

June 30, 2015

Facilities	Amount (Rs. Crore)	Rating
Overdraft	1.00	SMERA BB-/Stable (Upgraded from SMERA B/Stable)
Term Loan	20.00	SMERA BB-/Stable (Upgraded from SMERA B/Stable)

SMERA has upgraded the long-term rating on the Rs.21.00 crore bank facilities of Gateway Education and Charitable Society (GECS) to '**SMERA BB-**' (read as **SMERA double B minus**) from '**SMERA B**' (read as **SMERA B**). The outlook is '**Stable**'. The upgrade is in view of the steady growth in fee receipts, diversified portfolio of courses offered and improvement in the financial risk profile. However, the rating continues to be constrained by the small scale of operations in a highly competitive education industry, weak profitability and short operational track record of the recently introduced courses.

Update

GECS has reported deficit of Rs.0.93 crore on total income of Rs.17.40 crore for FY2013-14, as compared with deficit of Rs.1.91 crore on total income of Rs.13.11 crore in FY2012-13. Further, the society has reported surplus of Rs.0.13 crore (provisional) on total income of Rs.21.20 crore (provisional) in FY2014-15. The society's net worth stood at Rs.12.70 crore as on March 31, 2014 as compared with Rs.11.28 crore a year earlier.

GECS's revenues increased at a compounded annual growth rate (CAGR) of 47 per cent for the period from FY2008-09 to FY2013-14 on account of increase in school fees and commencement of new courses. The society has reported improvement in financial risk profile marked by moderate gearing position and debt protection metrics. The society's debt-equity ratios stands at 1.83 times (provisional) as on March 31, 2015 as compared to 2.54 times as on March 31, 2013. Further, the interest coverage ratio stands at 3.09 times (provisional) as on March 31, 2015 as compared to 2.54 times as on March 31, 2013.

The institutes under GECS offer diversified portfolio of courses in Sonipat region where there is intense competition from established and upcoming educational institutes offering similar courses. Further, the operational track records of the recently introduced courses with respect to student pass out and placement ratio is limited.

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Rating sensitivity factors

- Improvement in occupancy rate leading to higher fee receipts
- Timely servicing of interest obligations and principal on term loans availed
- Debt funded capex plans

Outlook: Stable

SMERA believes GECS' will maintain a stable business risk profile over the medium term on account of its experienced management. The society's ability to expand its scale of operations without compromising on liquidity will be a key rating sensitivity. The outlook may be revised to 'Positive' if the society achieves steady growth in enrolment rate with improvement in liquidity profile through a comfortable working capital cycle. However, the outlook may be revised to 'Negative' in case of a sharp deterioration in the company's liquidity position and financial risk profile.

About the Society

Gateway Education and Charitable Society (GECS) was established on 21st November 2005. GECS is 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 6 educational institutes – 01 School and 5 Colleges

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

The educational institutes of GECS are situated in Delhi NCR Sonipat, Haryana.

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