

## Press Release

Gsrn Memorial Education Society



March 29, 2019

### Rating Assigned

|                                     |                              |
|-------------------------------------|------------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs.6.00 Cr.                  |
| <b>Long Term Rating</b>             | ACUITE BB- / Outlook: Stable |

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) to the Rs.6.00 crore bank facilities of GSRM MEMORIAL EDUCATION SOCIETY (GSRM). The outlook is '**Stable**'.

GSRM is a society based out of Lucknow. It was established in 2004 by Founder-Manager, Mr. Manoj Kumar who is also Senior Advocate at Supreme Court of India. The society operates with five colleges offering various UG and PG courses in Nursing, Education, Management, Commerce and Pharmacy.

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of GSRM to arrive at the rating.

### Key Rating Drivers

#### Strengths

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

GSRM was established in 2004 and runs education institutes offering courses in Nursing, Education, Management, Commerce and Pharmacy. The society is promoted by Mr. Manoj Kumar who is a Senior Advocate at Supreme Court of India. Mr. Manoj has extensive experience of more than 15 years in managing education society which has helped GSRM to establish a brand name in the field of education in Uttar Pradesh.

Acuité believes that the group's business risk profile will be supported by its established position in educational sector across Uttar Pradesh and experience of the promoter.

- **Moderate financial risk profile**

The financial risk profile of GSRM is moderate marked by low net worth, healthy debt protection measures and low gearing. The net worth increased to Rs.9.14 crore as on 31 March, 2018 as against Rs.7.99 crore in the previous year on account of increase in receipts and profitability. The trust's gearing stood low at 0.77 times as on 31 March, 2018 as against 1.04 times in the previous year. GSRM has followed a conservative financial policy in the past, as reflected by its peak gearing of around 1.04 times as on March 31, 2017. The total debt of ~Rs.6.99 crore consists of long term debt of Rs.5.75 crore, unsecured loan from promoter of Rs.0.13 crore and Rs.1.11 crore of short term debt. The revenue growth coupled with healthy profitability levels have resulted in improvement of net cash accruals of Rs.2.52 crore during 2018. The interest coverage ratio stood at 3.63 times in FY18 as against 1.67 times in the previous year. NCA/TD ratio stood at 0.36 times in FY18.

#### Weaknesses

- **Low Occupancy Rate**

The society offers around 15 courses in various fields. However, the occupancy rate of all the courses put together has remained low at ~29 per cent. The total sanctioned intake of all the courses is at 1720 students as against the actual intake of 501 students.

Acuité believes that continuous headcount growth and steady fee revisions will remain a key credit monitorable.

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

The society faces 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 society'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 society is subject to the stringent regulatory framework for the educational sector in India.

**Liquidity Position:**

GSRM has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. GSRM generated cash accruals of Rs.0.73 - 2.52 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.1.05 - 1.11 crore over the same period. The cash accruals of GSRM are estimated to remain around Rs.2.96 - 3.88 crore during 2019-21, while its repayment obligations are estimated to be around Rs.1.10 crore every year. GSRM maintained unencumbered cash and bank balances of Rs.0.36 crore as on March 31, 2018. The current ratio of GSRM stood low at 0.62 times as on March 31, 2018. Acuité believes that the liquidity of GSRM is likely to remain moderate over the medium term on account of moderate cash accrual against the repayments over the medium term.

**Outlook: Stable**

Acuité believes that GSRM 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 institute fails to achieve the scalability amidst intensifying competition in the area of operation or if financial risk profile deteriorates owing to more than expected debt funded capex plans.

**About the Rated Entity - Key Financials**

|                               | Unit    | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 6.25          | 4.39          | 5.39          |
| EBITDA                        | Rs. Cr. | 3.43          | 1.76          | 2.49          |
| PAT                           | Rs. Cr. | 1.15          | -0.69         | 1.46          |
| EBITDA Margin                 | (%)     | 54.86         | 40.06         | 46.08         |
| PAT Margin                    | (%)     | 18.42         | -15.81        | 27.04         |
| ROCE                          | (%)     | 13.00         | 2.34          | 26.77         |
| Total Debt/Tangible Net Worth | Times   | 0.77          | 1.04          | 1.02          |
| PBDIT/Interest                | Times   | 3.63          | 1.67          | 2.86          |
| Total Debt/PBDIT              | Times   | 2.01          | 4.56          | 3.49          |
| Gross Current Assets (Days)   | Days    | 23            | 14            | 7             |

**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>
- 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>

**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. Cr.) | Ratings/Outlook     |
|------------------------|------------------|----------------|----------------|-----------------------------|---------------------|
| Cash Credit            | Not Applicable   | Not Applicable | Not Applicable | 1.00                        | ACUITE BB- / Stable |
| Term loans             | Not Applicable   | Not Applicable | Not Applicable | 5.00                        | ACUITE BB- / Stable |

### Contacts

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### About Acuité Ratings & Research:

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