

Rating Rationale

Gandhi Institute of Technology and Management

15th Feb 2017

Brickwork Ratings upgrades ratings for the bank loan facilities of Gandhi Institute of Technology and Management (GITAM)

Particulars:

Facility	Amount (Rs Crs)		Tenure	Ratings*	
	Previous	Present#		Previous	Present
Fund based:					
Term Loans	618.01	575.64	Long term	BWR BBB-	BWR BBB
Secured Overdraft	39.05	165.60		(Pronounced BWR Triple B Minus)	(Pronounced BWR Triple B)
FDR Loans	-	22.70		(Outlook: Stable)	(Outlook: Stable)
Medium Term Loans	-	95.00			Upgraded
Total	657.06	858.94	INR Eight Hundred and Fifty Eight Crores and Ninety Four Lakhs Only		

#Annexure I shows details of bank loan facilities

*For definitions of the rating symbol please visit our website www.brickworkratings.com

Rating Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY16, provisional financials upto H1FY17, publicly available information and information/ clarifications provided by the University's management.

The rating upgrade factors the improved performance of the Visakhapatnam based GITAM University , growth in revenue receipts and increased revenue visibility from the commencement of the Medical College and Nursing College in Visakhapatnam. The rating continues to draw comfort from the experienced and professional Board of Governors, established reputation & long operational track record of the University, quality faculty and diversified presence across various educational streams. The rating also draws comfort from the nearly 100% student intake and good placement record of the university. The rating, however, continues to be constrained due to the average financial risk profile of the university marked by relatively high gearing, increased debt on account of the ongoing capital expenditure for construction & building infrastructure, vulnerability to regulatory risk associated with the education sector and the continuous need for capital expenditure for investment in infrastructure facilities.

Going forward, the ability of the University to continue to, recruit and retain experienced faculty, increase student enrolments, revise its fee and intake capacity for the newly established Institutes, strengthen its liquidity and improve its financial risk profile and ensure timely infusion of capital for ongoing expansion of its infrastructure would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes **Gandhi Institute of Technology and Management's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case there is an increase in enrolments and revenue, leading to an enhancement in its liquidity position. The rating outlook may be revised to 'Negative' if there is any unexpected fall in student demand, in conjunction with a disproportionate increase in debt-led capex, resulting in strained liquidity and debt.

About the Company

Gandhi Institute of Technology and Management (GITAM) founded by Dr. M.V. V. S. Murthi in 1980 is a non-profit educational society and a Deemed University situated in Visakhapatnam, Andhra Pradesh. GITAM was conferred Deemed University status on 13th August, 2007. GITAM University consists of nine constituent institutions viz., (1) Institute of Technology (2) Institute of Management (3) Institute of Science (4) Institute of Pharmacy (5) School of Law (6) School of International Business and (7) School of Architecture (8) Dental College & General Hospital (9) Institute of Medical Sciences and Research. The National Assessment and Accreditation Council (NAAC) has accredited the university with A grade [CGPA of 3.20 on 4 point scale). GITAM is approved by UGC with its eligibility extending to all undergraduate and postgraduate courses.

GITAM also has three UGC approved off-campus at Visakhapatnam, Hyderabad and Bangalore, which offers four year B. Tech, two year MBA and M. Tech programs. All the campuses provide state-of-the-art infrastructure and student support facilities such as modern library, hostels, playgrounds, indoor stadium, etc. GITAM also offers several programs under distance learning mode through 93 study centers across the country. The GITAM University is presently offering 121 programmes at UG, PG and Doctoral levels in diverse disciplines - Technology, Science, Pharmacy, Management, International Business, Architecture and Law. GITAM has nearly 20,163 regular full-time students and about 800 research scholars pursuing different academic programmes. The University has a well-qualified team of around 1190 fulltime faculty members. The University has achieved near 100% placement record through campus recruitments in the last as well as the current academic year.

GITAM University is run and managed by well-qualified and professional Board of Governors. Presently, the Governing Body comprises of Dr M.V.V.S Murthi (President), Shri B.V. Mohana Rao (Secretary), Sri B.S.S.N Raju (Treasurer) and 12 other members. Dr Murthi is the President of the Society/ University. He is the former Member of Parliament (Lok Sabha) and has more than five decades of experience in Industry and academics.

Financial Performance

Income from operations primarily consists of academic receipts (tuition fees, library admission fees, laboratory fees, registration fees, annual examination fees, Misc fees) and Grants & Donations. Total revenue receipts (Income from operations) improved to Rs 369.34 Crs in FY16 from Rs 313.43 Crs in FY15 mainly because of increased enrollments and fees structure. Net Surplus after tax improved to Rs 31.19 Crs in FY16 when compared to Rs 26.81 Crs in FY15. The University's total fund corpus (owned Capital funds) improved to Rs 307.19 Crs in FY16 from Rs 263.76 Crs in FY15.

On a provisional basis, GITAM has reported revenue of Rs 208.54 Crs for 6MFY17 and expects to achieve around Rs 424 Crs by end of FY17.

Rating History for the last three years:

Sl. No.	Instrument/ Facility	Current Rating (2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	2016 **	2015 *	2014
1	Fund based	Long term	858.94	BWR BBB (Outlook: Stable)	13 th Jan 2016; BWR BBB- (Outlook: Stable)	1 st April 2015; BWR BB+ Outlook: Stable)	Nil

*Amount rated: Rs 651.14 Crs

**Amount rated: Rs 657.06 Crs

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)

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Gandhi Institute of Technology and management (GITAM)

Bank wise break up

Annexure I

Limits	Bank Name	Sanctioned Limits (Rs Crs)	O/S Limits as on 30th Jan 2017 (Rs Crs)	Rated Limits (Rs Crs)
Term Loan	Union Bank of India	642.45	431.09	431.09
Secured Overdraft		96.78	96.55	96.55
Loans against Fixed Deposits (FDR Loans)		22.70	22.70	22.70
Term Loan	Indian Bank	240.00	144.55	144.55
Secured Overdraft		70.00	69.05	69.05
Medium Term Loan	Karur Vysya Bank	95.00	95.00*	95.00
Total rated limits		1166.93	858.94	858.94

***Present drawdown under Medium Term Loan from KVB is Rs.30.00 Crs .**

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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