

Guru Nanak Dev Educational Society

April 19, 2018

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating action
Long-term Bank Facilities	7.00	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Total	7.00 (Rs. Seven crores only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale and key rating drivers

The rating assigned to the bank facilities of Guru Nanak Dev Educational Society is constrained by small scale of operations, leveraged capital structure, low enrollment ratio and intense competition from established and upcoming educational institutes. The rating is further constrained by its presence in highly regulated educational sector in India. The rating however draws comfort from experienced members of the society, growing scale of operations, moderate surplus margins and coverage indicators, buoyant prospects of higher cum professional education of sectors, diverse course offerings and well established infrastructure.

Going forward; ability of the society to scale up its operations while maintaining its profitability margins and improvement in the enrollment ratio shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small though growing scale of operations

The scale of operations of the society stood small at Rs.13.41 crore in FY17 (refers to the period April 1 to March 31). Furthermore, the corpus fund of the society also remains relatively small at Rs.6.24crore as on March 31, 2017. The small scale limits the society's financial flexibility in times of stress and deprives it from scale benefits.

Though, the risk is partially mitigated by the fact that the scale of operations has been growing continuously. GDES's total operating income grew from Rs.5.70crore in FY15 to Rs.13.41crore in FY17 reflecting a CAGR of around 53.38%. The increase in the total income can be attributed to the increase in the fee amount and increase in the total student strength (from 1325 students for academic batch 2015-16 to 2086 students for academic batch 2016-17).The society has achieved total operating income of Rs.12.00crore in 10MFY18 (refers to the period April 17 to January 18; based on provisional results).

Leveraged Capital Structure and Low enrollment ratio

The capital structure of the society stood leveraged on account of on account of accretion of profits to corpus funds. The overall gearing stood high as indicated from 2.09x as on March 31, 2017. The enrollment ration of society also stood low due to high competition at 66% seats for all the courses offered by it. The society offers graduate and post graduate degree in various field such as Botany, Chemistry, Zoology etc.

Intense competition from established and upcoming educational institutes

GDES has its institutes within three campus located in Senwla Khurd, Saharanpur Road, Dehradun which limits the reach penetration level for the society to tap opportunities. Furthermore, due to increasing focus on technical education in India, a number of colleges have been opened up in close proximity. This exposes the revenue of the college to competition from other colleges. However, despite the high competition, GDES has been able to increase its scale of operations by adding more streams and seats to its colleges.

Highly regulated educational sector in India

In addition to GDES institutes other educational institutes are regulated by respective State Governments with respect to the number of management seats, amount of the tuition fees charged for the Government quota and management quota. The factors have a significant impact on the revenue and surplus of the institution. The state and central Government have provided thrust to demand for engineering colleges by introducing policy changes like abolition of

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

entrance exams for admission in professional course. The education industry remains highly regulated industry with constant intervention from the central state government and other regulatory bodies.

Key Rating Strengths

Experienced and qualified members of the society

Ms. Pushpa Warne is the current president of the society and has experience of more than one decade of experience in running education institution through his association with GDES. Mr. Gurudev Singh (Secretary) is an Engineer by education and has an experience of more than one and half decades in education through his association with GDES. Further, they are assisted by Mr. Suresh Naithani (Treasurer), a post graduate by qualification, has rich experience in the field of education, through his association with this society.

Diverse course offerings

GDES offers various specialized courses in diverse domains. It provides graduate and post graduate courses. Various different fields being covered by the society diversifies the revenue sources resulting in different stream of revenue generation along with less vulnerability to changes proposed in the course structure by GDES.

Moderate profitability margins and coverage indicators

The SBID and surplus margin of the institute stood moderate at 46.34% and 26.00% respectively in FY17. The SBID margin has shown improvement in FY17 over FY16 by around 85% mainly on account of increase in student strength and increase in fee structure leading to better absorption of fixed expenses and economies of scale. Further the surplus margin also improved from 6.71% in FY16 to 26.00% in FY17 due to improvement in SBID margin.

The coverage indicators also stood moderate for the past three financial year's i.e. FY15-FY17 owing to moderate profitability margins. Interest coverage ratio and total debt to GCA stood at 4.61x and 2.59x respectively for FY17.

Buoyant prospects of higher/professional education of sectors

GDES is primarily engaged in providing higher education which comprises of graduation and post-graduation courses. Demand for these courses is growing at a phenomenal pace in India. The increase in government spending on education over the years has provided an impetus to the growth of higher education in India. Higher governmental expenditure is propelling the growth of universities and with the growing number of universities, the number of colleges affiliated to these universities also witnessed a rise which has facilitated more and more opportunities to students spread across the nation. The enrolment across all courses in higher education has grown over the years. In an effort to expand the reach to tier- III cities and rural areas of the country and thereby spur enrolments, the central government's revenue expenditure allocation towards higher education has grown in the past few years.

Analytical approach: Standalone

Applicable criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE Methodology for Education Sector](#)

[Financial ratios – Non-Financial Sector](#)

About the Society

Guru Nanak Dev Educational Society (GDES) was registered as a society in August, 2001 under Societies Registration Act, 1860 with an objective to provide education services by establishing and operating various educational institutions. The society operates college under the name of Uttaranchal (Post Graduate) College of Technology & Bio- medical Sciences located at Dehradun, Uttarakhand offering various specialized courses in diverse domains such as Agriculture, Forestry, Horticulture Botany, Chemistry, Zoology, Aggronomy etc. The college is affiliated to H.N.B Garhwal Central University, Uttarakhand recognized by the Ministry of Human Resources Development (HRD) of the Government of India. GDES had a total strength of 2086 students in college for academic session 2016-17.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	8.88	13.41
PBILD	2.21	6.21
PAT	0.60	3.49
Overall gearing (times)	3.45	2.09
Interest coverage (times)	1.97	4.61

A-Audited ;Prov.-Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Mr Achin Nirwani

Tel: +91-11-45-333-228

Email: achin.nirwani@careratings.com

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	September 2022	2.70	CARE BB; Stable
Fund-based - LT-Cash Credit	-	-	-	4.30	CARE BB; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	2.70	CARE BB; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	4.30	CARE BB; Stable	-	-	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
 Cell: + 91 98190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
 Cell: + 91 98196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
 Cell: + 91 99675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 91 98209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited**(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careratings.com

HYDERABAD

Mr. Ramesh Bob
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91 98407 54521
 Tel: +91-80-4115 0445, 4165 4529
 Email: pradeep.kumar@careratings.com

JAIPUR

Mr. Nikhil Soni
 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 85111-53511/99251-42264
 Tel: +91- 0172-490-4000/01
 Email: anand.jha@careratings.com

KOLKATA

Ms. Priti Agarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: pratim.banerjee@careratings.com

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