

## Press Release

### Ghanshyam Das Rungta Foundation

March 25, 2022



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	33.00	ACUITE BBB   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	33.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BBB**' (read as ACUITE Triple B) to the Rs. 33.00 Cr bank facilities of Ghanshyam Das Rungta Foundation (GDRF). The outlook is '**Stable**'.

The rating is driven by sound business risk profile of the trust marked by sharp improvement in profitability arising from growth in student admission. The financial risk profile is above average with conservative capital structure and modest debt coverage indicators on the back of consistent increase in the networth and healthy cash accruals over the years. The rating also factors in its experienced board of trustees. These strengths are, however, partly offset by the trust's exposure to intense competition and stringent regulatory framework for the educational sector in India.

## About the Company

M/s Ghanshyam Das Rungta Foundation (GDRF), a registered society promoted by Rungta Group is engaged in imparting education in the field of engineering, pharmacy and other streams since the past 13 years. GDRF was incorporated in 2008 at Raipur, under the Societies Registration Act, 1973. There are around 4 colleges/institutions (including 1 school) under the society with 5631 students. The following institutes are under the trust GDRF: Rungta College of Engineering and Technology, (RCET) Raipur, Rungta College of Pharmaceutical Sciences and Research, (RCPSR) Raipur, KD Rungta College of Engineering and Technology, (KDR CET) Raipur, Rungta International School, (RIS) Raipur.

## Analytical Approach

Acuité has considered the standalone business and financial risk profiles of GDRF to arrive at the rating.

## Key Rating Drivers

### Strengths

- Healthy enrolment rates with diverse course offerings buoyed by long track record of the trust

Mr. Santosh Rungta, Founder and President of GDRF, has over two decades of experience in the education business. The day to day affairs of GDRF are being managed by him with required support from other experienced and qualified trust members. However, the management of GDRF is vested with its governing body and M/s Purple Orchid Tree LLP (a Special Purpose Vehicle of Alpha Alternatives Holdings Pvt. Ltd.) has taken majority control of GDRF. Presently, POTL has nominated 5 members in the Governing & General Body of Members of GDRF and the remaining 2 members are from GDR Group. The institutes have a marked presence in Chattisgarh with operations of around 10 years. GDRF runs educational institutes under the brand name of 'Rungta Group of Colleges' which is well recognized.

GDRF offers under-graduate and post-graduate courses in various fields of education through its institutes located in Raipur. It offers various diplomas, bachelors' and masters' degree courses in engineering, and pharma courses. Further it also offers general degree course like BBA, B.Com, B. Sc. and teachers training and also runs an international school. The overall enrolment rate for GDRF has been healthy at 81.29 per cent in FY21 vis-à-vis 77.20 per cent in FY20. Acuité believes that going forward, the healthy enrolment rates for these courses is expected to improve profitability.

- **Significant improvement in profitability margins**

Continued focus on cost optimization resulted in improved profitability margins. The operating margin also improved to 49.79 per cent in FY21 as compared to 38.62 per cent in the previous year. The PAT margin stood at 15.66 per cent as on FY2021 as against 13.65 per cent as on FY2020. The RoCE levels stood at modest level of 8.23 per cent in FY2021 as against 6.72 per cent in FY2020. Benefits from an established market presence in Raipur should also continue to boost the business profile over the medium term.

- **Above average financial risk profile**

The trust's above average financial risk profile is marked by healthy network base, comfortable gearing and strong debt protection metrics. The tangible net worth of the trust improved to Rs.117.03 Cr as on March 31, 2021 from Rs.112.07 Cr as on March 31, 2020 due to accretion of reserves. Acuité has considered unsecured loans to the tune of Rs.82.86 Cr as on March 31, 2021 as part of network as these loans are subordinated to bank debt. Gearing of the trust stood below unity at 0.18 times as on March 31, 2021 as against 0.17 times as on March 31, 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.22 times as on March 31, 2021 as against 0.21 times as on March 31, 2020. The strong debt protection metrics of the trust is marked by Interest Coverage Ratio at 2.90 times as on March 31, 2021 and Debt Service Coverage Ratio at 1.64 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.52 times as on March 31, 2021. Acuité believes that the financial risk profile of the trust is expected to improve over the medium term.

## **Weaknesses**

- **Modest Scale of operations**

GDRF reported a muted revenue growth in FY2021 owing to the Covid-19 induced lockdown, which adversely impacted the new admissions in H1 FY2021. The trust achieved revenues of Rs.33.60 Cr in FY2021 as compared to revenues of Rs.37.49 Cr in FY2020. Further, fee concessions were also given to students. In 10MFY22, the trust reported gross receipts of Rs.27.32 crore. Supported by higher intake of students and revised fee structure from FY22, the topline is expected to improve over the medium term.

- **Exposure to intense competition and stringent regulatory framework for the educational sector in India**

The trust faces intense competition from other private institutions offering similar courses. Given the competition, the ability of the trust to attract requisite students in tune with its sanctioned intake would be a challenge. Further, the Indian education industry is highly regulated and consequently subject to the stringent regulatory framework, which is to be followed by group operated institutes. Any major change in regulatory framework by the Government of India or change in policy by affiliated boards will have major impact on the revenue, financial and operating performance of the university. Acuité believes that GDRF's ability to scale up its operations while maintaining profitability will be a key rating monitorable.

### Rating Sensitivities

- Scaling up of operations while maintaining their profitability margin
- Addition of new curriculum leading to increase in number of enrolments

### Material covenants

None

### Liquidity Position: Adequate

The trust's liquidity is adequate marked by the net cash accruals which stood at Rs.11.12 Cr in March 31, 2021 as against debt repayment of Rs.4.47 Cr over the same period. The current ratio also stood comfortable at 17.14 times as on 31st March, 2021. The cash and bank balances of the trust stood at Rs.2.52 Cr in FY2021. However, since 2018 the recovery of significant amount of advances towards acquisition of CCMC and BSR Super Specialty Hospital Ltd is pending. Acuité believes that GDRF being part of Rungta group enjoys strong financial flexibility due to its access to timely need-based support from its group GDRES and the new management.

### Outlook: Stable

Acuité believes that the outlook on GDRF will be 'Stable' over the medium term on account of experienced management, financial flexibility of the Rungta group and growth in student admission. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in the trust's revenues or profit margins, or in case of deterioration in the trust's financial risk profile.

### Other Factors affecting Rating

Not Applicable

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	33.60	37.49
PAT	Rs. Cr.	5.26	5.12
PAT Margin	(%)	15.66	13.65
Total Debt/Tangible Net Worth	Times	0.18	0.17
PBDIT/Interest	Times	2.90	4.32

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

Not Applicable

### Any other information

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History:**

Not Applicable

**Annexure - Details of instruments rated**

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE BBB   Stable   Assigned

## Contacts

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### About Acuité Ratings & Research

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