



Press Release

GRG Trust

August 18, 2023

Ratings

Instrument/Facility	Amount (Rs Cr.)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	12.27	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Short Term Bank Facility	2.33	IVR A2 (IVR A Two)	Assigned	Simple
Total	14.60 (Rs. Fourteen Crore and Sixty Lakhs Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of GRG Trust (GRG) derives comfort from the long track record of operation of the trust under experienced trustees, healthy debt protection metrics and healthy improvement in financial performance in FY23. These rating strengths are, however, constrained by the competitive nature of the industry and exposure to various government regulations.

Key Rating Sensitivities:

Upward Factor

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall 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.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operation 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. Thus, GRG Trust is in good hands and its future looks stable.

- **Healthy debt protection metrics**

The overall gearing of the Trust improved from 0.08x on March 31, 2021 to 0.06x and 0.04x on March 31, 2022 and March 31, 2023 respectively. This was primarily because of higher accretion to Capital Fund primarily through Development Fund Account in FY22 and FY23 along with decrease in debt in those years. Total indebtedness as reflected by TOL/TNW improved from 0.11x on March 31, 2021 to 0.08x on March 31, 2022. It further improved to 0.05x on March 31, 2023. DSCR, post consideration of accretion to Development Fund Account and Examination Surplus Account, remained comfortably above 3x between FY21 and FY23.

- **Healthy improvement in financial performance in FY23**

Considering only the Income and Expenditure Account, the operating income increased by ~38% Y-o-Y from Rs 32.51 crore in FY22 to Rs 44.76 crore in FY23 primarily because of improvement in fees collection. The financial position improved considering the effect of accretion to Development Fund Account and Surplus of Examination Account. Considering these, the operating income on an adjusted basis improved from Rs. 58.20 crore in FY22 to Rs 75.22 crore in FY23. Operating Profit on an adjusted basis improved from Rs 25.43 crore in FY22 to Rs 30.83 crore in FY23. Net Surplus on an adjusted basis improved from Rs. 24.22 crore in FY22 to Rs 29.60 crore in FY23.



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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 \(Non-Financial Sector\)](#)
[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The liquidity profile of the Trust is expected to remain adequate with satisfactory cash accruals, Development Fund accretion, and Examination Account surplus vis- a- vis debt repayment obligations. The current ratio of the Company was 0.72x and 1.31x as on March 31, 2022 and March 31, 2023 (Provisional) respectively. Capex of around Rs 29-38 crores per year are expected between FY24 and FY26 and these are expected to be funded majorly through internal accruals. The Trust has an unencumbered fixed deposit balance of Rs 36.53 crore.

About the Trust



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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):

For the year ended* / As on	(Rs in Crore)	
	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	58.20	75.22
EBITDA	25.43	30.83
PAT	24.22	29.60
Total Debt	11.20	8.27
Tangible Net worth	195.04	226.68
EBITDA Margin (%)	43.69	40.99
PAT Margin (%)	40.42	38.10
Overall Gearing ratio (X)	0.06	0.04

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: Nil

Any other information: N.A.

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	1.61	IVR BBB+/ Stable	-	-	-
2.	GECL	Long Term	0.66	IVR BBB+/ Stable	-	-	-
3.	Proposed Term Loan	Long Term	10.00	IVR BBB+/ Stable	-	-	-
4.	Overdraft	Short Term	2.33	IVR A2	-	-	-

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About Infomerics Ratings:

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.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Cr.)	Rating Assigned/ Outlook
Term Loan	-	-	February 2024	1.61	IVR BBB+/ Stable
GECL	-	-	October 2024	0.66	IVR BBB+/ Stable
Proposed Term Loan	-	-	-	10.00	IVR BBB+/ Stable
Overdraft	-	-	-	2.33	IVR A2

Annexure 2: List of companies considered for consolidated analysis: NA

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-GRG-aug23.pdf>

Annexure 4: Detailed explanation of covenants of the rated 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.