

Press Release

GDR Educational Society

March 08, 2023

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	55.00	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	55.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to the Rs. 55.00 Cr bank facilities of GDR Educational Society (GDRES). The outlook is '**Stable**'.

Rating Rationale

The rating considers the established position of the institute/colleges/school in Bhilai, diverse course offerings and healthy financial risk profile of the trust characterized by strong network, low gearing and healthy debt protection metrics. Further, the rating also factors in the long track record of society in the education sector and experienced trustees. However, these strengths are partly offset by stagnant enrollment rates, the trust's exposure to intense competition and stringent regulatory framework for the educational sector in India.

About the Company

GDR Educational Society ("GDRES") was established in 1999 in Bhilai, Chhattisgarh by Rungta Group and is engaged in imparting education in various fields like engineering, pharmacy, B.com, BCA etc. GDRES currently operates 11 colleges/ institutions and one school under the society with total intake of over 13500 students from 15 countries.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of GDRES to arrive at the rating.

Key Rating Drivers

Strengths

Long track record of society and experienced trustees coupled with diverse course offerings

GDRES has marked its presence in Chhattisgarh with operations of around two and half decades and has eleven institutes/colleges and one school imparting education in various disciplines in Bhilai, Chhattisgarh. Shri Sourabh Rungta, President of the society, has around one and a half decade of experience in the education sector. The day to day affairs of GDRES are being managed by him with required support from other experienced and qualified trust members. However, M/s Purple Orchid Tree LLP (a Special Purpose Vehicle of Alpha Alternatives Holdings Pvt. Ltd.) has taken absolute majority in the board of GDRES. Presently, POTL has nominated 8 members in the Governing & General Body of Members of GDRES and

the remaining 5 members are from GDR Group.

GDRES runs educational institutes under the brand name of 'Rungta Group of Colleges' which is well recognized. GDRES offers under-graduate and post-graduate courses in various fields of education through its institutes located in Bhilai. 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., B. ED and runs a public school. Acuite believes that the long track record of operations coupled with diverse course offerings would help the trust in sustaining its business risk profile.

Healthy financial risk profile

The trust's financial risk profile is marked by healthy network, low gearing and comfortable debt protection metrics. The tangible net worth of the trust improved to Rs.174.05 Cr as on March 31, 2022 from Rs.158.36 Cr as on March 31, 2021 due to accretion of profits. Gearing of the trust stood comfortable at 0.55 times as on March 31, 2022 as against 0.63 times as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.63 times as on March 31, 2022 as against 0.70 times as on March 31, 2021. The comfortable debt protection metrics of the trust is marked by Interest Coverage Ratio at 6.00 times and Debt Service Coverage Ratio at 3.06 times as on March 31, 2022 as against 3.64 times and 2.30 times respectively as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.33 times as on March 31, 2022. Acuite believes that going forward, the financial risk profile of the trust will remain healthy backed by steady accruals and no major debt funded capex plans.

Steady business risk profile

With resumption of academic activities, given the normalization in students' enrolment and resumption of offline school led to an increase in the Trust's turnover to Rs.95.48 Cr in FY2022 as compared to Rs.87.50 Cr in FY2021. Further, in 9MFY23, the trust reported a revenue of Rs.97.03 Cr (prov). The revenue is expected to improve in the medium term backed by fees revision in every three years.

The EBITDA margin declined to 38.04 per cent in FY2022 from 41.45 per cent in FY2021 due to increased administrative expenses. However, it is to be noted here that FY2021 being covid affected year, the operations of the school/colleges were on halt, which helped the trust in reporting a higher operating margin. The PAT margin improved to 16.42 per cent in FY2022 as against 12.70 per cent in FY2021 due to better absorption of finance cost. The RoCE levels stood at a comfortable level of 8.34 per cent in FY2022 as against 8.43 per cent in FY2021. Acuite expects the business risk profile of the trust to be sustained supported by expected higher intake of students buoyed by newly opened college, Rungta Private ITI in FY2023 it self and revised fee structure in FY2024. Benefits from an established market presence in Bhilai should also continue to boost the business profile over the medium term.

Weaknesses

Stagnant intake of students

GDRES witnessed a stagnant enrollment rate marked by 79.24 per cent in FY2022-23 (Prov) vis-a-vis 80.03 per cent in FY2021-22, owing to merger of various institutes within the society. This in turn has led the revenue to remain range bound in the last three years. However, Acuite expects the increase in student intake in the medium term buoyed by increased sanctioned limit of intake in FY2023. Though healthy, but further improvement in the enrollment rates would remain a key monitorable.

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. Acuite 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 position is adequate marked by net cash accruals of Rs.31.73 Cr in FY2022 as against a long term debt repayment of Rs.6.10 Cr over the same period. Further, the current ratio stood comfortable at 6.13 times as on 31st March, 2022 as compared to 6.84 times as on 31st March, 2021. The cash and bank balance of the trust stood at Rs.4.42 Cr as on March 31, 2022. Acuité believes that going forward the trust will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on GDRES will be 'Stable' over the medium term on account of experienced management, long track record of operations and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins and capital structure and improvement in enrollment rates. 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, or deterioration in the enrollment rates.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	95.48	87.50
PAT	Rs. Cr.	15.68	11.11
PAT Margin	(%)	16.42	12.70
Total Debt/Tangible Net Worth	Times	0.55	0.63
PBDIT/Interest	Times	6.00	3.64

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

Not Applicable.

Any other information

None.

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels

of risk. For more details, please refer Rating Criteria “Complexity Level Of Financial Instruments” on www.acuite.in.

Rating History:
Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	55.00	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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