



SMERA RATINGS LIMITED

Gateway Education and Charitable Society (GECS)

*Rating
Rationale*

January 30, 2014

Facilities	Amount (Rs. Crore)	Rating
Overdraft	1.00	SMERA B/Stable(Assigned)
Term Loan	20.00	SMERA B/Stable(Assigned)

SMERA has assigned a rating of '**SMERA B**' (read as **SMERA B**) to the Rs.21.00 crore long-term bank facilities (fund based) of Gateway Education and Charitable Society (GECS). The outlook is '**Stable**'. The rating is primarily constrained by the society's small scale of operations in a highly competitive education industry. The rating is also constrained by the society's weak profitability and the short operational track record of the recently introduced courses. However, the rating is supported by the society's steady growth in fee receipts and diversified course portfolio.

GECS is a Haryana-based society engaged in setting up and running of educational institutes since 2005. GECS has small-scale operations with revenues of Rs.13.11 crore in FY2012-13 (refers to financial year, April 01 to March 31). The society faces intense competition from several institutes in the education sector. GECS's operating profit margin declined from 40.70 per cent in FY2010-11 to 20.58 per cent in FY2012-13. Further, the society registered deficit of Rs.1.91 crore for FY2012-013, as compared with surplus of Rs.0.63 crore for FY2011-012. The rating is also constrained by the short operational track record of the recently introduced courses.

GECS's revenues increased at a strong compound annual growth rate (CAGR) of 50 per cent during FY2008-09 to FY2012-13 on account of increase in school fees and commencement of new courses.

Rating sensitivity factors

- Increase in admission rate and generation of higher fee receipts
- Timely servicing of term loan obligations
- Debt-funded capital expenditure plans

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Outlook: Stable

SMERA believes the outlook on GECS's rated facilities will remain stable over the medium term. The society's ability to expand its scale of operations without compromising on liquidity position will be a key rating sensitivity. The outlook may be revised to 'Negative' in case of a sharp deterioration in the society's capital structure. The outlook may be revised to 'Positive' in case the society maintains strong growth in fee receipts while achieving improvement in liquidity position and working capital management.

About the society

GECS, established on November 21, 2005, is a Haryana-based society headed by Mr. Rakesh Aggarwal (President), Mr. H. P. Mangla (Executive President), Ms. Anju Aggarwal (Vice President 1), Ms. Anju Mangla (Vice President 2), Mr. Rahul Mangla (General Secretary), Mr. Sahil Aggarwal (Treasurer), Mr. Manoj Kumar (Executive Member) and Mr. Ajay Mangla (Executive Member).

GECS currently manages the following four educational institutes in Delhi NCR, Haryana:

1. Gateway International School
2. Gateway Institute of Engineering & Technology
3. Gateway College of Architecture & Design
4. Gateway Institute of Hotel & Tourism Management

For FY2012-13, GECS reported deficit of Rs.1.91 crore on total income of Rs.13.11 crore, as compared with surplus of Rs.0.63 crore on total income of Rs.9.75 crore for FY2011-12. Further, the society registered total income of Rs.17.10 crore (provisional) during April 01, 2013 to December 25, 2013.

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