

September 15, 2015

| Facilities | Amount (Rs. Crore) | Ratings |
|----------------|-----------------------|-----------------------------|
| Term Loan I | 13.30 | SMERA BBB/Stable (Assigned) |
| Term Loan II | 0.81 | SMERA BBB/Stable (Assigned) |
| Term Loan III | 9.16 | SMERA BBB/Stable (Assigned) |
| Overdraft | 3.00 | SMERA BBB/Stable (Assigned) |
| Bank Guarantee | 1.18 | SMERA A3+ (Assigned) |

SMERA has assigned ratings of '**SMERA BBB**' (read as **SMERA triple B**) and **SMERA A3+** (read as **SMERA A three plus**) to the above mentioned bank facilities of Goa Institute of Management (GIM). The outlook is '**Stable**'. The rating derives comfort from the long track record of operations, qualified and experienced management and healthy business and financial risk profile of GIM. However, the rating is constrained by the small scale of operations, geographical concentration risk, limited number of courses offered and intense competition in the highly regulated education industry.

GIM, established in 1993, is a Goa-based educational society that offers part-time and full-time management courses. The institution benefits from the highly qualified and experienced management.

GIM's fee income increased from Rs.15.30 crore in FY2011-12 to Rs.38.33 crore in FY2014-15 on account of the Post Graduate Diploma in Health Care Management course and also due to the increase in the overall sanctioned intake from 240 seats to 360 seats. The full time management course has a 100 per cent intake and other courses operate at around 40 per cent intake. The margins of the society have remained uneven during the period understudy however they stand healthy with EBITDA at 39.52 per cent and PAT margin at 17.59 per cent for FY2014-15.

GIM has a healthy financial risk profile. The gearing of the society has improved from 2.39 times as on March 31, 2014 to 1.34 times as on March 31, 2015. The interest coverage ratio stands healthy at 4.64 times for FY2014-15. The society plans to set up two new hostels for the Health Care management course at an estimated cost of around Rs.10.00 crore to be funded by term loan of Rs.8.00 crore and the balance through internal accruals. The project is expected to commence from September, 2015 and be completed by May, 2017. GIM has healthy net cash accruals of around Rs.12.00 crore as against a yearly repayment obligation of ~Rs.7.00 crore.

The institute under GIM currently offers only post graduate management courses which restricts the scalability of revenues. Further, GIM also faces competition from other B-schools located in Tier 1 cities of India.

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Rating Sensitivity Factors

- Increase in the sanctioned intake
- Growth in scale of operations
- Stability of margins
- Debt funded capex plans

Outlook: Stable

SMERA believes that GIM will benefit from its established track record of operations. The outlook may be revised to 'Positive' if the society's scale of operations increases on the back of further increase in fee receipts, while maintaining its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if the society fails to achieve the scalability amidst intensifying competition in the area of operation or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded capex.

About the Institute

GIM was founded in 1993 by Father Romuald D'Souza, former director, XLRI-Jamshedpur and founder-director of XIM-Bhubaneswar, along with a few senior industry members. The society currently operates one B-school in Goa under the same name.

The institute offers a full-time (two year) residential Post-Graduate Diploma in Management (PGDM), a three-year part time PGDM and PGDM Healthcare Management (PGDM-HCM). GIM has sanctioned intake of 240 seats for its full time PGDM, 60 seats for PGDM (part time) and 60 for PGDM-HCM. The institute has two campuses in Goa, one at Ribandar for PGDM-HCM and the other at Sanquelim (Goa). The institute also has an active collaboration with the University Of Antwerp (Belgium), Universidade Catolica, Lisbon (Portugal) and the Fancoschule Ingolsta for joint projects and student exchanges.

For FY2014-15, GIM registered a surplus of Rs.6.74 crore on operating income of Rs.38.33 crore, as compared with a surplus of Rs.6.61 crore on operating income of Rs.31.37 crore for FY2013-14.

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