

Press Release

Geeta Educational Trust

22 July, 2017

Rating Downgraded



Total Instruments Rated*	Rs.8.00 Cr
Long Term Rating	SMERA B+/ Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has downgraded long-term rating of '**SMERA B+**' (read as SMERA B plus) on the Rs. 8.00 crore bank facilities of Geeta Educational Trust. The outlook is '**Stable**'.

Established in 2007, Geeta Educational Trust (GET) runs Geeta Institute of Management & Technology, an educational institute in Haryana. The institute offers courses in engineering, management and computer applications.

Key Rating Drivers

Strengths

- **Experienced trustees**

The trust comprises six trustees with experience of over a decade in the education industry. The chairman, Mr. Rakesh Goel possesses substantial experience in the sector.

- **Moderate financial risk profile**

The financial risk profile of GET continues to remain moderate with net worth of Rs. 5.61 crore as on 31 March, 2017 and Rs.5.50 crore as on 31 March, 2016. The gearing has remained moderate at 1.53 times as on 31 March, 2017 (Provisional) as against Rs.1.57 crore as on 31 March, 2016. The interest coverage ratio (ICR) stood moderate at 2.56 times in FY2017 as against 2.88 times in FY2016. The cash credit limit has been fully utilised in the last six months ended June 2017.

Weaknesses

Declining trend in the revenues and profitability

The revenues registered a decline during the period under study due to subdued demand for engineering courses. In 2017 (Provisional), the trust registered revenue of Rs. 7.79 crore as against Rs.9.83 crore in FY2016 and Rs. 12.06 crore in FY2015. The EBITDA margins remained comfortable at 32.87 per cent in FY2017 as against 32.76 per cent in FY2016. The PAT margin declined to 1.50 per cent in FY2017 as against 4.50 per cent in FY2016 due to increase in interest cost as a percent of sales.

- **Intense competition**

The trust is exposed to intense competition in the industry from other institutions in the vicinity offering similar courses.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the trust.

Outlook: Stable

SMERA believes that GET will maintain a stable outlook over the medium term owing to its long track record of operations and extensive experience of its promoters in the sector. The outlook may be revised to 'Positive' in case of stabilisation of the new venture and increasing student strength resulting in substantial increase in revenue and surplus. Conversely, the outlook may be revised to 'Negative' in case of decline revenue and surplus due to lower-than-expected student intake or if the trust undertakes significantly larger-than-expected debt-funded capex program, impacting its financial risk profile.

About the Project

None

About the Group

None

About the Rated Entity - Key Financials

For FY2015-16, GET reported profit after tax (PAT) of Rs.0.44 crore on operating income of Rs.9.83 crore compared to PAT of Rs.0.33 crore on operating income of Rs.12.06 crore in the previous year. The net worth stood at Rs.5.50 crore as on 31 March, 2016 as against Rs. 4.98 crore in the previous year.

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

None

Any other information

The downgrade is in the view of the consistent decline in revenues, profitability and stretched liquidity position.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

ate	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
24-Jun-2016	Cash Credit	Long Term	INR 7.75	SMERA BB- / Stable
	Term Loan	Long Term	INR 0.25	SMERA BB- / Stable

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.75	SMERA B+ / Stable (Downgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA B+ / Stable (Withdrawn)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA B+ / Stable (Assigned)

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Leena Gupta Analyst - Rating Operations Tel: 022-67141172 leena.gupta@smera.in	

ABOUT SMERA

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