



## Press Release

### Meenakshi Ammal Trust

Sept 25, 2020

#### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	55.00	IVR BBB+ /Stable Outlook (IVR Triple B Plus with Stable Outlook )	Assigned
3.	Proposed Bank Facilities – Long / Short Term	5.00	IVR BBB+ /Stable Outlook (IVR Triple B Plus with Stable Outlook )/ IVR A2 (IVR A Two)	Assigned
	<b>Total</b>	<b>60.00</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Meenakshi Ammal Trust (MAT) comfort from its experienced board of trustee having established track record of successfully running educational institutions for over three decade in imparting education with healthy profitability. The ratings also positively considers diversified revenue base of trust, average financial risk profile marked by comfortable capital structure and debt protection metrics. The rating also notes positive demand outlook for education in India marked by significant demand for higher education and satisfactory infrastructure with association of experienced faculties. However, these rating strengths are partially offset by limited geographical diversity in revenue profile and capital intensive nature of operations. The ratings also considers susceptibility to regulatory risks and intense competition.

#### Key Rating Sensitivities:

#### Upward Factor:

- ✓ Improvement in enrollment rates thereby adding to the growth in operations and profitability and consequent increase in liquidity on a sustained basis
- ✓ Reduction in debt level with improvement in the capital structure and debt protection metrics



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### **Downward factor:**

- ✓ Decline in the intake of students and/or negative change in government regulations leading to moderation in the operating income and/or dip in profitability impacting the liquidity
- ✓ Deterioration in debt protection metrics with interest coverage
- ✓ Increase in planned capex impacting the overall financial risk profile

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced Board of Trustee**

MAT was established in 1983 under the Chairmanship of A N Radhakrishna who has over five decades of experience in the education sector. He looks after the day to day affairs of the Trust along with his wife Mrs. Gomathi Radhakrishn who also have considerable experience in the sector. The major decisions regarding the courses and the infrastructure are taken by the Trustees.

##### **Diversified Revenue Base:**

MAT has a diversified income profile supported by various courses offered at its institutes, providing hostel facilities to students and from hospital and clinical receipts. Diversified income reduces the concentration of business risk. MAT derives 86% of it's total income from fees receipts ,4% from hostel and mess collection,5% from hospital and clinical receipts and rest from misc income as on March 31,2020(Prov)

##### **Established track record of the trust of successfully running educational institutions for over three decade in imparting education**

MAT, operating since 1983 has more than three decade long experience in the education sector. At present, the Trust consists of twelve educational institute offering medicine, dentistry, engineering, polytechnic, commerce, management, teacher training and arts and science programs and seven schools with strength of around 14551 students across all colleges and school. Currently, engineering colleges are is approved by All India Council for Technical Education (AICTE), Medical, Nursing and dental college are affiliated to Meenakshi University. School are affiliated to state board and C.B.S.E.



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### **Satisfactory infrastructure with association of experienced faculties**

The institutes under MAT has the privilege of having a number of experienced faculty members, which is essential in building a strong brand name and attracting quality students. Further, all the institutes under MAT have modern infrastructure including modern lab, canteen facilities and latest tools & technologies.

### **Healthy profitability**

Being in service sector, the operating profit margin of the society remained healthy over the years. However, the EBITDA margin of MAT witnessed a moderation from 36.71% in FY19 to 34.66% in FY20(Prov) due to increase in staff salary and other maintenance cost albeit there was an increase in PAT Margin from 21.07% in FY19 to 22.29% in FY20(Prov). Infomerics expects the society to continue to register healthy PAT margins in the near to medium term

### **Average financial risk profile marked by comfortable capital structure and debt protection metrics**

The capital structure of the society remained strong as on the past three account closing dates mainly due healthy corpus fund. The leverage ratios though improved as on March 31, 2020(Prov) as compared to March 31, 2019 backed by scheduled repayment of term loans coupled with retention of surplus fund in the society leading to increase in corpus fund. Total indebtedness of the society also remained strong as reflected by TOL/ANW at 0.15x as on March 31, 2020. The debt protection parameters also remained healthy marked by interest coverage at 12.31x and Total debt to GCA at 0.58 years in FY20(Prov). MAT is incurring capex from FY20 onwards funded by internal cash accrual, thus the leverage ratios of the society are expected to remain moderate in the near term .

### **Positive demand outlook for education in India marked by significant demand for higher education**

The long-term demand outlook of the education industry remains favourable on the back of a significant demand-supply gap in the higher education space augurs well for the group. Further, demand for higher education is likely to improve in India on the back of rising awareness, increasing population and better affordability.

### **Key Rating Weaknesses**



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### **Limited geographical diversity in revenue profile:**

All the Institutes under MAT offer a variety of courses contributing to 86% of total income in FY20(Prov) and are primarily concentrated in Chennai and Kanchipuram

### **Susceptibility to regulatory risks and intense competition:**

The education and medical sector is highly regulated and compliance with specific operational and infrastructure norms set by regulatory bodies are important. Thus, regular investment in the workforce and infrastructure is needed to conduct the operations efficiently. Any regulatory changes that impact the flexibility of the society to fix fees for the management quota seats may adversely impact the revenue profile and cash accruals. MAT faces intense competition from reputed public, private educational institutes and from hospitals in the nearby states. This puts pressure on attracting / retaining talented students and faculty.

### **Capital intensive nature of operation:**

Education and Medical sector needs regular investment in the form of infrastructure and equipment's to upgrade its facilities and to conduct the operations efficiently. MAT has plans to build a new building in the school and add latest medical equipment's and has spend of Rs 25 crore approx. for financial year 2020 to be financed by internal accruals.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

Rating Methodology for Service Sector Entities

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity - Adequate**

Adequate liquidity marked by expected cash accruals in the range of ~Rs.91.00 to 101 crore as against repayment obligation in the range of ~Rs.2 crore during FY20-22. However average utilization of last 12 months ending March, 2020 remains fully utilized at ~100%. For day to day operation the individual institutions are having their SB/CAs and maintaining



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balances in these accounts. Further, current ratio of the society remains adequate at 2.03 times as on March, 2020(Prov). All these factors indicate an adequate degree of liquidity support to the Society in meeting its near-term debt obligations.

### **About the Entity**

Meenakshi Ammal Trust (MAT), registered under Indian Trust Act, 1882, was established in 1983 by Mr A N Radhakrishnan. MAT is currently engaged in 12 educational institutes offering graduation and post-graduation programs in various streams like medicine, dentistry, engineering, polytechnic, commerce, management, teacher training and arts and science. MAT is also running seven reputed schools with 6865+ students in FY20 (FY19:6884 students)

The society is managed by Mr. A N Radhakrishnan who has an experience of over 55 years in the education sector since he is associated with the society from its inception. He is supported by his wife Mrs. Gomathi Radhakrishnan and their son has joined in trust as director.

### **Financials (Standalone):**

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	228.87	248.11
EBITDA	84.03	85.99
PAT	50.75	58.16
Total Debt	59.60	53.03
Tangible Net worth^	470.65	528.80
EBITDA Margin (%)	36.71	34.66
PAT Margin (%)	21.07	22.29
Overall Gearing Ratio (x)	0.13	0.10

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Issuer not cooperating by CRISIL vide press release dated July 16, 2020 due to non-availability of information.

**Any other information:** Nil

**Rating History for last three years:**



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Overdraft	Long Term	50.00	IVR BBB+/Stable			
2.	Term Loan	Long Term	5.00	IVR BBB+/Stable	-	-	-
3.	Proposed Facility	Long/Short Term	5.00	IVR BBB+/Stable : IVR A2	-	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities –Over Draft	-	-	-	50.00	IVR BBB+/Stable
Long Term Bank Facilities –Term Loan	-	-	-	5.00	IVR BBB+/Stable
Proposed Bank Facilities-Long/ Short Term	-	-	-	5.00	IVR BBB+/Stable; IVR A2