G D Goenka University

January 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	120.00	CARE BBB; Stable	Upgraded from CARE BBB-; Stable
Short Term Bank Facilities	15.00	CARE A3+	Upgraded from CARE A3

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgrade in ratings assigned to the bank facilities of G D Goenka University (GDGU) factors in consistent improvement in the operational performance over the last few fiscals marked by steady growth in scale of operations supported by increase in student base, increase in fee across courses in FY24 (refers to the period April 01 to March 31), diverse course offerings including addition of new courses has led to consistent improvement in profitability margin. The ratings also continue to draw comfort from GDGU's collaborations with various other universities, institutes, and corporates of repute to offer new courses including those under the skill development program which are likely to drive growth in ensuing years and strong parentage of G D Goenka Group with established track record in education sector. The ratings, however, constrained by leveraged capital structure owing to past accumulated losses with elevated debt levels against modest net worth base, regulatory challenges, and intense competition in the education industry along with constant requirement to incur capex to upgrade and expand its infrastructure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained growth in student base leading to growth in total operating income (TOI) along with PBILDT margin (Profit Before Interest, Lease Rental, Depreciation and Taxation) more than 30%.
- Consistent improvement in profitability margin resulting into overall gearing below 1.50x on a sustained basis.
- Improvement in interest coverage ratio above 4.00x on sustained basis.

Negative factors

- Consistent decline in scale of operations below Rs.120.0 crore along with decline in PBILDT margin below 20% on a sustainable basis.
- Significant increase in total debt leading to deterioration in capital structure marked by TDGCA (Total Debt to Gross Cash Accruals) above 4.50x on sustained basis

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings) expectation of improvement in operating performance of the university driven by enrolment of new students and tie-ups with various educational brands.

Detailed description of key rating drivers:

Key strengths:

Improved operational performance: The university has experienced significant growth, with growing scale of operations at a CAGR (Compound annual growth rate) of ~35% over the past 3 fiscal years as marked by year-on-year increase in total operating income to Rs.152.65 crore in FY24 as against Rs.61.95 crore in FY21. This increase is largely driven by the enrolment of 2,317 new students in FY24 (PY: 2,237 new students) coupled with increase in fees across various courses and the introduction of various new value-added courses of IBM, HCL, Google offered by the company. Further, it has dedicated courses for international students and have their own hostel facility with total strength of 1440 students and expected to reach 2,200 students by end of FY25. Further, in recent past, boarding income was minimal since most of the classes were done online due to outbreak of COVID and residential students were negligible.
Further, the profitability margins of the university have improved significantly as evident by PBILDT margin of 33.42% in FY24 (PY: 23.34%) on the back of better scale of operations and saving in overhead. Consequently, in line with PBILDT margin, PAT margin also improved to 20.13% in FY24 (PY: 1.22%).
5MFY24 (refers to the period from April 01, 2024 to August 31, 2024): the university has reported the TOI of ~Rs.82 crore and expected to achieve Rs.170 crore in current fiscal.

Diverse course offering: GDGU offers undergraduate and post graduate programs in the field of architecture & Planning, Hospitality, Engineering, fashion & design, management, and others catering to around 5690 students. The consistent increase in student strength provides high revenue visibility and improving profitability as against minimal increase in the fixed overheads.

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[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Additionally, the university is continuously adding new schools and courses to increase its market presence and diversify its revenue stream from various courses. Among its flagship programs, Engineering course has witnessed new enrolments of 710 students, fashion and design boast a new enrolment of 136 students, while the management program, with 280 new students and Medical Science with 505 new students. In academic year 2023-24, the company has also started a new G D Goenka High School, affiliated with CBSE. The institution is also focusing towards agricultural and nursing courses, thereby further expanding their course offerings.

Collaborations with various educational brands and addition of new courses under the skill development program: The university has initiated partnerships with several esteemed global educational institutions like the United world Institute of Design (UID) and Le Cordon Bleu International to offer specialized courses at a premium. Additionally, the university has also collaborated with organizations such as the ICICI Foundation, Jindal Steel Works, Ministry of Tourism, and Ministry of Electronics under the government's skill development program. In this program, partners provide course material while the university designs certification courses based on this material. In the fiscal year 2024, the university has already enrolled 2000 students under this program, with expectations to reach 3,000 students in the following fiscal year.

Experienced promoters and established brand of "GD Goenka" group: Incorporated in 1994, Genuine Promoters (GP) is promoted by Mr. Anjani Goenka and is a part of GD Goenka Group (Goenka group). In fiscal 2013-2014, the company was rebranded as G D Goenka University. Currently, Mr. Nipun Goenka serves as the managing director of the company, overseeing the expansion of the university's offerings into diverse courses. The group has an experience of more than 29 years in the education sector and operates many education institutions. The Goenka group also has over 200 schools operating under the franchise model from which they earn royalty and sign-up fees. It also operates G.D. Goenka Tourism Corporation Private Limited which is in the field of Travel & Tourism. Goenka Group has established a strong brand presence especially in the northern part of the country through its continued marketing and branding efforts and multilocation presence as reflected by increasing number of franchise schools and students over the past years. The promoters in the past have demonstrated support in the form of extending unsecured loans to support the operations.

Key weaknesses

Leveraged capital structure albeit moderate debt coverage indicators: The university's capital structure remains leveraged as marked by modest net worth of Rs.19.30 crore as on March 31, 2024 as against the total debt of Rs.156.43 crore on the same date. This results in a leveraged capital structure, evidenced by the overall gearing ratio of 8.10x as on March 31, 2024 as against negative 14.63x on March 31, 2023, primarily on account of debt funded capex and exhaustion of net worth due to continued and accumulated losses in the past caused by high depreciation and finance expenses in the initial years of operations.
However, owing to improving profitability margin, the debt coverage indicators of the company though slightly improved yet remains moderate as marked by Interest coverage ratio & Total Debt to GCA of 2.87x and 3.91x, respectively in FY24 as against 1.47x and 15.84x, respectively in FY23.

Regular need to incur capex: Being an educational institution, there would always be a need for continuous capex to upgrade / setup infrastructure for existing courses as well as to meet the requirement as per the increasing enrolments. The said risk gets minimized by sufficient cash accruals generated by GDGU which will be utilized to fund these capex programs. However, GDGU may have to resort to additional debt to fund capex programs in case of large sized projects for which cash accruals may not be sufficient which might result in deterioration in its capital structure.

Prospects of growth in the industry amidst regulatory risk: The education industry in India falls under the concurrent list, making it a shared responsibility of both state and central governments. The Ministry of Human Resource Development at the central level sets the standards and policies for higher and technical education. This sector is further regulated by federal agencies such as the University Grants Commission (UGC), the All India Council for Technical Education (AICTE), and various specialized bodies like the Medical Council of India and the Bar Council of India. Educational institutions face regulatory challenges, including compliance with regulations on fee structures, seat allocations, and curriculum changes. Additionally, universities contend with high competition from both smaller and larger institutions, as students seek quality education, modern infrastructure, and comprehensive course offerings. Therefore, the prospects of GDGU hinge on its ability to deliver quality education through experienced faculty, despite the intense competition in terms of infrastructure.

Liquidity: Adequate

The liquidity position of the university remains adequate as characterized by sufficient cushion in expected gross cash accruals of Rs.33.01 crore in FY25 vis-à-vis schedule debt repayment of Rs.27.35 crore coupled with free cash and bank balances of Rs.18.60 crore as on March 31 ,2024 as against Rs.15.08 crore as on March 31, 2023. Further, academic year of the university is July to June, wherein the major portion of fees is collected in the months of July and January which is being used for the expenses to be incurred during next 6 months. The average utilization working capital limits remained ~50% for the trailing 12 months ending

November 2024. Being in the education sector the university has a negative operating cycle of 14 days for FY24 (PY: Negative 17 days).

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Education
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Other Consumer Services	Education

Formerly known as Genuine Promoters (GP), incorporated in July 1995, is a 'Not for profit' company registered under section 8 of The Companies Act 2013. It is promoted by Mr. Anjani Goenka and belongs to the GD Goenka group of educational institutions. During June 2020, the company changed its name to G D Goenka University (GDGU). GDGPL has been engaged in dissemination of education through GDGU since its launch in August 2013, located at Sohna, Gurgaon Road, Haryana. GDGU, a UGC recognized university offers various undergraduate and post graduate programs in the field of Hospitality, Engineering, Management, Fashion & Design, Architecture & Planning, Law, Communication, Humanities and Education.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	5MFY25 (UA)
Total operating income	108.59	152.65	82.94
PBILDT	25.35	51.02	NA
PAT	1.32	30.73	NA
Overall gearing (times)	-14.63	8.10	NA
Interest coverage (times)	1.47	2.87	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	31/03/2028	120.00	CARE BBB; Stable
Fund-based - ST-Bank Overdraft		-	-	-	15.00	CARE A3+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	120.00	CARE BBB; Stable	-	1)CARE BBB-; Stable (04-Mar-24)	1)CARE BBB-; Stable (07-Dec-22)	1)CARE BBB-; Stable (01-Oct-21) 2)CARE BB+; Stable; ISSUER NOT COOPERATING* (06-Apr-21)
2	Fund-based - ST-Bank Overdraft	ST	15.00	CARE A3+	-	1)CARE A3 (04-Mar-24)	1)CARE A3 (07-Dec-22)	1)CARE A3 (01-Oct-21) 2)CARE A4+; ISSUER NOT COOPERATING* (06-Apr-21)

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - ST-Bank Overdraft	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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