had taken fresh term loan of Rs.34.00 crore from IndusInd Bank in FY20/FY21 for the purpose of payment of unsecured loan and outstanding term loan. The trust also availed moratorium under the RBI COVID-19 package scheme for the months of March 2020 to August 2020 on its interest payments and availed working capital term loan under Emergency Credit Line Guarantee Scheme (ECLGS) of Rs.2.98 crore in October, 2020.

Furthermore, the trust has modest cash and bank balance of Rs.0.90 crore as on 31 March, 2020. Also, as demonstrated in the past, the trust has received strong promoters support in the form of donations, unsecured loan and 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 the same line of business with cash flow fungibility and have operational linkages in the form of infrastructure sharing including common staff. Furthermore, Tursts being part of the Ambuja Neotia group, we have considered the financial flexibility & group support as demonstrated in the past.

Applicable Criteria

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

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

[Rating Methodology: Notching by factoring linkages in Ratings](#)

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

[Criteria for Short Term Instruments](#)

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

[Rating Methodology-Education Sector](#)

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 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	FY20 (A)	FY19 (A)
Total operating income	2.49	3.38
PBILDIT	(3.99)	(3.19)
PAT (after deferred tax)	(7.11)	(5.82)
Overall gearing (times)	0.65	0.38
Interest coverage (times)	NM	NM

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 for this company: Annexure 4

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	-	-	March, 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 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.	Fund-based - LT-Term Loan	LT	14.75	CARE BBB-; Stable	-	1)CARE BBB-; Stable (18-Mar-20)	1)CARE BBB-; Stable (05-Feb-19)	1)CARE BBB-; Stable (05-Mar-18) 2)CARE BBB-; Stable (27-Apr-17)
2.	Fund-based - LT-Cash Credit	LT	0.50	CARE BBB-; Stable	-	1)CARE BBB-; Stable (18-Mar-20)	1)CARE BBB-; Stable (05-Feb-19)	1)CARE BBB-; Stable (05-Mar-18) 2)CARE BBB-; Stable (27-Apr-17)
3.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	0.30	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (18-Mar-20)	1)CARE BBB-; Stable / CARE A3 (05-Feb-19)	1)CARE A3 (05-Mar-18) 2)CARE A3 (27-Apr-17)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - LT/ ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to 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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