

Gateway Education and Charitable Society: Reaffirmed

Facilities	Amount (Rs. Crore)	Rating/Outlook
Overdraft	1.00	SMERA BB-/Stable (Reaffirmed)
Term Loan	20.00	SMERA BB-/Stable (Reaffirmed)

SMERA has reaffirmed the rating of **'SMERA BB-' (read as SMERA double B minus)** on the Rs.21.00 crore bank facilities of Gateway Education and Charitable Society (GECS). The outlook is **'Stable'**.

The rating continues to derive support from the steady growth in fee receipts, variety of courses offered and a comfortable 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.0.94 crore on total income of Rs.20.33 crore for FY2014-15, as compared with deficit of Rs.0.93 crore on total income of Rs.17.40 crore in FY2013-14. Further, the society has reported surplus of Rs.1.20 crore (provisional) on total income of Rs.24.02 crore (provisional) in FY2015-16.

GECS's revenues increased at a compounded annual growth rate (CAGR) of 20 per cent from FY2011-12 to FY2015-16 on account of steady growth in fees and increase in enrolment rates for new courses. The society reported a comfortable financial risk profile marked by comfortable gearing and adequate debt protection metrics. The society's gearing ratios stood at 1.35 times (provisional) as on March 31, 2016 as compared to 1.86 times in the previous year. Further, the interest coverage ratio stood at 4.47 times (provisional) as on March 31, 2016 as compared to 2.46 times as on March 31, 2015.

While the institutes under GECS offer a variety of courses in Sonipat, there's intense competition from established and upcoming educational institutes offering similar courses. Further, the track records of the recently introduced courses with respect to student pass out and placement ratio is limited.

Rating Sensitivity Factors

- Improvement in enrolment rate leading to higher fee receipts
- Debt funded capex plans

Outlook-Stable

SMERA believes GECS will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the society achieves steady growth in enrolment rate resulting in increase in revenue receipts. Conversely, the outlook may be revised to 'Negative' in case of substantial decline in revenue and surplus due to lower than envisaged number of students. Any major debt-funded capex undertaken by the society resulting in deterioration of the financial risk profile may also entail a 'Negative' outlook.

About the Society

GECS established in 2005 is headed by Mr. Rakesh Aggarwal (President), Mr. H. P. Mangla (Executive President), Ms. Anju Aggarwal (Vice President) and others. GECS manages six educational institutes from its campus at Sonipat, Haryana. GECS has around 4000 students.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
30 June, 2015	Overdraft	1.00	SMERA BB- (Upgraded from SMERA B)	-	Stable
	Term Loan	20.00	SMERA BB- (Upgraded from SMERA B)	-	Stable
30 Jan, 2014	Overdraft	1.00	SMERA B (Assigned)	-	Stable
	Term Loan	20.00	SMERA B (Assigned)	-	Stable

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ABOUT SMERA

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