



Press Release

GRG Trust

August 27, 2024

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	66.27 (enhanced from 12.27)	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed/Assigned	Simple
Short Term Bank Facility	0.33 (reduced from 2.33)	IVR A2 (IVR A Two)	IVR A2 (IVR A Two)	Reaffirmed	Simple
Total	66.60 (Rs. Sixty Six Crore and Sixty Lakh Only)				

**Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2.
Detailed explanation of covenants is at Annexure 3.**

Detailed Rationale

The reaffirmation of the long-term rating and short-term rating assigned to the existing bank facilities, and the long-term rating assigned to the enhanced long-term bank facilities of GRG Trust (GRG) derives strength from the long track record of operations under experienced trustees, healthy debt protection metrics, and steady financial performance. These rating strengths are partially constrained by the competitive nature of the industry, and exposure to various government regulations.

Infomerics has also withdrawn the outstanding long-term rating of 'IVR BBB+/
Stable' assigned to the proposed term loan with immediate effect. The withdrawal has been taken at the request of GRG Trust. The rating is withdrawn in accordance with Infomerics' policy on withdrawal. Link to the withdrawal policy is provided below.



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Rating Sensitivities

Upward Factor

- Significant growth in scale of business with improvement in profitability metrics thereby leading to improvement in cash accruals and liquidity.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators and/or moderation in overall gearing.
- Any significant unplanned capex leading to a deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of operations under experienced trustees

GRG Trust was incorporated in 1958 and over the years it has become a very reputed and trusted brand and all its institutions thus attract a lot many students primarily from Tamil Nadu on a consistent basis. The current trustees are Mr. G. Rangaswamy, Dr. R. Nandini, Mrs. Aruna Ramakrishnan, and Mr. J. Vijayakumar and all of them have multiple decades of experience in overseeing educational institutions.

Healthy debt protection metrics

The overall gearing of the trust slightly deteriorated from 0.03x on March 31, 2023 to 0.05x on March 31, 2024 (Provisional) while still remaining comfortable. Total indebtedness as reflected by TOL/TNW was maintained at 0.07x on March 31, 2023 and March 31, 2024 (Provisional). DSCR, post consideration of accretion to Development Fund Account and Examination Surplus Account, improved from 3.82x in FY23 to 6.67x in FY24 (Provisional). Interest coverage ratio improved from 45.73x in FY23 to 56.25x in FY24 (Provisional).

Steady financial performance



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While the TOI post consideration of accretion to Development Fund Account and Examination Surplus Account, improved by ~10% YoY from INR75.22 crore in FY23 to INR82.51 crore in FY24 (Provisional), the EBITDA remained more or less flat (INR31.40 crore in FY23, INR32.25 crore in FY24 (Provisional)). The key reason for that was the increase in staff salaries, particularly the teaching staff and increase in administration overheads in FY24 (Provisional). PBT and PAT also remained more or less flat (INR30.17 crore in FY23, INR29.53 crore in FY24 (Provisional)). As a result, EBITDA margin got compressed to 39.08% in FY24 (Provisional) from 41.75% in FY23, and PAT margin got compressed to 34.86% in FY24 (Provisional) from 38.83% in FY23. Having said those, the overall financial performance in FY24 (Provisional) was steady.

Key Rating Weaknesses

Competitive nature of the industry

The spectrum of the education industry in which the trust operates is highly competitive due to the presence of numerous players in India owing to relatively low entry barriers. This requires all the players to maintain a high quality of teaching, infrastructure and placement services. Deficiency in any of these leads to adverse reaction from potential students and have a negative bearing on the revenues of the educational institutions. It is thus imperative for all educational institutions including the ones of GRG Trust to maintain a high quality of teaching, infrastructure and placement services to attract sizeable number of students year after year.

Exposure to various government regulations

The education industry is highly regulated by the Government of India and various State Governments. Some of these regulations, which imposes restrictions on fees increase, etc., have a negative bearing on the financial performance of the educational institutions.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for service sector companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)



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[Criteria for assigning Rating outlook.](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Policy on Default Recognition and Post -Default Curing Period](#)

[Policy on withdrawal of ratings](#)

Liquidity – Adequate

The trust had a comfortable current ratio of 1.62x as on March 31, 2024 (Provisional). Current ratio is expected to remain between 1.18x and 1.94x during March 31, 2025 to March 31, 2027. The GCAs of each of the years between FY25 and FY27 are expected to cover the debt repayments due in the respective years. The operating cycle was -58 days in FY24 (Provisional). No CC facility is availed by the trust. Cash and FD balance as on 31.03.2024 was INR4.53 crore.

About the Trust

GRG Trust is an educational trust founded in the year 1958 by Sri G.Govindarajulu solely and wholly for the benefit of women. The Trust is now run under the expert guidance of Sri.G.Rangaswamy, the Managing Trustee of GRG Trust and Smt. Nandini Rangaswamy , the Founder Trustee of GRG Trust. The main objective of GRG Trust is Education. The Institutions run by the Trust cater to Primary, Secondary and Collegiate education in Coimbatore. Over the last 60 years and more of its existence, GRG has been signifying excellence in education in South India. The respective institutions are duly approved by the concerned Educational department of the State/Central Government, as well as Bharathiyar University and AICTE. As on date, the Trust is running 11 educational Institutions and offer courses from LKG to Post Graduate. There are about 13,500 students and 1250 teaching & non-teaching staff in the institutions.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2023	31.03.2024
	Audited	Provisional
Total Operating Income	75.22	82.51
EBIDTA	31.40	32.25
PAT	30.17	29.53
Total Debt	6.42	11.68
Tangible Net Worth	226.68	257.41



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EBDITA Margin (%)	41.75	39.08
PAT Margin (%)	38.83	34.86
Overall Gearing Ratio (x)	0.03	0.05
Interest Coverage Ratio	45.73	56.25

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Aug 18, 2023	-	-
1.	GECL	Long Term	0.10	IVR BBB+/ Stable	IVR BBB+/ Stable	-	-
2.	Term Loans	Long Term	66.17	IVR BBB+/ Stable	IVR BBB+/ Stable	-	-
3.	Proposed Term Loan	Long Term	-	Withdrawn	IVR BBB+/ Stable	-	-
4.	Overdraft	Short Term	0.33	IVR A2	IVR A2	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration



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from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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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
GECL	-	-	Oct 2024	0.10	IVR BBB+/ Stable
Term Loan 1	-	-	Aug 2029	9.92	IVR BBB+/ Stable
Term Loan 2	-	-	May 2034	56.25	IVR BBB+/ Stable
Overdraft	-	-	-	0.33	IVR A2

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-GRGTrust-aug24.pdf>



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Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/combined analysis: Not Applicable

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.

