



Press Release

General Computer Services International

October 19, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 45.00 Cr.
Long Term Rating	ACUITE A- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs.45.00 crore bank facilities of General Computer Services International. The outlook is '**Stable**'.

General Computer Services International (GCSI), established in 2003 is partnership firm. GCSI is a part of Universal Education Group (UEG). The firm manages a pre-primary school in Maharashtra. GCSI owns a school building which is managed by Vidya Vikas Education Trust (VVET). Hence the firm receives infrastructure sharing from VVET in the form of rental receipts.

About the Group

UEG has a presence in education since 2003. Mr. Jesus Lall is the founder. The group runs 42 educational institutions across 26 entities and offers K-12 education, degree and technical courses. While most of the entities are in education sector some of them are asset holding and provides supporting services to the institutes. The group has its presence in Maharashtra, Karnataka and Tamil Nadu.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Vidya Vikas Education Trust, National Education Society, Maharashtra Samaj Ghatkopar, Universal Education Foundation, Super Value Properties Private Limited, SML Supervalue Education Private Limited, SML Properties Private Limited, JND Edu-Realty Private Limited, JND Edu-Management Services Private Limited, UTOPIA Hospitality Private Limited, UDAN Recreation Services Private Limited, JND Realcon Private Limited, SML Realtech Private Limited, Almighty Infrastructure Private Limited, SIP Infotech Limited, SML Edu-Infra Private Limited, SAA Edu-Infra Services LLP, Abraham Memorial Education Trust, Alpha Foundation for Education and Research, Primus Trust, General Computer Services International, Universal Edu Infra Services Pvt Ltd, A. P. Greig Foundation Trust, AJL Edu-Solutions LLP, Agastya Edu-Realty LLP and Bombay Education Trust together referred to as the 'Universal Education Group' (UEG) to arrive at the rating.

The consolidation is in view of the common management, operational and financial alignment. Mr. Jesus Lall oversees the day-to-day activities of all the institutes.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

UEG was established in 1968 largely into informal education segment and providing supporting services related to education sector. Further, they entered into formal education in 2003. The group runs 42 educational institutions offers K-12 education, degree and technical courses.

The group is promoted by Mr. Jesus S. M. Lall, who is a member of the International Advisory Committee of the Educational Institute of India; a Fellow of the Indian Institute of Educational Management; and 2005 "Educational Personality of the Year". Apart from being the CEO of Universal Education, Mr. Lall is also a director of the NGO, S. M. Lall Foundation.

Acuité believes that the group's business risk profile will be supported by its established position in educational sector across Maharashtra, Karnataka and Tamil Nadu and experienced promoter.

- **Healthy student intake expected to translate into steady growth in revenues**

UEG has a healthy occupancy ratio of around 85 per cent for academic year 2017-18. The cumulative numbers of students have increased to 37,880 in FY18 from 28,292 in FY16. Out of the total 37,880 students 24,717 are school students and the remaining are college students. Further, the group has added two new institutes under Alpha and Primus in FY17, which have additional capacity available for growth in future. Also, 2 other colleges Universal School – Andheri and Universal School Pali-Hill, Bandra are sanctioned and expected to generate revenue from FY22.

The group is mainly dependent on its tuition fee income which is approx. 80 per cent of its net revenue in FY2018. The group has been growing at a CAGR of 10.13 per cent from FY2015 to FY2018. It earned revenue of Rs. 209.96 crore in FY2017 and has achieved net revenue of Rs.256.52 crore for FY2018 (Provisional).

Acuité believes that continuous headcount growth and steady fee revisions will support the continuous growth in fee income.

- **Increasing demand prospects for education industry**

Lately, there has been a thrust on education by both the state and central governments. The institutes of the group are affiliated to Mumbai University, Maharashtra State Board, Tamil Nadu State Board, Karnataka State Board, International Baccalaureate (IB), International General Certificate of Secondary Education (IGCSE), Indian Certificate of Secondary School (ICSE), Central Board of Secondary Education (CBSE), and approved by All India Council for Technical Education. The private sector is playing a significant role in the education sector, especially professional education, in the country. With popularisation of private self-financing colleges and deemed universities, the role of the private sector in education has been accepted and recognised.

Acuité believes, private institutions are likely to witness healthy student enrolment over the medium term.

Weaknesses

- **Recent debt funded capex plans impacting leverage levels**

UEG's recent debt funded capital expenditure plans has highly impacted its leverage levels. The total long term debt of the group stood at Rs. 409.37 crore as on 31 March 2017 as against Rs.343.81 crore as on 31 March 2016. The total debt has increase as compared to previous year, thereby impacting its Debt/EBITDA and debt coverage metrics also. The group's Debt/EBITDA stood at 7.53 times in FY2017 as against 6.68 times in FY2016. Further, the coverage indicators i.e. Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) stood at 1.20 times and 1.05 times for FY2017 respectively.

Going forward, Acuite believes movement in the group's leverage levels will be a key rating factor.

- **Intense competition and stringent regulatory framework for the educational sector in India**

The institutes face competition from other private institutions offering similar courses. Given the competition, the ability of the institutes to attract requisite students in tune with its sanctioned intake would be a challenge. This is expected to limit the group's capability to increase fee along with the increase of occupancy. Further, various agencies under the State and Central Government prescribe regulatory framework depending on the professional courses offered. Hence, the group is subject to the stringent regulatory framework for the educational sector in India. Apart from the regulatory framework in India, the various affiliations with international boards like IGCSE also impacts and limits the group's day-to-day business activities.

Outlook: Stable

Acuite believes that UEG will maintain a stable outlook over the medium term owing to its long standing presence in the industry. The outlook may be revised to 'Positive' if its scale of operations increases on the back of further increase in fee receipts, while improving its leverage levels, thereby translating improvement in debt protection indicators. Conversely, the outlook may be revised to 'Negative' if the group fails to achieve the scalability amidst intensifying competition in its area of operations or if there is no improvement in the leverage levels and debt protection indicators.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	209.96	200.84	174.40
EBITDA	Rs. Cr.	53.03	50.71	39.05
PAT	Rs. Cr.	(12.90)	(11.36)	11.09
EBITDA Margin	(%)	25.26	25.25	22.39
PAT Margin	(%)	(6.15)	(5.65)	6.36
ROCE	(%)	6.38	6.87	18.05
Total Debt/Tangible Net Worth	Times	3.88	3.29	7.97
PBDIT/Interest	Times	1.20	1.21	2.58
Total Debt/PBDIT	Times	7.53	6.68	5.56
Gross Current Assets (Days)	Days	234	271	434

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities in Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	May 06, 2019	1.23	ACUITE A-/Stable
Term loans	Not Applicable	Not Applicable	April 14, 2026	19.94	ACUITE A-/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.20	ACUITE A-/Stable
Term loans	Not Applicable	Not Applicable	May 01, 2028	19.93	ACUITE A-/Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.70	ACUITE A-/Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 aditya.gupta@acuite.in Aishwarya Phalke Analyst - Rating Operations Tel: 022 49294054 aishwarya.phalke@acuiterratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

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