



## Press Release

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### G.H. Rasoni Educational and Medical Foundation

November 03, 2020

#### Rating

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action
Long Term Bank Facilities	13.00 (reduced from Rs. 14.00 crore)	IVR BB /Stable (IVR Double B with Stable Outlook)	Reaffirmed
<b>Total</b>	<b>13.00</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The aforesaid rating assigned to the bank facilities of G.H. Rasoni Educational and Medical Foundation (GHREMF) continues to derive comfort from its experienced board of trustees with long track record in the education sector. The ratings also factor in its diversified portfolio of institutes, satisfactory infrastructure coupled with association of experienced faculties and positive demand outlook for education in India. However, the rating strengths are partially offset by its small scale of operations, operational deficits, susceptibility to regulatory risks, capital intensive nature of operation, geographical concentration and intense competition.

#### Rating Sensitivities

##### Upward Factors:

- Substantial improvement in scale of operations, resulting from better percentage of intake of students.
- Improvement in financial performance with improvement in the capital structure and debt protection metrics

##### Downward Factors:

- Significant decline in scale of operations and profitability impacting the liquidity
- Deterioration in the capital structure and/or deterioration in debt protection metrics.

#### Detailed Description of Key Rating Drivers

#### Key Rating Strengths



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- **Experienced Board of Trustee**

The promoters of the trust, the Rasoni group of Nagpur started their operations in the education sector in 1996. Mr. Sunil Rasoni, the main promoter and Chairman of GHREMF is highly experienced in the education sector with more than two decades of experience. He is actively involved in the management of the trust with support from Mr. Sudhakar Jagdale (Secretary) also having experience for over three decades.

- **Established track record of the society in successfully running educational institutions**

GHREMF, started its operations in 2006 with four educational institutes in Pune, out of which two are engineering colleges, one is commerce and arts college and one is a junior college. Currently, all the colleges are affiliated to the Pune University and is approved by All India Council for Technical Education (AICTE) and National Assessment and Accreditation Council. Moreover, the flagship college of the trust, G.H. Rasoni College of Engineering & Technology has been accredited 'A+' grade by NAAC, which increases its acceptability among students.

- **Diversified portfolio of institutes characterised by stable operations**

GHREMF through its several institutes offers a portfolio of courses. Out of its four colleges two are engineering colleges, one is commerce and arts college and one is a junior college. Among the several institutes under GHREMF, G. H. Rasoni College of Engineering & Management and G.H. Rasoni Institute of Engineering & Technology have been the major revenue contributors over the last two years.

- **Satisfactory infrastructure with association of experienced faculties leading to satisfactory enrolment rates in educational institutes**

The institutes under GHREMF has the privilege of having a number of experienced faculty members, which is essential in building a strong brand name and attracting quality students. The enrolment rate in all its Institutes has been increasing over the years.



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- **Positive demand outlook for education in India marked by significant demand for higher education**

The long-term demand outlook of the education industry remains favourable on the back of a significant demand-supply gap in the higher education space augurs well for the group. Further, demand for higher education is likely to improve in India on the back of rising awareness, increasing population and better affordability.

### Key Rating Weaknesses

- **Small scale of operations**

The trust's scale of operations continues to remain small with an operating revenue of Rs.42.15 crore in FY2020 (Prov.) [Rs.43.73 crore in FY19]. Small scale of operations restricts the financial flexibility to an extent. In March 2019, the trust sold its hostel property, hence no revenue was reported from hostel in FY20 against Rs. 3.36 crore reported in FY19 which also impacted the total operating revenue to an extent.

- **Operational deficits resulting in weak leverage indicators**

GHREMF continues to report operational deficits which has eroded the net corpus fund over the years there by resulting in weak leverage indicators. However, over the years the trust has also built sizeable Research and Development Fund which supports liquidity and credit risk profile of the trust.

- **Susceptibility to regulatory risks**

The education sector is highly regulated and compliance with specific operational and infrastructure norms set by regulatory bodies are important. Any regulatory changes that impact the flexibility of the trust to fix fees for the management quota seats may adversely impact the revenue profile and cash accruals.

- **Capital intensive nature of operation**

Education sector needs regular investment in the workforce and infrastructure to upgrade its facilities and to conduct the operations efficiently.



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- **Intense competition and geographical concentration risk**

The colleges under GHREMF faces intense competition from other colleges in attracting students and faculties. Further, it is also exposed to high geographical concentration risk due to presence of its institutes only in Pune. However, this risk is partly mitigated by the brand position enjoyed by the Rasoni group, as it has been operating since 1996.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-financial Sector)

**Liquidity: Stretched**

The liquidity profile of the trust is stretched and to avoid the cash flow mismatches, the Trust maintains research and development fund to meet its regular expenditure and debt servicing.

**About the Company**

G.H. Rasoni Educational & Medical Foundation (GHREMF), registered under Indian Trust Act, 1882, was established in 2006 by the Rasoni Group of Nagpur. The society has four colleges in Pune (G.H. Rasoni College of Engineering & Technology, G.H. Rasoni College of Engineering & Management, G.H. Rasoni College of Arts, Commerce & Science and G.H. Rasoni Junior College) out of which two are engineering colleges, one is commerce and arts college and one is a junior college. The promoters of the Rasoni Group started their operations in the education sector in Nagpur, under a trust named, “Ankush Shikshan Sanstha” in 1996 where they operate six colleges. Currently, all the colleges are affiliated to the Pune University and is approved by All India Council for Technical Education (AICTE) and National Assessment and Accreditation Council. All the Institutes are located within the campus with a total area of around 11 acres.



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### Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	43.73	42.15
EBITDA	0.34	0.34
PAT	8.21	-3.80
Total Debt	15.82	13.71
Tangible Net worth	-5.59	-3.56
EBITDA Margin (%)	0.78	0.81
PAT Margin (%)	14.64	-9.00
Overall Gearing Ratio (x)	NM	NM

\*Classification as per Infomerics' standards.

^ Not meaningful

**Status of non-cooperation with previous CRA:** Brickwork has moved the rating of GH Raisonni Educational and Medical Foundation into the Issuer Non-Cooperating category as the entity did not cooperate in the rating procedure despite repeated follow ups as per the Press Release dated October 22, 2020.

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Facilities- CC/SOD	Long Term	13.00	IVR BB/ Stable Outlook	IVR BB/ Stable Outlook (September 12, 2019)	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).



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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits– Cash Credit/Secured OD	-	-	-	13.00	IVR BB/ Stable Outlook