



Press Release

GMR Varalakshmi Foundation (GMRVF)

January 02, 2024

Ratings:

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund based facilities Term Loan	6.02 (Reduced from Rs. 8.23 crore)	IVR BB+/ Positive Outlook [IVR Double B Plus with Positive Outlook]	Rating reaffirmed and outlook revised	Simple
Short Term Fund based facilities - Secured Overdraft	20.00	IVR A4+ [IVR A Four Plus]	Rating reaffirmed	Simple
Short Term Non-Fund based facilities - Bank Guarantee	1.00	IVR A4+ [IVR A Four Plus]	Rating reaffirmed	Simple
Long Term / Short Term Bank Facilities (Proposed)	2.98 (Reduced from Rs. 5.77 crore)	IVR BB+/ Positive Outlook; IVR A4+ [IVR Double B Plus with Positive Outlook & IVR A Four Plus]	Rating reaffirmed and outlook revised	Simple
Total	30.00 (Rupees Thirty Crore Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation to the bank facilities of GMR Varalakshmi Foundation [GMRVF] derives strength from continued support from experienced promoters and management, diverse revenue sources, comfortable capital structure, improved financial risk profile & diverse revenue sources. The rating is however constrained by reputational risk and high competition.

The positive outlook is on account of improved performance and profitability indicators coupled with various initiatives undertaken by the foundation in order to improve its student's intake and services provided at hospital.



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Key Rating Sensitivities:

- Upward Factors

Substantial & sustained improvement in the revenue & EBITDA margin while improving the debt protection metrics.

- Downward Factors

Decline in revenue and/or EBITDA margin leading to decline in debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and management

The promoters & directors have extensive experience in their respective fields. Mrs. Varalakshmi Grandhi has been instrumental in setting up of the GMR Varalakshmi Foundation – the CSR arm of the Group and is a Director on its Board since. The day-to-day operations are supported by experienced management team with Ashwini Lohani as CEO and Mr. Srinivas Chamarthi as CFO having more than two decades of experience.

Diverse revenue sources

The foundation derives has a revenue profile is diversified, as Education fee income and Healthcare income along with Donations. In FY23, same is proportioned as 55% of total operating income from college and hostel fees collection and 25% from healthcare wing and remaining from Donations.

Comfortable capital structure

The capital structure of the company remained comfortable and improved over the past fiscals. The overall gearing ratio of the company improved from 0.37x as at FY22 to 0.24x as at FY23 on account of reduction in term loan as the company repaid its term loans during the year. The total outside liabilities to tangible net worth (TOL/TNW) of the company improved from 0.85x as at FY22 to 0.70x as at FY23. Going forward, Infomerics expects the capital structure to remain comfortable with improvement in debt protection metrics.



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Improved financial risk profile

The Foundation receives collections in the form of college fees, hostel fees, income from Hospital etc. The collections have been improving over the years from INR ~ 99.07 Crore in FY22 to INR ~115.43 Crore in FY23 Audited ~growth of 17%. The improvement was on account of Hospital being functioning during Covid-19 times serving for Covid-19 patients and increased student strength coupled with all the hostel resuming post pandemic. The Foundation had surplus of INR 4.64 Crore in FY23, which is a significant improvement from Rs. 0.19 Cr. in FY22. With improvement in revenue, the EBITDA margin has also improved to 9.15% in FY23 from that of 7.01% in FY22. Consequently, PAT margin also improved from 0.20% in FY22 to 4.02% in FY23. With improvement in accruals the debt protection metrics have improved simultaneously with ICR at 7.12x and DSCR at 1.13x in FY23 (ICR: 2.43x and DSCR: 0.59x in FY22). The net worth levels have seen improvement over the last three years through FY23, as the company as required received additions to its corpus.

Key Rating Weaknesses

Reputational risk

All the healthcare providers need to monitor each case diligently and maintain high operating standards to avoid the occurrence of any unforeseen incident which can damage the reputation of the hospital & institute to a large extent.

High competition

The education sector is highly fragmented with the presence of large number of players due to high growth opportunities. Furthermore, the Central Government is also encouraging private sector participation in the education sector which will further intensify the level of competition. Increasing competition may lead to decline in student enrolment which will directly impact the revenue visibility. Therefore, the players in this industry are exposed to competition induced pressures on student enrolments and overall student strength.

Analytical Approach: Standalone Approach

Applicable Criteria:



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[Rating methodology for Service Sector Company](#)

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

[Criteria of Rating Outlook | Infomerics Ratings](#)

Liquidity –Adequate

Gross Cash accrual is to be around Rs. 8.98 crores as against a debt repayment obligation of Rs 2.72 crore. The DSCR stood comfortable at 1.13x in FY23. Current ratio stood modest at 1.02 times on March 31, 2023. The company has maintained cash & bank balance of Rs. 20.12 crore in FY23.

About the Company:

GMR Varalakshmi Foundation (GMRVF), is the Corporate Social Responsibility arm of GMR Group. Its objectives are to develop social infrastructure and enhance the quality of life of communities around the locations that has the Group's presence.

The company works for under-served sections of the communities in each of these locations, looking at Education, Health, Hygiene and Sanitation, Empowerment and Livelihoods and Community Development. Vocational Training is a strong focus of the Foundation since 2003.

This non-profit (Section - 8) company has its own professional staff selected from top academic and social work institutions, is governed by a Board chaired by Group Chairman, GMR Group- GM Rao.

With the growth of the Group, the Corporate Social Responsibility (CSR) has also grown in scale and scope, and currently GMR Varalakshmi Foundation has a presence in 25 locations across the country.

Financials (Standalone):

(In Rs. Crores)



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For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	99.07	115.44
EBITDA	6.95	10.56
PAT	0.19	4.64
Total Debt	31.11	22.55
Tangible Net worth	84.98	94.61
EBITDA Margin (%)	7.01	9.15
PAT Margin (%)	0.20	4.02
Overall Gearing Ratio (times)	0.37	0.24

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (November 07, 2022)	Date(s) & Rating(s) assigned in 2021-22 (August 09, 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Fund based facilities – Term Loan	Long Term	6.02 (Reduced from Rs. 8.23 crore)	IVR BB+/ Positive Outlook	IVR BB+ / Stable Outlook	IVR BB+ / Stable Outlook	-
2.	Short Term Fund based facilities - Secured Overdraft	Short Term	20.00	IVR A4+	IVR A4+	IVR A4+	-
3.	Short Term Non-Fund based facilities Bank Guarantee	Short Term	1.00	IVR A4+	IVR A4+	IVR A4+	-
4.	Long Term / Short Term Bank Facilities - (Proposed)	Long Term / Short Term	2.98 (Reduced from Rs. 5.77 crore)	IVR BB+/ Positive Outlook; IVR A4+	IVR BB+ / Stable Outlook & IVR A4+	-	-

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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 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:



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	30 th September 2024	2.42	IVR BB+/ Positive Outlook
Term Loan			31st December 2026	3.60	IVR BB+/ Positive Outlook
Secured Overdraft	-	-	Revolving	20.00	IVR A4+
Bank Guarantee	-	-	-	1.00	IVR A4+
Proposed	-	-	-	2.98	IVR BB+/ Positive Outlook; IVR A4+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-GMR-jan24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/ facilities: 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