

Brilliant Grammar School Educational Society

March 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	23.84 (Reduced from 26.27)	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to bank facilities of Brilliant Grammar School Educational Society (BGSES/ the society) continues to be constrained by elongated operating cycle days, continuous decline in SBILDT, uneven cash flow associated with educational institutes, and presence in highly competitive and regulated industry. However, the rating derives strength from established track record and experienced society members, deterioration in operational performance in FY24, wide spectrum of courses offered by the society with all statutory approvals in place, adequate infrastructure facilities, improved operational performance in FY24 and comfortable financial risk profile.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing gross receipts to above ₹120 crore with surplus after taxes (SAT) margin of more than 3%.
- Improving collection days to below 100 days.

Negative factors

- Overall gearing above 1.5x, going forward.
- Significantly declining enrolment ratio to below 50%.

Analytical approach: Standalone

Outlook: Stable CARE Ratings Limited (CARE Ratings) expects the society to sustain its improved operational performance supported by introducing new courses and increasing student strength supported by increase in demand.

Detailed description of key rating drivers:

Key weaknesses

Competitive market conditions

The education sector is highly fragmented with a large number of small and big players due to high growth opportunities and government's thrust on education for all. Therefore, players in this industry are exposed to competition-induced pressures on student enrolments and overall student strength. BGSES faces high competition for its school and other popular courses such as BTech, MBA, and Diplomas among others, from other educational institutes located in the vicinity.

Elongated operating cycle

The operating cycle of the society has deteriorated and remained elongated to 193 days as on March 31, 2024, as against 155 days as on March 31, 2023, on account of stretched receivables days of 200 days in FY24 (PY 162 days) because of delay in receipt of fees from Telangana state Government under fee reimbursement scheme. The society's major debtors include government scholarship which is secured under 'Fees Reimbursement Scheme' of the Government. Debtors as on March 31, 2024, stood at Rs.47.96 crore and around 70% of the debtor pertains of state government.

Regulatory challenges in the sector

BGSES operates in a highly regulated industry. Despite increasing trend of privatisation of education in India, the sector continues to operate under stringent regulatory purview. In addition to UGC and AICTE, educational institutions are regulated by respective state governments regarding number of management seats, tuition fee charged for government quota and management quota, giving limited flexibility to institutions. Furthermore, for self-financing colleges, fees are governed by a statutory body. Operating flexibility in the education sector is limited, as regulations govern almost all aspects of operations, including fee structure, number

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

of seats, changes in curriculum and infrastructure requirements. These factors have significant impact on revenue and profitability of institutions.

Uneven cash-flow associated with educational Institutes

The society's revenue stream is skewed towards the beginning of AY (normally between June-August for colleges and March-April for schools), when bulk of the tuition fees, hostel fees and other related income is collected, whereas the society incurs regular stream of payments for meeting staff salary, maintenance activities, interest expenses among others.

Key strengths

Established track record of the society and experienced and resourceful society members:

The society has a track record of more than three decades. K Narayan Reddy (Chairman) has close to three decades of teaching experience in educational institutions. Other key society members are also well-qualified and have around two decades of experience in the educational sector. BGHS has around 2,000 teaching staff, while Brilliant Group of Technical Institutions (BGTIs) have around 500 teaching staff. K Narayan Reddy looks after the day-to-day operations of BGSES and is assisted by other members of the society and directors of management committee of BGTIs. Trustees are resourceful and infused unsecured loans regularly, when needed.

Moderate operational performance in FY24:

The society's total operating income decreased by 6.03%, amounting to Rs. 79.86 crore in FY24 compared to Rs. 85.03 crore in FY23. This decline was primarily due to a reduction in school receipts, to Rs. 35.81 crore in FY24 from Rs. 38.92 crore in FY23. The SBILDT margin decreased to 11.29% in FY24 from 14.44% in FY23, due to increased operational expenses, including other expenses and other manufacturing expenses. PAT margin decreased to 1.67% in FY24 from 4.58% in FY23, on account moderate interest and depreciation costs.

Comfortable financial risk profile:

The capital structure of the society remained comfortable and in line with PY marked by overall gearing ratio at 0.41x as on March 31, 2024, on account of repayment of unsecured loan and decrease in working capital o/s as on March 31, 2024, and accretion of profit to the net worth. The total debt of the society stood at Rs.27.35 crore out of which unsecured loan is Rs.1.63 Cr (PY 2.59 Cr) OD is Rs. 11.96 Cr (PY 7.80) and term loan is Rs. 13.76 Cr (PY. 16.97 Cr). The society has availed term loans towards development of infrastructure of colleges and school and to meet the working capital requirement. It has availed working capital term loan of Rs.10.00Cr from Union Bank of India.

Wide spectrum of courses offered by the society with all statutory approvals and adequate infrastructure facilities:

BGTI offers various undergraduate and postgraduate courses engineering, business administration and management, and diploma courses in diversified fields. BGTI consists of three engineering colleges, MBA courses in two colleges, and pharmacy course in one college. All institutes are approved by All India Council for Technical Education (AICTE), New Delhi, Pharmacy Council of India (PCI), New Delhi and are affiliated to JNTU, Hyderabad. It also has Polytechnic course in all the three institutes, approved by "State Board of Technical Education and Training (SBTET). BGHS has requisite approval from Board of Secondary Education (BSE), Telangana for all schools.

Liquidity: Adequate

Liquidity is marked by adequate with GCA of Rs. 6.21 crore in against repayment obligation of Rs. 2.90 crore in FY25. The society has cash and bank balance of Rs. 6.34 crore as on March 31, 2024. With a gearing of 0.41x as of March 31,2024, the issuer has sufficient gearing headroom, to raise additional debt for its capex. Average utilisation of working capital limit for the past 12-months stood at 74.84%.

Assumptions/Covenants: Not Applicable

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](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

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

BGSES was established in 1986 named as BGHS at Dilsukhnagar, Hyderabad. To cater to growing demand for technical education in Telangana, BGSES established BGTI in 2008 with two engineering colleges, Brilliant Institute of Engineering and Technology (BIET) and Kasireddy Narayan Reddy College of Engineering and Research (KNRCER), providing engineering and MBA courses. In 2009, BGSES started its third engineering college, Brilliant Grammar School Educational Society's Integrated Campus (BRIGIC), under BGTI with engineering and pharmacy courses.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25
Total operating income	85.03	79.86	65.40
PBILDT	12.28	9.02	N.A
PAT	3.90	1.34	2.26
Overall gearing (times)	0.42	0.41	3.18
Interest coverage (times)	3.90	2.88	N.A

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-Bank Overdraft		-	-	-	12.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	March 2027	4.01	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	March 2032	7.83	CARE BB+; Stable

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*	7.83	CARE BB+; Stable	1)CARE BB+; Stable (01-Apr-24)	1)CARE BB+; Stable (05-Apr-23)	-	1)CARE BB+; Stable (31-Mar-22) 2)CARE BBB-; Stable (01-Apr-21)
2	Fund-based - LT-Bank Overdraft	LT	12.00	CARE BB+; Stable	1)CARE BB+; Stable (01-Apr-24)	1)CARE BB+; Stable (05-Apr-23)	-	1)CARE BB+; Stable (31-Mar-22) 2)CARE BBB-; Stable (01-Apr-21)
3	Fund-based - LT-Term Loan	LT	4.01	CARE BB+; Stable	1)CARE BB+; Stable (01-Apr-24)	1)CARE BB+; Stable (05-Apr-23)	-	1)CARE BB+; Stable (31-Mar-22) 2)CARE BBB-; Stable (01-Apr-21)

*LT: Long 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-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender detailsTo 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:

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