

Rajshree Educational Trust

February 21, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	90.84	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)
Total Facilities	90.84 (Rs. Ninety Crore and eighty four lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Rajshree Educational Trust drives comfort from improved surplus margin during FY19 and approval for MBBS course for the period of 5 years from the Ministry of Health and Family Welfare in consultation with National Medical Commission (NMC).

The rating continues to derive comfort from experience of the management, moderate financial risk profile, improved operational performance led by 100% occupancy in MBBS course and comfortable liquidity position. However, the strengths are partially offset by the small scale of operations and decline in the hospital income with high competition and regulatory challenges in the sector. Going forward, the ability of the trust to continue having higher enrolments with no major debt funded capital expenditure would be the key rating sensitivities.

Rating Sensitivities

Positive rating sensitivities

- Increase in scale of operations of the trust marked by total operating income above Rs.150.00 crore on sustained basis.

Negative rating sensitivities

- Any large debt-funded capital expenditure leading to moderation of the capital structure
- Drop in SBID margin below 30% on a sustained basis

Detailed description of key rating drivers

Key Rating Strengths

Experienced management: The Rajshree Educational Trust is managed by the president, 'Mr Rajendra Agarwal' who is a post graduate from Bareilly College and has experience of more than a decade as a government civil contractor. He is well supported by Dr. Rajesh Agarwal who is a doctor and has been practicing in Bareilly for the last 30 years. He is majorly responsible for the technical support required for setting and running a hospital and medical facilities. The top management of the trust is also well supported by qualified and experienced faculty members possessing extensive knowledge of various industries.

Moderate financial risk profile: The total operating income of the trust remained stable at Rs. 99.33 cr (PY: Rs. 99.53 cr) in FY19 on the account of decrease in hospital revenue from Rs.30.17cr in FY18 to Rs.12.9cr in FY19. However, the SBID/Total Income and surplus margins has improved to 51.98% (PY: 44.28%) and 25.08% (PY: 14.70%) in FY19 respectively because the trust was able to manage their operational expenses. The overall gearing ratio improved at 0.82x (PY: 1.14x) as on March 31, 2019 and interest coverage remained comfortable at 3.77x (PY: 2.84x) during 2019. Debt repayments that are due in Q4FY20 have also been paid due to increase in liquidity as the fees are paid by the students of batch 2019-2020 latest by September 2019.

Improved operational performance: Over the last 3 years, there has been consistent improvement in the enrolment and total operating income lead by 100% enrolment in the MBBS course. The student strength which contributes the major portion of income of the trust has increased 6.45% in AY18-19 from 3071 to 3269 students. In June 2019, the trust has received the recognition for giving admission in its MBBS course for the period of 5 years from the Ministry of Health and Family Welfare in consultation with National Medical Commission (NMC). Earlier the trust was required to get the approval for admitting students yearly after thorough inspection process conducted by NMC. This recognition ensures revenue generation from its MBBS course for the period of 5 years.

Also the trust is planning to start 13 PG courses in AY20-21. It has already received approval for 10 courses from NMC.

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

Key Rating Weaknesses

Small scale of operations: RET, established in 2008 commenced its operations from AY09-10 and since its inception it has expanded its operations and has branched out into various functional colleges. However, due to increase in the competition coupled with decline in the demand for the technical courses has led to slowdown in the enrolment for the B. Tech, MBA and other courses except MBBS. The trust has received full enrolment for its MBBS batch in last three academic years (AY17-18 to AY19-20) which has provided the requisite strength to the trust and improve its scale of operations; which albeit remains small.

High competition and regulatory challenges in the sector: The “education” being a subject in the concurrent list of India, is the responsibility of both the state and central governments. The standards and policies for higher and technical education in India are thus, laid down by the Ministry of Human resource development under Central government. The sector is further regulated by the federal agencies viz. University Grants Commission (UGC), All India Council for Technical Education (AICTE) and various other specialized bodies like National Medical Commission etc. The education industry thus faces regulatory challenges as the institutions are bound by the regulations pertaining to fee structure, number of seats and changes in curriculum laid down by the aforementioned authorities. The university also faces high competition from various smaller and larger educational institutions in the wake of student requirements for quality education along with progressive infrastructure facilities and course curriculum. The competition in the area is intensified by the presence of other established universities such as Amity International University, Sharda University and Galgotias University. The prospects of RET would thus depend on its ability to provide quality education through experience faculty amidst high competition in terms of infrastructure.

Liquidity: Adequate

Current ratio of the trust has increased to 1.64x (PY: 1.33x) as on 31st March 2019. The majority of the fees from the students are paid in Q2 of academic year which has strengthened their liquidity position and has helped them in paying their debt (Paid Half-yearly) that was due in March 2020 in excess of Rs.4.78cr. The cash and bank balance as on March 31, 2019 of Rs.6.7cr and 12 months average cash credit limit utilization of 10.88% as on December 31, 2019. They also have Rs.6.24 cr as FDRs and Rs.3.87 cr as cash and bank balance as on January 24, 2020.

Analytical approach: Standalone

Applicable Criteria

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

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

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

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

About the Company

Rajshree Educational Trust was formed in September, 2008 in Bareilly, Uttar Pradesh, and it operates under the banner of 'Rajshree Group of Institutions'. The trust administers 6 colleges under which different disciplines are running such as Engineering, Management, Law and Medical etc. In all, the trust is offering 11 different courses with total student strength of 3091 students being enrolled for AY18-19 as compared to 2928 students in AY17-18. Initially, the trust started with technical courses under Rajshree Institute of Management & Technology. Furthermore, the trust is engaged in the operation of 650 bedded hospital located within the campus of the university.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	99.53	99.53
PBILDT	44.07	51.64
PAT	14.63	24.91
Overall gearing (times)	1.14	0.82
Interest coverage (times)	2.84	3.77

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
Fund-based - LT-Term Loan	-	-	2025	85.84	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	5.00	CARE BBB-; Stable

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	85.84	CARE BBB-; Stable	-	1) CARE BB+; Stable (25-Dec-18) 2) CARE BB; Stable (17-Jul-18)	-	-
2.	Fund-based - LT-Cash Credit	LT	5.00	CARE BBB-; Stable	-	1) CARE BB+; Stable (25-Dec-18) 2) CARE BB; Stable (17-Jul-18)	-	-

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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