

Mahayana Theravada Vajrayana Buddhist Religious and Charitable Trust
March 23, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating1	Remarks
Long-term Bank Facilities	34.98 (28.27)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long-term/Short-term Bank Facilities	67.50	CARE BBB-; Stable / CARE A3 (Triple B Minus; Outlook: Stable/A Three)	Reaffirmed
Total facilities	102.48 (Rupees One Hundred Two Crore and Forty-Eight lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of MTV trust (SKKB) continue to derive strength from the experience of the trustees and long track record of operations of the institutions under the trust. The ratings also factor in steady operational performance, MTV's comfortable financial risk profile, well-established brand and infrastructure of the institutions under the trust. The ratings are, however, constrained by high competition, project risk and susceptibility of its operations to regulatory changes involved in the education sector in India. Going forward, ability of the trust to report healthy enrolment ratios and steady growth in student strength and efficient management of working capital requirements would be the key rating sensitivities.

Rating Sensitivities

Positive Factors

- Sustained improvement in scale of operations beyond Rs.350 crore
- Sustained improvement in SBID margin above 40%

Negative Factors

- Decline in scale of operations below Rs.200 crore
- Decline in SBID margin below 30%
- Debt funded capex leading to overall gearing above 1.25x

Detailed description of the key rating driversKey Rating Strengths

Experienced trustees and well qualified management team: The trust was established in 1995 by Dr Atul Krishna Bhatnagar (Founder Trustee) and his wife Dr Mukti Bhatnagar (Vice-President and Trustee). The other members of the trust are independent/ technical trustees involved in strategic planning and decision making process. All the trustees are professionally qualified with most of them having experience in medical and other related fields. In past the trustees have infused capital in form of donations, however with healthy cash accruals during FY19 the donation amount was negligible. (FY19:Rs. 0.07 Cr).

Long track record and well-established operations: The trust has a long track record of more than 20 years of operations. The trust offers wide variety of courses like MBBS, MD, courses in Arts & Social Sciences, Dental Sciences, Education, Engineering & Science, Journalism & Mass Communication, Law, Management & Commerce, Medicine and Paramedical Sciences, etc, through its 19 colleges offering more than 100 courses. The trust's university campus is spread over an area of 250 acres and has been accredited with A grade by NAAC. Furthermore, with acquisition of Dr. Jagat Narain Subharti charitable Trust which used to operate RAS Bihari Bose University, Dehradun and 7 other colleges the operations have enlarged even further.

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

Steady operational performance: MTV's total operating income increased by 17.17% to Rs.265.98 crore in FY19 from Rs.227.01 crore in FY18 due to increase in average fees during the academic session 2018-19 though the student strength decreased. The student strength has picked during academic session 2019-2020 to 8849 from 7864 in academic session 2018-2019 which will add to fee receipt of FY20. The increase is attributed to Bihar Credit Card Scheme (BSSC) was launched by Government of Bihar in the year 2016 to provide financial assistance to those students who are willing to pursue higher education. Also the operation of RAS BIHARI BOSE SUBHARTI UNIVERSITY, DEHRADUN & 7 other colleges will help in improvement of operational performance.

Comfortable financial risk profile

Total Income: MTV's total operating income increased by 17.17% to Rs.265.98 crore in FY19 from Rs.227.01 crore in FY18 due to increase in average fees during the academic session 2018-19 though the student strength decreased.

Profitability: During FY19, SBID margin increased by 343 bps to 36.36% in FY19 from 32.93% in FY18 due to increased revenue and better absorption of fixed cost. Similarly, surplus margin improved by 515 bps to 20.28% in FY19 from 15.13% in FY18 due to decrease in interest and depreciation expense.

Solvency and coverage indicators: Overall gearing though moderated to 0.97x as on March 31, 2019 (PY: 0.78x) continues to remain comfortable. Interest coverage ratio improved from 5.15x during FY18 to 6.76x during FY19 backed by higher SBID and similar interest expenses. TD/GCA also remained comfortable during FY19 at 3.03 times (PY: 2.43 times).

H1FY20: The society has reported total operating income of Rs.181.44 crore till September 30, 2019 as against Rs.140.55 crore till September 30, 2018. The reported surplus for the period ending September 30, 2019 is Rs.53crore with surplus margin of 29.26% (Rs 36.64 crore with surplus margin of 26.10%).

Key Rating Weakness

Project Risk: During FY19 MTV completed the acquisition of Dr. Jagat Narain Subharati Charitable Trust and is incurring capex for Medical College & Hospital in RAS Bihari Bose Subharti University, Dehradun which is expected to get completed by December 2021. The acquisition cost of the trust along with the construction cost of the medical college & hospital is approximately Rs. 385 crore which is being funded through secured loan of Rs. 45.55 crore, unsecured loan of Rs. 60 crore and rest through internal accruals. The trust is also constructing staff residential building in Meerut for which the construction was started in FY18 and is expected to complete by FY21. The total project cost is Rs. 140.45 crore which is being funded through term loan of Rs. 100 crore (already sanctioned by OBC) and internal accruals of Rs. 40.45 crore. The project risk is mitigated to a certain extent by healthy cash accruals and support from trustees in the form of unsecured loan.

High competition: MTV faces competition from other educational institutes located in and around Meerut. It derives demand for its professional courses from students in nearby villages and areas. Several educational institutes setting up their campuses in the vicinity, along with process of central counselling conducted by the UP government have led to increase in competition for MTV.

Regulatory risk: Despite the increasing trend of privatization of education sector in India, regulatory challenges continue to pose a significant threat to the educational institutes. Statutory bodies such as University Grants Commission (UGC) and All India Council for Technical Education (AICTE) along with professional councils such as Medical Council of India (MCI) are responsible for the regulation, coordination and development of higher education in India. The seats for professional courses and fees for various courses are fixed by the regulatory authorities and MTV has to follow the same fee structure, which puts limitation on the revenue growth.

Liquidity: Adequate

Adequate liquidity characterized by adequate cushion in accruals vis-à-vis repayment obligations, capex and moderate cash balance. The trust had free cash & bank balance of Rs. 47.46 crore as on September 30, 2019. Additionally, the trust had FDR of Rs. 107 crore out of which Rs.72.94 crore FD is pledged against OD. Thus unencumbered cash and bank along with FD stood at Rs. 81.12 crore as on September 30, 2019 and at Rs. 47.8 Crore as on 29th Feb 2020.

Analytical approach: Standalone

Applicable Criteria

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

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

[CARE's methodology for education institutions](#)

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

[Criteria for Short Term Instruments](#)

About the company

Established in 1995 by Dr. Atul Krishna Bhatnagar, MTV Buddhist Religious and Charitable Trust (MTV) is engaged in operating educational institutions and providing healthcare services. The trust was formerly known as Subharati KKB Charitable Trust (SKKB), however, in December 2017, the name of the trust was changed to MTV. In September 2008, MTV's educational institutions were granted university status in the name of Swami Vivekananda Subharati University (SVSU). SVSU has more than 100 courses offered in 19 educational institutions at its 250 acre campus situated at Subhartipuram near Meerut, Uttar Pradesh. MTV also operates Chhatrapati Shivaji Subharati Hospital (CSSH), a 1,000-bed super-specialty hospital cum a medical college in the main campus. After the acquisition of Dr. Jagat Narain Subharti charitable Trust in FY19, the RAS Bihari Bose University, Dehradun and 7 other colleges are also operated by MTV.

Brief Financials (Rs. crore)	FY18(A)	FY19 (A)
Total operating income	227.01	265.98
SBID	74.75	96.72
Surplus	34.35	53.95
Overall gearing (times)	0.78	0.97
Interest coverage (times)	5.15	6.76

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (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	-	-	June 2024	34.98	CARE BBB-; Stable
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	62.50	CARE BBB-; Stable / CARE A3
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	5.00	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 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.	Term Loan-Long Term	LT	34.98	CARE BBB-; Stable	-	1)CARE BBB-; Stable (08-Mar-19)	1)CARE BBB-; Stable (26-Mar-18)	1)CARE BBB-; Stable (10-Jan-17)
2.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	62.50	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3	1)CARE A3 (10-Jan-17)

						(08-Mar-19)	(26-Mar-18)	
3.	Non-fund-based - LT/ST-Bank Guarantees	LT/ST	5.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (08-Mar-19)	1)CARE BBB-; Stable / CARE A3 (26-Mar-18)	1)CARE BBB-; Stable / CARE A3 (10-Jan-17)

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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