

**Press Release**  
**GDR Educational Society**  
**March 11, 2024**



**Rating Reaffirmed and Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	62.40	ACUITE BBB   Reaffirmed & Withdrawn	-
Bank Loan Ratings	0.60	Not Applicable   Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	63.00	-	-

**Rating Rationale**

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BBB**' (read as **ACUITE Triple B**) to the Rs. 62.40 Cr. bank facilities of GDR EDUCATIONAL SOCIETY (GDRES). Also, Acuite has withdrawn the proposed long-term loan to the Rs. 0.60 Cr. bank facilities of GDR EDUCATIONAL SOCIETY GDRES).

The rating has been withdrawn on account of the request received from the company as per Acuite policy on withdrawal of ratings. Acuite has received the withdrawal request from the client for withdrawal of the rating and NOC from from Tata Capital Ltd. And Avanse Financial Services Limited.

**Rationale for Rating**

The rating takes into account the successful track record and established position of the Trust's institute/colleges/school in Bhilai, Chhattisgarh. The rating also draws comfort from trust's healthy financial risk profile, characterised by healthy networth base, low gearing and comfortable debt protection metrics. The rating also factors that the trust would sustain its profitability resulting in improved cash accruals over the medium term. However, these strengths are partially offset by highly regulated and competitive educational sector and geographic concentration of the trust's institutes.

**About the Trust**

Founded in 1999 in Bhilai, Chhattisgarh, GDRES is engaged in the education industry and provided graduate and post-graduate courses in diverse fields such as engineering, pharmacy, commerce, computer application, among others. GDRES manages 11 colleges and institutions and a school, with a collective enrolment capacity of over 17,000 students. The day-to-day affairs of the Trust are managed by Mr. Sourabh Rungta.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

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

**Key Rating Drivers**



- **Successful track record and healthy enrolment rates with diverse course offerings**

The president of the Trust, Mr. Sourabh Rungta has over 15 years of experience in the education sector. As a result of his expertise, GDRES has established a strong presence and brand visibility in Chhattisgarh over the past few years, operating 11 institutes and a school in Bhilai. GDRES offers diverse undergraduate and postgraduate courses, including engineering, pharma, finance and computer applications among others. The trust has been able to enrol upto 14,500 students collectively in all the institutes as on March 31, 2023. The placement record of the institutes has also been healthy at around 90 per cent as on March 31, 2023. Between FY 2022 and FY 2023, Purple Orchid Tree LLP (POTL, a Special Purpose Vehicle of Alpha Alternatives Holdings Pvt. Ltd.). had assumed management control as they had invested in the trust. However, FY 2023, the trust has fully refinanced their investment through Tata Capital Finance Ltd. and the management control now vests with the Rungta family.

Presently, the Governing & General Body members consists of 7 members from Rungta family and 2 independent members from POTL. Acuité believes that the trust will continue to benefit from the extensive experience of its present management and continued healthy enrolment rates over the medium term.

- **Steady scale of operations albeit a fluctuating margin**

The trust achieved revenues of Rs.97.14 Cr in FY2023 as compared to revenues of Rs.95.48 Cr in FY2022, which is supported by revised fee structure and increase in admissions in most of the institutes. The revenue is expected to improve backed by expected steady enrolments and fees revision over the medium term. During FY2023, the margins stood at healthy levels of 32.05 per cent, a slight moderation from FY2022 which was at 38.04 per cent. This has been largely due to increase in employee, power and administration costs during the year. Going forward, the margins is expected to remain at similar levels over the medium term. The Profit after tax (PAT) margin also declined to 10.74 per cent in FY2023 as against 16.43 per cent in FY2022. The RoCE levels stood at a comfortable level of 6.85 per cent in FY2023 as against 8.34 per cent in FY2022. Acuité believes the business risk profile of the trust to be sustained supported by higher intake of students and revised fee structure.

- **Healthy financial risk profile**

The financial risk profile of the trust is marked by healthy net worth, low gearing and comfortable debt protection metrics. The tangible net worth of the trust stood at Rs.176.53 Cr. as on 31 March 2023 as compared to Rs.174.05 Cr. as on 31 March 2022 aided by accretion to reserves. Furthermore, its capital structure remains moderately leveraged marked by gearing of 0.52 times as on 31 March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.59 times as on March 31, 2023. The debt protection metrics of the trust remains comfortable marked by Interest Coverage Ratio at 4.15 times and Debt Service Coverage Ratio at 2.34 times as on March 31, 2023. The net cash accruals to total debt (NCA/TD) stood at 0.27 times in FY2023.

Going forward, Acuité believes that the financial risk profile will remain healthy over the medium term, backed by steady accruals with no major debt funded capex plans.

### **Weaknesses**

- **Presence in a highly regulated and competitive Industry**

The education sector is highly regulated with the government deciding on the maximum student intake, fees, mandatory facilities, faculty strength and even faculty salary to an extent. Any adverse government regulations may impact the trust's revenue growth and accruals. The student-teacher ratio is within the stipulated norms for all the institutes. The instituted run by the trust faces stiff competition from other reputed institutions in the vicinity which puts pressure to attract fresh students. Given the competition, the ability of the trust to attract requisite students in tune with its sanctioned intake would be a challenge. However, considering GDRES has an established brand presence and has been consistently producing

academic achievements, the society has been insulated from the competition to some extent. Acuité believes that GDRES's ability to scale up its operations while maintaining profitability will be a key rating monitorable.

- **Geographic Concentration of the institutes**

Although GDRES enjoys a brand recognition, its operations are confined within Bhilai, Chhattisgarh. Presently, the trust does not have any plans to diversify into new institutes or increase its presence in any other states. The same leads to geographic concentration of the trust and is expected to be a limiting factor in its growth trajectory over the medium term.

### **Rating Sensitivities**

- Scaling up of operations while maintaining their profitability margin
- Addition of new curriculum leading to increase in number of enrolments
- Any debt funded capex plans

### **Liquidity Position Adequate**

The trust has adequate liquidity profile as reflected in steady cash accruals and absence of debt funded capex plans. The trust had a net cash accrual of Rs.25.24 Cr as on March 31, 2023 as against term debt repayment of Rs.6.20 Cr over the same period. Further, the current ratio also stood comfortable at 6.82 times as on March 31, 2023. Moreover, the cash and bank balances of the trust stood at Rs.5.97 Cr as on March 31, 2023. Acuité believes that the trust will maintain adequate liquidity position due to steady accruals vis-à-vis its maturing debt obligations and comfortable current ratio over the medium term.

### **Outlook**

Not Applicable

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	97.14	95.48
PAT	Rs. Cr.	10.43	15.69
PAT Margin	(%)	10.74	16.43
Total Debt/Tangible Net Worth	Times	0.52	0.55
PBDIT/Interest	Times	4.15	6.00

### 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, Acuite 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Oct 2023	Term Loan	Long Term	49.90	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	8.00	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	4.50	ACUITE BBB   Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	0.60	ACUITE BBB   Stable (Reaffirmed)
08 Mar 2023	Proposed Long Term Loan	Long Term	55.00	ACUITE BBB   Stable (Assigned)

## 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 avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.60	Not Applicable   Withdrawn
TATA Capital Financial Service Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 May 2030	Simple	57.90	ACUITE BBB   Reaffirmed & Withdrawn
Avanse Financial Services Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Sep 2026	Simple	4.50	ACUITE BBB   Reaffirmed & Withdrawn

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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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