

Press Release

Garden City Education Trust

August 03, 2018



Rating Upgraded and Reaffirmed

Total Bank Facilities Rated*	Rs. 10.50 Cr.
Long-term Rating	ACUITE BB / Outlook: Stable
Short-term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating from '**ACUITE BB-**' (**read as ACUITE double B minus**) to '**ACUITE BB**' (**read as ACUITE double B**) and reaffirmed the short-term rating at '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.10.50 crore bank facilities of GARDEN CITY EDUCATION TRUST. The outlook is '**Stable**'.

The upgrade is driven by timely set up of Garden City University, consistent revenue growth driven by increase in student admissions and timely completion of major capital expenditure. Acuité believes that going ahead GCET will be able to sustain growth in revenues over the medium term. However, sustaining the current financial risk profile and moderated debt-funded capital expenditure, going forward, will remain a factor of key rating sensitivity for the trust.

Garden City Education Trust (GCET) was registered as a Trust on February 27, 1992 with the main objective to impart education and training in various fields such as Computer Science, Fashion, Life Science, Tourism, Management, Media Studies, and Medical Science to name a few. GCET manages the Garden City College (GCC) in Bangalore (Karnataka) which is presently offering more than 25 different courses. The trustees are Dr. V.G. Joseph, Mrs. Gracey K.J. and Mr Cristo V Joseph.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

Garden City Education Trust (GCET) is promoted by Dr. Joseph V.G. who has more than three decades of experience in the field of education. The other members of the trust include highly qualified members such as Dr. Thomas Aykara (M.A, Ph.D.), Dr. Genevieve (M.Sc, Ph.D.), Dr. V B Coutinho (B.Sc, LL.B, LL.M, and Ph.D.), Dr. N.S. Rame Gowda (M.Sc, Ph.D.) and Mr. Pradeep Seraphim (B.Com (Hons), PGDPM) among others. Faculty of the college comprises of professionals in their respective fields. GCET has been in operation for more than twenty five years. The college run by GCET is called Garden City College (GCC), which is affiliated to Bangalore University. GCC offers more than 25 post graduate as well as undergraduate courses in varied fields such as Computer Science, Fashion, Life Science, Tourism, Management, Media Studies, and Medical Science to name a few.

- **Healthy financial risk profile**

The financial risk profile of GCET is healthy marked by tangible net worth of Rs.46.35 crore as on 31 March, 2018 (Provisional) which includes unsecured loans considered as quasi equity to the tune of Rs.9.75 crore, as against net worth of Rs.42.76 crore as on 31 March, 2017. The debt/equity ratio stood at 0.27 times as on 31 March, 2018 (Provisional) as against 0.35 times as on 31 March, 2017. The total debt of Rs.12.48 crore outstanding as on 31 March, 2018 (Provisional) comprises of Rs.7.41 crore as term loan from bank and Rs.5.07 crore as working capital borrowing from the bank. The interest coverage ratio is moderate at 3.74 times in FY2018 (Provisional) as against 3.57 times in FY2017. Total outside liabilities to tangible net worth (TOL/TNW) stood healthy at 0.33 times as on 31 March, 2018 (Provisional) as against 0.41 times as on 31 March, 2017. The net cash accruals stood at Rs.5.20 crore in FY2018 (Provisional) as against Rs.4.51 crore in FY2017. Acuité believes that GCET will sustain its financial risk profile on the back of healthy accruals over the medium term.

Weaknesses

- **Intense competition and fragmented nature of business**

The trust is exposed to intense competition from various educational institutes located in Bangalore and surrounding area.

- **Stringent regulatory framework**

The education industry in India is regulated by various agencies like AICTE, NAAC, UGC under the State and Central Government. The compliance is highly regulated and marked with entry, operation and exit barriers at each level which can impact the revenues and profitability of the educational trust. However, since the setup of Garden City University, which is the independent university of GCET, has been completed in AY2018 this factor has been moderated.

Analytical Approach

Acuité has considered the standalone business risk profile and financial risk profile of Garden City Education Trust to arrive at this rating.

Outlook: Stable

Acuité believes that GCET will maintain a 'Stable' outlook from its experienced management in the medium term. The outlook may be revised to 'Positive' if there is more than expected increase in the society's receipts. Conversely, the outlook may be revised to 'Negative' if society fails to achieve the scalability amidst intensifying competition in the area of operation or if financial risk profile or working capital cycle deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	25.93	23.33	20.71
EBITDA	Rs. Cr.	6.17	5.30	6.19
PAT	Rs. Cr.	3.59	3.14	6.76
EBITDA Margin	(%)	23.80	22.70	29.89
PAT Margin	(%)	13.85	13.45	32.66
ROCE	(%)	9.43	11.94	33.06
Total Debt/Tangible Net Worth	Times	0.27	0.35	0.06
PBDIT/Interest	Times	3.74	3.57	17.89
Total Debt/PBDIT	Times	1.76	2.38	0.15
Gross Current Assets (Days)	Days	446	519	91

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12-Jul-2017	Secured Overdraft	Long-term	2.50	ACUITE BB- / Stable (Assigned)
	Secured Overdraft	Long-term	3.00	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Short-term	5.00	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB / Stable (Upgraded)
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB / Stable (Upgraded)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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