



## Rating Rationale

### LMD Education & Research Foundation

January 10, 2018

**Brickwork Ratings assigns rating for the Bank Loan Facilities amounting to Rs. 8.85 Crs of LMD Education & Research Foundation**

#### Particulars:

Facility	Amount (Rs. in Crores)	Tenure	Rating Assigned*
Fund Based Term Loan	1.85	Long Term	BWR BB (Pronounced as BWR Double B) Outlook: Stable
Fund Based- Overdraft	2.00		
Non Fund Based- BG	5.00		
Total Commitment/Ceiling	8.85 (Rs Eight Crores & Eighty Five Lakhs Only)		

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

#### Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results(FY17) of the LMD Education & Research Foundation (LMDERF) which runs Quantum University, publicly available information and information/clarifications provided by the trust.

The rating draws strength from LMDERF's comfortable financial risk profile because of low gearing, sound debt protection metrics, moderate net worth & experienced and well qualified management. The rating is also supported by the recently granted Private University status to Quantum University which provides flexibility in changing the number of seats in the courses, increase in fee amount or start new course/s.

However, the ratings are constrained by decline in fee receipt amount because of lackluster student demand in technical courses for last couple of years. The ratings are further restricted by declining operating margins because of increased employee costs & administrative expenses.

Going forward, ability of the university to increase its headcount with sustained improvement in fee collection, successful introduction of new courses and improvement in operating margins shall be the key rating sensitivities.

January 10, 2018



## Key Rating Drivers:

### Strengths:

- **Experienced management & established infrastructure:** The management is reputed and highly qualified professors chair the departments of the university. The university is equipped with state of the art facilities by which it attracts the top talent of the state. Having recently been granted the private university status by the Uttarakhand Govt., the Quantum University is in the expansion mode and is introducing three new courses which will improve the cash flows in the coming fiscal.
- **Healthy financial risk profile:** Net worth improved to Rs 40.07 Crores in FY17 from Rs 34.74 Crores in FY16 because of moderate accretion to reserves. The gearing stood at a comfortable level of 0.17 times, sound debt protection metrics with ISCR at 3.25 times and DSCR at 1.85 times at the end of FY17.

### Weakness:

- **Investment driven business:** The education business demands lot of investment and continuous improvements in the infrastructure to remain competitive. The trust is proposing huge investments through a debt funded capital expenditure plan which will increase the leverage from the present levels. The interest expenses because of large debt will further impact the operating margin, which is already low at 10.33% in FY17.

## About the Company:

MD educational & Research Foundation runs a private university in the name of Quantum University in Roorkee, located at 22 Km Milestone, Mandawar, Roorkee-Dehradun Highway NH-73, Roorkee, Uttarakhand. The University was earlier known as Quantum Global Campus Roorkee. It was affiliated to Uttaranchal University before getting the status of Private University from State Govt. It has been recently Acknowledged as a university by Govt. of Uttarakhand (03.11.17) and is recognized by the University Grants Commission (UGC)[ under section 2(F) of the UGC Act, 1956. The university offers the professional as well as other graduate & PG courses across many streams and domains. Its operations are divided into four wings namely Quantum School of Technology, Quantum School of Business, Quantum School of Management & Quantum School of Graduate Studies.

### Rating Outlook: Stable

BWR believes that LMDERF's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the company is able to post significant increase in its income with



better net margins. The rating outlook may be revised to 'Negative' if there is any deterioration in financial risk profile or if it reports low cash accruals because of decline in student intake.

**Financial Performance:**

LMDERF booked net receipts of Rs 17.91 Crores in FY17 as against Rs. 18.36 Crores in FY16. Net Surplus/(Deficit) stood at Rs 2.72 Crores in FY17 as compared to Rs 2.10 Crores in FY16.

Parameters	FY 2016(A) (Rs. in Crores)	FY 2017(A) (Rs. in Crores)
Net Receipts	18.36	17.91
OPBDIT	2.70	1.85
Net Surplus/(Deficit)	2.10	2.72
Tangible Net Worth	34.74	40.07
Total Debt/TNW	0.27	0.17

**Rating History for the last three years:**

Facility	Rating Assigned at Present			Rating History		
	Amount (Rs. in Cr)	Tenure	Rating Assigned*	FY17	FY16	FY15
Fund Based Term Loan	1.85	Long Term	BWR BB (Pronounced as BWR Double B) Outlook: Stable	NA	NA	NA
Fund Based- Overdraft	2.00					
Non Fund Based- BG	5.00					
Total Commitment/Ceiling	8.85 (Rs Eight Crores & Eighty Five Lakhs Only)					

Status of non-cooperation with previous CRA: NA

Hyperlink/Reference to Applicable Criteria:



- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Service Sector](#)

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#### Note on complexity levels of the rated instrument:

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#### About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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