Rating Rationale

Motherhood Institute of Management & Technology Society

09 July 2019

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of ₹. 9.81 Crores of Motherhood Institute of Management & Technology Society.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (July, 2018)	Present
Fund based	3.66	3.31	Long Term	**BWR BB-** (Pronounced as BWR Double B Minus) **Outlook: Stable**	**BWR BB** (Pronounced as BWR Double B) **Outlook: Stable (Upgraded)**
Non Fund Based	6.50	6.50			
Total	**10.16**	**9.81**	**INR Nine Crores And Eighty One Lakhs Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials upto FY18, projected financials of FY19, publicly available information and information / clarification provided by the Society's management.

The rating is strengthened by the extensive experience of the promoters in education sector in Western Uttar Pradesh and Uttarakhand. The rating is further strengthened by the good profitability margins recorded by the Society y-o-y. The rating has also positively factored the increased corpus fund, a low gearing ratio, good coverage indicators and a satisfactory Enrollment ratio across courses in the Academic Session 2018-19.
The rating is, however, constrained by the moderate fee income of the Society and the stiff competition in the education sector and exposure to the regulatory risks.

Going forward, the ability of the Society to increase its fee income in the coming years by optimizing the enrollments and its ability to hire and retain a pool of qualified and experienced faculty will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Extensive experience of promoters in education sector:** Mr. Dharmendra Bhardwaj, the chairman of Motherhood Institute of Management & Technology Society, Roorkee, has an experience of over two decades of successfully running various educational institutes in Meerut, Roorkee, Saharanpur and Modinagar. The other members of the society Ms. Manika Sharma (Secretary) and Ms. Archana Sharma (Treasurer) who are associated with the society since its inception, are also having sufficient experience in the education sector.
- **Good profitability:** The society had reported a surplus of Rs.7.94 Crs. (44.98% net margin) in FY18 as compared to Rs. 6.53 Crs. (45.94% net margin in FY17. The society has projected a surplus of Rs. 9.63 Crs. for FY19.
- **Good Corpus fund & low gearing:** The Corpus fund of the Society increased from Rs. 17.00 Crs. in FY17 to Rs. 24.94 Crs.in FY18 due to retention of the surplus y-o-y. Due to good corpus fund and low borrowings, the gearing of the society was also low as reflected in a gearing level of 0.65 times as on 31 March 2018.
- **Good debt protection metrics:** The debt protection metrics of the Society are sufficient to cover for the debt and interest repayments as reflected in DSCR & ISCR of 2.92 & 11.82 respectively as on 31 March 2018.
- **Satisfactory enrollments:** The society had set up a University in 2015 which is attracting good enrolments numbers. Except for a few courses, almost all the courses are having enrolment ratio in upward of 70%.

Credit Risks:

- **Moderate fee income:** Due to a low fee structure, the fee income of the Society has been moderate. There is an intense competition in the education sector in Roorkee due to the presence of various institutes in the area.
- **Regulatory risks:** Susceptibility to regulatory changes is high as the education sector in India is regulated both at center as well as state level.
- **Lack of job opportunities:** The job market in the country today is not the same it used to be a decade back. The number of entry level jobs have come down drastically in the recent years and this has adversely affected the education institutes offering professional courses across the country.

Analytical Approach

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

Rating Outlook: Stable

BWR believes the **Motherhood Institute of Management & Technology Society** 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 revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Society

Incorporated in 2004, MIMT runs a college by the same name in Roorkee, Uttarakhand. Mr. Dharmendra Bharadwaj, Mr. Ashok Kumar Sharma, Ms. Manika Sharma and Mrs. Archana Sharma serve in the capacity of Chairman, Vice Chairman, Secretary and Treasurer of the trust, respectively. The group has been in existence since 2001 and currently manages 20 institutions that offer under-graduate and postgraduate engineering courses, MCA, MBA and pharmacy courses. The trust also established Motherhood University in 2016.

Society's Financial Performance

The Society reported a total Fee Income of Rs.17.65 Crs. and a Surplus of Rs.7.94 Crs. in FY18 as compared to Rs.14.22 Crs. and Rs. 6.53 Crs. in FY17. The Total Corpus Fund of the Society stood at Rs.24.94 Crs. as on 31 March 2018. Financial risk profile of the society is strong with a low gearing and sufficient debt protection metrics.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	July, 2018	2017	2016
I	**Fund Based**	Long Term	3.31	**BWR BB** (Pronounced as BWR Double B) **Outlook: Stable (Upgraded)**	**BWR BB-** (Pronounced as BWR Double B Minus) **Outlook: Stable**	**NA**	**NA**
II	**Non Fund Based**		6.50				
	Total		**9.81**	**₹ Nine Crores And Eighty One Lakhs Only**			

Status of non-cooperation with previous CRA (if applicable)- NA

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Total Fee Income	₹ Cr	17.65	14.22
SBITDA	₹ Cr	8.89	7.74
SAT	₹ Cr	7.94	6.53
Corpus Fund	₹ Cr	24.94	17.00
Total Debt/Corpus Fund	Times	0.65	1.06
Current Ratio	Times	17.01	21.33

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios

Analytical Contacts	Investor Contacts
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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

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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