

February 28, 2022

## Gopalan Foundation: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	5.5	0.0	-
Unallocated	0.0	5.5	[ICRA]BBB+(Stable) reaffirmed
<b>Total</b>	<b>5.5</b>	<b>5.5</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The rating derives strength from the strong financial profile of the foundation, characterised by steady accruals and nil dependence on external borrowings. The foundation has fully prepaid its earlier term loan in January 2021. The foundation operates three schools, a pre-university college, a commerce college, an engineering and management college, an architecture school and a sports academy. The institutes have an established track record of operations. The strong brand position of the Gopalan Group in Bangalore helps the institutes to maintain healthy enrolments.

The rating, however, is constrained by modest scale of operations and intense competition with the presence of a large number of well-established educational institutes in Bangalore. The operations have been adversely impacted on account of Covid-19 pandemic to an extent. Shift from offline to online classrooms for majority of the period in the last two years, have led to certain fee concessions, which are expected to moderate revenues of the foundation in FY2022. Nevertheless, reduction in overhead expenses due to online classes, have supported margins and will support adequate internal accruals. The rating also factors in the exposure of the institutes to any regulatory changes, which may impact the operational and financial performance of the foundation.

The Stable outlook reflects ICRA's expectation that Gopalan Foundation's (GF's) financial profile will remain strong supported by stable enrolment levels.

### Key rating drivers and their description

#### Credit strengths

**Strong financial profile** - The financial profile of the foundation remains healthy, characterised by steady accruals and nil dependence on external borrowings. The foundation has fully prepaid its earlier term loan in January 2021.

**Established track record of institutes run by the foundation** - The foundation operates three schools, a pre-university college, a commerce college, an engineering and management college, an architecture school and a sports academy. The institutes have an established track record of operations.

**Healthy enrolment numbers** - The strong brand position of the Gopalan Group in Bangalore helps the institutes to maintain healthy enrolments. The student strength for the academic year (AY) 2021-22 was 5,675 of which 61% was contributed by the Gopalan International School and Gopalan National School. The foundation recorded a growth in student base of 10.3% in AY2022 vis-à-vis AY2021.

## Credit challenges

**Modest scale of operations; adverse impact of pandemic** - The scale of operations of the foundation is moderate, with revenues in the range of Rs. 48-58 crore over the last three fiscals. The operations have remained adversely impacted by Covid-19 pandemic to an extent. Shift from offline to online classrooms for majority of the period in last two years have led to certain fee concessions, which are expected to moderate revenues in FY2022. Nevertheless, the reduction in overhead expenses due to online classes have supported margins and will support adequate internal accruals.

**Exposure to regulatory changes in the education sector** - The Indian education industry is highly regulated by the Government because of its social importance. Therefore, the foundation is exposed to changes in the regulatory landscape and its impact on the operational and financial performance of the institutes.

## Liquidity position: Adequate

The liquidity is adequate, supported by round the year regular fee collections from the schools, which contribute to majority of the revenues in any fiscal. The foundation's liquidity profile is further supported by free cash and bank balances of Rs. 19.3 crore as on March 31, 2021. It also has financial flexibility to draw fresh debt, if required.

## Rating sensitivities

**Positive factors** – The rating might be upgraded if there is improvement in scale of operations backed by higher accruals and comfortable leverage metrics.

**Negative factors** – The rating might be downgraded if there is any sustained decline in student enrolments or high debt funded capital expenditure resulting in increased leverage.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Entities in the Higher Education Sector</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

## About the company

Gopalan Foundation (GF) was set up in 2004 in Bangalore by Mr. C Gopalan and his family members. The foundation derives most of the revenues from two schools and an engineering and management institute. It also has a pre-university (PU) college, a commerce college, an architecture school and a sports academy among others, all of which are located in Bangalore. GF is a part of the Gopalan Group, which is involved in real-estate development with presence in residential and commercial segments as well as operation of multiplexes.

### Key financial indicators (audited)

Standalone	FY2020	FY2021
Operating Income (Rs. crore)	57.9	48.5
PAT (Rs. crore)	3.2	6.8
OPBDIT/OI (%)	20.6%	28.0%
PAT/OI (%)	5.5%	13.9%
Total Outside Liabilities/Tangible Net Worth (times)	0.3	0.2
Total Debt/OPBDIT (times)	0.6	0.0
Interest Coverage (times)	12.3	25.1

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Note: Amount in Rs. crore; All calculations are as per ICRA research

Source: Company, ICRA research

### Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

### Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Sep 30, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021		Date & Rating in FY2020	Date & Rating in FY2019
						28-Feb-2022	6-Nov-2020		
1	Term Loan	Long-term	-	-	-	[ICRA]BBB+ (Stable)	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING	[ICRA]BBB+ (Stable)	-
2	Unallocated	Long-term	5.5	NA	[ICRA]BBB+ (Stable)	-	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loan	Simple
Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN No.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Unallocated	NA	NA	NA	5.5	[ICRA]BBB+ (Stable)

Source: Company

### Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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