



## Press Release

### GMR Varalakshmi Foundation [GMRVF]

August 09, 2021

#### Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1	<u>Long Term Fund based facilities</u> Term Loan	22.38	IVR BB+/ Stable Outlook [IVR Double B Plus with Stable Outlook]	Assigned
2	<u>Short Term Fund based facilities</u> Secured Overdraft	21.62	IVR A4+ [IVR A Four Plus]	Assigned
3	<u>Short Term Non-Fund based facilities</u> Bank Guarantee	1.00	IVR A4+ [IVR A Four Plus]	Assigned
	<b>Total</b>	<b>45.00</b>		

**Details of facilities are in Annexure 1**

#### Detailed Rationale

The rating assigned to the bank facilities of GMR Varalakshmi Foundation (GMRVF) derives strength from experienced promoters, improved revenue and surplus generation and comfortable and improved gearing parameters. The rating is however constrained by the impact of Covid-19 pandemic on the education industry.

#### Key Rating Sensitivities:

##### Upward Factors:

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

##### Downward Factors:

- Any further decline in revenue and/or EBITDA margin leading to decline in debt protection metrics.



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### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### ***Experienced promoters***

The promoters & directors have extensive experience in their respective fields. M/s. GMR Varalakshmi Foundation is a Section 8 Company registered under Companies Act, 2013 in a number of initiatives in Rajam, Srikakulam District aimed at Community Social welfare activities includes running Educational Institutes, Health care Activities and Community service development with the main objective of philanthropy to benefit villagers/ residents in and around Rajam and nearby villages in the district. The Company is well equipped with required infrastructure with professional team guided by experienced Board Members. It is Corporate Social Responsibility (CSR) arm for the entire GMR Group.

##### ***Improved revenue and surplus generation***

The Foundations' income from Education and Health wing has been improving over the years from INR ~66 Crore in FY18 to INR ~71 Crore in FY19 to INR ~78 Crore in FY20. It then reduced to INR ~66 Crore in FY21 (Provisional). The fall was majorly on account of dip in the hostel fee collections, owing to the Covid-19 Pandemic and the resultant lockdown in the country.

The Foundation had deficit of INR 4.56 Crore in FY18. However, it then started generating surplus of INR 3.04 Crore in FY19, INR 7.06 Crore in FY20 & INR 1.18 Crore in FY21 (Provisional). The surplus reduced in FY21 (Provisional) due to lower income owing to Covid-19 pandemic situation across the country.

##### ***Comfortable and improved gearing parameters***

The Overall Gearing ratio of the Company improved from 1.16x as at FY19 to 0.75x as at FY20, further improved to 0.54x as at FY21 (Provisional). The Total outside liabilities to Tangible Net Worth of the Company improved from 2.04x as at FY19 to 1.58x as at FY20, further improved to 1.02x as at FY21 (Provisional).



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### **Key Rating Weaknesses**

#### **Impact of Covid pandemic on the education industry**

The COVID-19 has resulted in schools shut all across the world. Globally, over 1.2 billion children are out of the classroom. As a result, education has changed dramatically, with the distinctive rise of e-learning, whereby teaching is undertaken remotely and on digital platforms. With this sudden shift away from the classroom in many parts of the globe, some are wondering whether the adoption of online learning will continue to persist post-pandemic, and how such a shift would impact the worldwide education market.

### **Analytical Approach:** Standalone

#### **Applicable Criteria:**

- Rating methodology for service companies
- Financial ratios and Interpretation (Non-Financial Sector)

### **Liquidity: Adequate**

The Foundation has been earning a moderate level of GCA for the last few years and the same is expected to increase further with increase in scale of operations. The company maintains moderate cash and bank balance to meet its liquidity requirements. The average utilization of working capital limits remained high at 90% during the 12 months ended May 31, 2021. The cash accruals are adequate to service its debt obligations. Overall liquidity position is Adequate.



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### 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. Their philosophy has been to work intensively with communities which neighbour their business to enhance quality of life. Today, GMR Varalakshmi Foundation has a presence in 25 locations across the country. They work with the 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. GMR Institute of Technology is ranked in the band of 201 – 250 in India Ranking 2020 by NIRF, Ministry of Education. It has been rated as 1<sup>st</sup> best clean & smart campus by AICTE. The Hospital sustained Entry – level National Accreditation Board for Hospitals and Healthcare Providers (NABH) accreditation and is aiming for full NABH accreditation during Financial Year 2021-2022.

### **Financials [VGL – Standalone]**

For the year ended/ As on*	INR in Crore	
	31-03-2020 (Audited)	31-03-2021 (Provisional)
Total Operating Income	115.60	92.99
EBITDA	16.09	9.61
PAT	7.06	1.18
Total Debt	38.08	42.99
Tangible Net Worth	50.49	80.04
EBITDA margin (%)	13.92	10.34
PAT margin (%)	6.10	1.26
Overall Gearing Ratio (x)	0.75	0.54

\* Classification as per Infomerics' standards

**Details of Non Co-operation with any other CRA: Nil**

**Any other information: N.A.**



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### Rating History for last three years:

Name of Instrument/ Facility	Current Rating (Year: 2021-22)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating	Rating assigned in 2020-21	Rating assigned in 2019-20	Rating assigned in 2018-19
Long Term Fund based facilities	Term Loan	22.38	IVR BB+/ Stable Outlook	--	--	--
Short Term Fund based facilities	Secured Overdraft	21.62	IVR A4+	--	--	--
Short Term Non-Fund based facilities	Bank Guarantee	1.00	IVR A4+	--	--	--

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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. 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

Sr. No.	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	<u>Long Term Fund based facilities</u> Term Loan I Term Loan II Term Loan III Term Loan – COVID Union Guarantee Emergency Credit Line	--	--	Jul-2023 Jun-2021 Mar-2024 May-2022 Sep-2024	10.04 0.32 3.33 1.44 7.25	IVR BB+/ Stable Outlook
2	<u>Short Term Fund based facilities</u> Secured Overdraft-Existing Secured Overdraft-Proposed	--	--	--	20.00 1.62	IVR A4+
3	<u>Short Term Non-Fund based facilities</u> Bank Guarantee	--	--	--	1.00	IVR A4+

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

**Annexure 3:** <https://www.infomerics.com/admin/prfiles/lender-GMRVF-9-aug-21.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable.

### Annexure 5: Complexity level of the rated Instruments/Facilities

Sr. No.	Instrument	Complexity Indicator
1	Term Loan	Simple
2	Secured Overdraft	Simple
3	Bank Guarantee	Simple

**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).