

Rating Update

August 31, 2020 | Mumbai

Malabar Educational and Charitable Trust

Update as on August 31, 2020

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward Factors:

- * Debt/EBITDA of less than 0.8 times
- * EBITDA margin of more than 40 per cent and EBITDA of more than Rs. 70 million
- * Gross current asset days of less than 80 days

Downgrade Factors:

- * Debt/EBITDA of more than 2 times
- * EBITDA margin of less than 22 per cent and EBITDA of less than Rs. 30 million
- * Gross current asset days of more than 200 days

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL seeks regular updates from companies on the business and financial performance. CRISIL is, however, awaiting adequate information from Malabar Educational and Charitable Trust (MECT) which will enable us to carry out the rating review. CRISIL will continue provide updates on relevant developments from time to time on this credit.

CRISIL also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Trust

Established in 2007 by Mr C.P.Ali Bava Haji in Manoor, MECT offers undergraduate and postgraduate programs at its college, Malabar Dental College and Research Centre and Malabar College of commerce and science. Mr Haji is the trust's chairman.

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Rating Rationale

August 29, 2019 | Mumbai

Malabar Educational and Charitable Trust

Ratings migrated to 'CRISIL BB/Stable/CRISIL A4+'

Rating Action

Total Bank Loan Facilities Rated	Rs.23.65 Crore
Long Term Rating	CRISIL BB/Stable (Migrated from 'CRISIL BB/Stable ISSUER NOT COOPERATING**')
Short Term Rating	CRISIL A4+ (Migrated from 'CRISIL A4+ ISSUER NOT COOPERATING**')

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

*Issuer did not cooperate; based on best-available information

Detailed Rationale

Due to inadequate information, CRISIL, in line with SEBI guidelines, had migrated the rating of Malabar Educational and Charitable Trust (MECT) to 'CRISIL BB/Stable/CRISIL A4+ Issuer Not Cooperating'. However, the management has subsequently started sharing requisite information, necessary for carrying out comprehensive review of the rating. Consequently, CRISIL is migrating the ratings on bank facilities of MECT from 'CRISIL BB/Stable/CRISIL A4+ Issuer Not Cooperating' to '**CRISIL BB/Stable/CRISIL A4+**'.

The ratings continue to reflect the extensive experience of its promoters and established market position in the education industry. These strengths are partially offset by MECT's average financial risk profile because of moderate gearing and moderate debt protection metrics, and exposure to intense competition and government regulations.

Key Rating Drivers & Detailed Description

Strength

* **Established market position in the education industry:** More than a decade long presence has helped the trust to gradually expand the yearly intake of students as well as further diversify the disciplines offered. The same has helped in generating consistent operating income and maintaining healthy margin. Going forward, established position in the education industry is expected to continue supporting business risk profile.

* **Moderate operating profitability:** Operating margin in FY 2019 is moderate at 27.7%. Going forward profitability is expected to stay at similar levels.

Weakness

* **Modest financial risk profile:** The trust is engaged in debt funded capex related to enhancement of facilities, as MECT is undergoing development phase. The same partially impacts financial risk profile marked by modest gearing and TOL/TNW of 1.27 times and 1.62 times, respectively in FY 2019. However, risk related to it is mitigated by improving net worth with consistent accretion to reserves.

* **Exposure to intense competition and to government regulations:** The trust operates two institutes in Manoor, Edappal, Malappuram District. Besides, Manoor has many medical colleges of repute, leading to competition. MECT's growth over the medium term will continue to be constrained by geographical concentration in revenue and vulnerability to competition.

Liquidity: Adequate

Average bank limit utilization for the last 12 months ended on July 2019 is less than 80%. Net cash accruals of around Rs. 2.55 crore was sufficient against repayment obligations of Rs. 2.20 crore in FY 2019. Moderate cash balance and need based USL from promoters supports liquidity further.

Outlook: Stable

CRISIL believes MECT will continue to benefit over the medium term from its established market presence and track record of management.

Rating Sensitivity Factor

Upward Factors

- * Debt/EBITDA of less than 0.8 times
- * EBITDA margin of more than 40 per cent and EBITDA of more than Rs. 7 crores
- * Gross current asset days of less than 80 days

Downgrade Factors:

- * Debt/EBITDA of more than 2 times
- * EBITDA margin of less than 22 per cent and EBITDA of less than Rs. 3 crores
- * Gross current asset days of more than 200 days.

About the Trust

Established in 2007 by Mr C.P.Ali Bava Haji in Manoor, MECT offers undergraduate and postgraduate programs at its college, Malabar Dental College and Research Centre and Malabar College of commerce and science. Mr Haji is the trust's chairman.

Key Financial Indicators

Particulars	Unit	2019*	2018
Revenue	Rs crore	15.59	15.50
Profit After Tax (PAT)	Rs Crore	2.55	3.85
PAT Margin	%	16.4	24.9
Adjusted debt/adjusted networth	Times	1.27	1.64
Interest coverage	Times	2.36	3.09

*Provisional

Any other information: Not applicable

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Cr)	Rating Assigned with Outlook
NA	Overdraft	NA	NA	NA	4.45	CRISIL BB/Stable
NA	Rupee Term Loan	NA	NA	Mar-2022	14.0	CRISIL BB/Stable
NA	Bank Guarantee	NA	NA	NA	5.2	CRISIL A4+

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2019 (History)		2018		2017		2016		Start of 2016
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	18.45	CRISIL BB/Stable	17-01-19	CRISIL BB/Stable (Issuer Not Cooperating)*			28-09-17	CRISIL BB/Stable	10-06-16	CRISIL BB/Stable	--
Non Fund-based Bank Facilities	LT/ST	5.20	CRISIL A4+	17-01-19	CRISIL A4+ (Issuer Not Cooperating)*			28-09-17	CRISIL A4+	10-06-16	CRISIL A4+	--

All amounts are in Rs.Cr.

*Issuer did not cooperate; based on best-available information

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	5.2	CRISIL A4+	Bank Guarantee	5.2	CRISIL A4+/Issuer Not Cooperating
Overdraft	4.45	CRISIL BB/Stable	Overdraft	4.45	CRISIL BB/Stable/Issuer Not Cooperating
Rupee Term Loan	14	CRISIL BB/Stable	Rupee Term Loan	14	CRISIL BB/Stable/Issuer Not Cooperating
Total	23.65	--	Total	23.65	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Framework for Assessing Information Adequacy Risk](#)

[Rating criteria for manufacturing and service sector companies](#)

For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com</p> <p>Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com</p> <p>Vinay Rajani Media Relations CRISIL Limited D: +91 22 3342 1835 M: +91 91 676 42913 B: +91 22 3342 3000 vinay.rajani@ext-crisil.com</p>	<p>Nitin Kansal Director - CRISIL Ratings CRISIL Limited D:+91 124 672 2154 nitin.kansal@crisil.com</p> <p>Sivasubramaniyan R T Associate Director - CRISIL Ratings CRISIL Limited D:+91 44 6693 3633 Sivasubramaniyan.T@crisil.com</p> <p>Vishnu Sinha Rating Analyst - CRISIL Ratings CRISIL Limited B:+91 44 6693 3600 Vishnu.Sinha@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

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