

## Graphic Era Educational Society

Instrument	Amount Rated	Rating Action
Long-term fund based bank facilities (Term Loans)	Rs. 171.10 crore (enhanced from Rs. 151.28 crore)	[ICRA]BBB-(Stable); Re-affirmed
Long-term fund based bank facilities (OD/Cash Credit)	Rs. 43.00 crore	[ICRA]BBB-(Stable); Re-affirmed
Proposed bank facilities	Rs. 185.90 crore (enhanced from Rs. 5.72 crore)	[ICRA]BBB-(Stable); Re-affirmed
<b>Total</b>	<b>Rs. 400 crore*</b>	

Note\*: enhanced from Rs. 200 crore bank facilities

ICRA has re-affirmed the long-term rating of **[ICRA]BBB-** (pronounced ICRA triple B minus) for Rs. 400 crore<sup>1</sup>, fund based and proposed bank facilities (enhanced from Rs. 200 crore fund based bank facilities) of Graphic Era Educational Society (GEES)<sup>2</sup>. The outlook on the long term rating is **Stable**.

The rating re-affirmation takes into account the steady financial profile of the society, characterised by steady revenue receipts, driven by increasing student base, healthy operating surplus and comfortable debt coverage indicators supported by moderate debt repayment obligations vis-à-vis cash accruals. While the debt metrics are comfortable, being a non-profit society, it is required to reinvest ~85% of its revenue receipts in order to maintain its tax free status. As a result, society continues to undertake large debt funded capital expenditure towards infrastructure improvement limiting the reduction in debt levels.

ICRA had expected that the society will partially utilise the cash accruals to improve the liquidity and reduce the reliance on overdraft facilities. However, this has not materialised in FY2016 and is unlikely to be achieved by the end of FY2017, given the ongoing debt funded capital expenditure plans for FY2017. The society also has an intent of setting up a medical college and a hospital over the next few years. However, given the recent disapproval for many new medical colleges by the Medical Council of India (MCI), the society has temporarily deferred its plans and is unlikely to be taken up in FY2017. In case, the society undertakes the capital expenditure on this project in FY2017, the liquidity and funding position can get stretched, given the other ongoing capital expenditure projects. Accordingly, the timing of the medical college and hospital project and subsequent MCI approval will remain critical to the society's liquidity and credit profile.

In terms of the operational profile, the student base witnessed healthy improvement, driven by commencement of new course offerings, favourable regulatory developments related to Graphic Era University's (GEU's) deemed university status and steady placement rate for students. In its order in April 2016, the Hon'able Supreme Court of India has accepted the National Assessment and Accreditation Council (NAAC) accreditation whereby GEU has been accredited with the highest grade 'A', thereby limiting the regulatory risk related to deemed university status. The engineering course continues to be the major contributor of revenue receipts for both universities of the society, contributing ~75% to the total course fee, which in-turn formed ~81% of the society's gross receipts for FY2016. Both the universities have seen increase in student intake and regular fee hike for its flagship course. Other courses like B.Com. have also shown a reasonably good response from students, thereby providing diversity to the society's revenue profile. While the society's ability to upscale operations and increase student intake along with regular fee hike in both universities provides comfort to the operational and financial profile, the ability to maintain the same in future will be a key rating sensitivity. In addition to the above factors, the rating continues to be supported by the long track record of the society and its founding members who have more than two decades of experience in the education sector. The rating continues to remain constrained on account of geographical concentration risks since all the three campuses are in Uttarakhand, which can pose operational and reputational risks. This was observed in decline in admissions during AY2013-14 when the state experienced floods.

In ICRA's view, apart from the need to reduce the mismatch in the balance sheet, wherein the short-term funds are used for long-term funding requirements, the timing of the debt-funded medical college and hospital will be

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.



a key rating sensitivity. Further, in light of the competition from other universities/colleges in the state and high operating leverage, the ability of the society to continuously increase revenue receipts by higher intake of students and regular fee hike will remain crucial for maintaining a healthy financial profile.

### **Company Profile**

Established in 1996, Graphic Era Educational Society (GEES) has two universities under its ambit—Graphic Era University (GEU), which is a deemed university and Graphic Era Hill University (GEHU), which is a state private university—that were set up in the years 1998 and 2011, respectively.

While GEU has a single campus in Dehradun (Uttarakhand), GEHU has two campuses—one each in Dehradun (main campus) and Bhimtal (near Nainital in Uttarakhand). The universities offer courses in engineering, biotechnology, computer applications, humanities, allied sciences, law, management, computer applications and architecture. Engineering is the flagship course of the universities and formed ~75% of the course fee, which in-turn formed ~81% of the gross revenue receipts for AY2015-16. The society has a total student count of ~13,200 spread across GEU (~7,163) and GEHU-both campuses (~6,100).

### **Recent Results**

As per the provisional results for the year ended March 2016, GEES reported a net surplus of Rs. 41.6 crore on gross receipts of Rs. 182.4 crore, as compared to a net surplus of Rs. 21.8 crore on gross receipts of Rs. 168.7 crore for the year ended March 2015.

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*For further details please contact:*

Analyst Contacts:

**Mr. Rohit Inamdar** (Tel. No. +91-124-4545847)  
rohit.inamdar@icraindia.com

Relationship Contacts:

**Mr. Jayanta Chatterjee** (Tel. No. +91-80-43326401)  
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500