



## RATING RATIONALE

30 Dec 2019

### IFTM University

## Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of ₹. 20 Crores of IFTM University

### Particulars:

| Facility     | Amount (₹ Crs) |           | Tenure                        | Rating*                     |   |
|--------------|----------------|-----------|-------------------------------|-----------------------------|---|
|              | Previous       | Present   |                               | Previous (Apr, 2018)        | Present                                 |
| Fund based   | 21.65          | 20        | Long Term                     | BWR BBB-<br>Outlook: Stable | BWR BBB<br>Outlook: Stable<br>(Upgrade) |
| <b>Total</b> | <b>21.65</b>   | <b>20</b> | <b>INR Twenty Crores Only</b> |                             |   |

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

### RATING ACTION / OUTLOOK

BWR has upgraded the rating of IFTM University 2 to BWR BBB with a stable outlook in view of the experienced management, comfortable financial risk profile and strong liquidity position. However, the rating is constrained by, delay in getting fees from the government and other inherent risks associated with education sector.

### KEY RATING DRIVERS

- **Credit Strengths:**

**Experienced management:** The academic and administrative Governance at IFTM University is headed by Shri. Rajeev Kothiwal, President of the sponsoring Society and Chancellor of the University. The members of the Executive Council, the principal executive body of the University, are renowned academicians and researchers who advise the Chancellor, the Chairman of the Executive Council, on policies and programmes for the growth of the University.

**Comfortable financial risk profile:** The financial risk profile is comfortable as evidenced by the strong corpus fund of Rs. 135.46 Cr. and a low gearing ratio of 0.57 times in FY19. The debt protection metrics is also comfortable with an ISCR of 6.71 times and DSCR of 6.56 times.



**Strong liquidity position:** Liquidity position is strong as the society has zero long term debt exposure as against the net cash accruals of Rs. 45.35 Cr. in FY19. The company has repaid its long term debt, currently they have only OD limit sanctioned from Allahabad bank amounting to Rs. 20 Cr. Cash and cash equivalents were around Rs. 99.41 Cr. as on 31 March 2019. However, the trust has availed OD limit aggregating to Rs. 77.09 Cr. in FY19 against FDRs. The debt protection metrics is also comfortable with an ISCR of 6.71 times and DSCR of 6.56 times in FY19.

- **Credit Risks:**

**Delay in getting fees from the government: The fees received from government for SC ST students constitutes a significant part of total receipts of the university.** Although, the total operating income has increased from Rs. 55.33 Cr. in FY18 to Rs. 90.08 Cr. in FY19, the total receipts comprises of fees amounting to Rs. 49.85 Cr. received from students and Rs. 40 Cr. received from government for arrears against scholarship and fee subsidy for SC ST students. Similarly, as discussed with management, the university is expecting to receive a fees of Rs. 63 Cr. (approx) by the end of current financial year out of which the fees received on counter will be Rs. 31.95 Cr. and fees/scholarship from government for SC ST amounting to Rs. 31.93 Cr. It has been observed that there has been significant delays in receiving the arrears from the government, which exposes the revenue of the university to a risk.

**Inherent risk associated with education sector:** The education sector is highly regulated by government which is an inherent risk for the sector. Amid increasing competition, attracting quality students year on year and getting them placed, retaining qualified faculties, ability to pass on increase in expense etc. are some of the key business risks.

## **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at its ratings, BWR has considered standalone financials of IFTM University. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

## **RATING SENSITIVITIES**

Going forward the ability of the firm to increase the utilization of total seating capacity, sustaining the debt protection metrics and overall financial risk profile will be the key rating sensitivities.

**Positive:** The rating may be upgraded in case of substantial improvements in the fees receipts, timely receipts of dues from government and improvement in overall financial risk profile

**Negative:** The rating may be downgraded in case of significant decline in fees receipts.

## **LIQUIDITY POSITION: Strong**

Liquidity position is strong as the society has zero long term debt exposure as against the net cash accruals of Rs. 45.35 Cr. in FY19. The company has repaid its long term debt, currently they have only OD limit sanctioned from Allahabad bank amounting to Rs. 20 Cr. Cash and cash equivalents were around Rs. 99.41 Cr. as on 31 March 2019. However, the trust has availed OD limit aggregating to Rs. 77.09 Cr. in FY19 against FDRs. The debt protection metrics is also comfortable with an ISCR of 6.71

times and DSCR of 6.56 times in FY19.

### UNIVERSITY’S PROFILE

Institute of Foreign Trade and Management (IFTM) University was established in the year 1996 by Late Shri Onkar Saran Kothiwal. The university has structured its offerings under 8 different schools, located in Moradabad, U.P. The U.P. State Government accorded the University status to IFTM in 2010. IFTM University has multi-disciplinary centre that offers quality education in more than 50 courses of Diploma, Undergraduate, Postgraduate and Doctoral Programmes in engineering, business management, pharmacy, biotechnology, microbiology, arts, sciences, law, education, journalism and mass communication. Courses in Agricultural Science and Technology (Agronomy & Horticulture) have added new dimensions to the programmes offered. Besides academics, sports and cultural activities contribute towards the overall development of students. The University has been accredited by National Accreditation & Assessment Council (NAAC), (an autonomous body of UGC) in November 2017 for a period of five years.

### KEY FINANCIAL INDICATORS (in ₹ Cr)

| Key Parameters          | Units | FY19    | FY18    |
|-------------------------|-------|---------|---------|
| Result Type             |       | Audited | Audited |
| Total Receipts          | ₹ Cr  | 90.08   | 55.33   |
| OSBITDA                 | ₹ Cr  | 47.14   | 17.80   |
| SAT                     | ₹ Cr  | 35.22   | 5.70    |
| Corpus Funds            | ₹ Cr  | 135.46  | 99.53   |
| Total Debt/Corpus Funds | Times | 0.57    | 0.93    |
| Current Ratio           | Times | 1.36    | 0.87    |

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA**

## RATING HISTORY

| Instrument / Facilities | Current Rating (Dec 2019)      |               |  | Rating History                     |      |      |
|-------------------------|--------------------------------|---------------|--|------------------------------------|------|------|
|                         | Tenure (Long Term/ Short Term) | Amount (₹ Cr) | Rating   | 2018                               | 2017 | 2016 |
| Fund Based              | Long Term                      | 20.00         | <b>BWR BBB</b><br>Outlook: Stable<br>(Upgrade) | <b>BWR BBB-</b><br>Outlook: Stable | N/A  |      |
| Total                   |                                | 20            | INR Twenty Crores Only                         |                                    |      |      |

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

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Girdhari Lal Manohar Lal Glass Works No 2  
**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

| <b>Sl. No.</b> | <b>Name of the Bank</b> | <b>Type of Facilities</b> | <b>Long Term (₹ Cr)</b> | <b>Short Term (₹ Cr)</b> | <b>Total (₹ Cr)</b> |
|----------------|-------------------------|---------------------------|-------------------------|--------------------------|---------------------|
| <b>1</b>       | <b>Allahabad Bank</b>   | OD                        | <b>20</b>               | -                        | <b>20</b>           |
| <b>TOTAL</b>   |                         |                           |                         |                          | <b>20</b>           |

**Total Rupees Twenty Crores only.**

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**About Brickwork Ratings** :Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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