

Press Release

Dashmesh Educational Charitable Trust

August 16, 2019



Rating Upgraded

Total Bank Facilities Rated*	Rs. 125.00 Cr. (Reduced from Rs. 160.00 Cr.)
Long Term Rating	ACUITE BBB / Outlook: Stable (Upgraded from ACUITE BBB- /Stable)
Short Term Rating	ACUITE A3+ (Upgraded from ACUITE A3)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating of '**ACUITE BBB**' (**read as ACUITE BBB**) from **ACUITE BBB- /Stable** and short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) from **ACUITE A3 (read as ACUITE A three)** on the Rs. 125.00 crore bank facilities of DASHMESH EDUCATIONAL CHARITABLE TRUST (DECT). The outlook is '**Stable**'.

The rating upgrade is on the account of improvement in DECT's business and financial risk profile with stable growth in operating income and profitability of the trust. The revenue profile of the trust has improved to Rs. 209.72 cr. in FY2019 (Provisional) from Rs. 161.26 cr. in FY2018. The EBITDA margin for FY2019 (Provisional) stood at 33.59 per cent as against 27.43 per cent for FY2018. Further, the rating considers the extensive experience of the trustees in the education industry.

Haryana-based, Dashmesh Educational Charitable Trust (DECT) was founded by Mrs. Madhupreet Kaur Chawla and Mr. Manmohan Singh Chawla in 1999. The trust runs 17 institutes offering various courses in dental science, medical & health science, nursing, physiotherapy, engineering, commerce & management, law, pharmacy, Ayurveda, hotel & tourism management, mass communication, para medical courses and allied health sciences. Further, DECT operates a general hospital with the capacity of 780 beds. The trust began its operations with the establishment of Shree Guru Gobind Singh Tricentenary dental college in 2002, followed by the start of general hospital in 2005, a medical college in 2010 and a nursing college in 2012. Shree Guru Gobind Singh Tricentenary attained private university status in 2013 under the name of Shree Guru Gobind Singh Tricentenary University. The university has been established under the Haryana Private Universities (amendment) Act No. 8 of 2013 and recognised by University Grants Commission.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of DECT to arrive at the rating.

Key Rating Drivers

Strengths

• **Steady growth in operating income**

The trust has an established brand presence in Haryana region. The trust has been in this industry for almost two decades. The increasing brand presence coupled with various streams of courses offered by DECT has resulted in healthy revenue growth and improvement in margins of the trust. DECT's operating income has been growing steadily over the last 3 years ended FY2019 is marked by compounded annual growth rate (CAGR) of 29.37 per cent. The operating income stood at Rs.209.72 crore in FY2019 (Provisional) as against Rs. 125.31 crore in FY2017. The growth is majorly driven by increase in the students intake for MBBS and MD courses. Further, Acuité believes that the trust will benefit from its established brand presence resulting in improvement in actual intakes and higher revenues.

- **Healthy net cash accruals**

DECT has reported healthy margins marked by operating margins (EBITDA) of 33.59 per cent in FY2019 (Prov.) as against 27.43 per cent in the previous year. Further, the net cash accruals (NCA) stood at Rs. 61.26 crore in FY2019 (Provisional) as against Rs. 34.80 crore in FY2018. Going forward, the yearly repayment is expected to be around Rs. 15.95 crore. Hence, the DECT is expected to maintain sufficient buffer in its net cash accruals to absorb any future capital expenditure plan and/or any other debt obligation.

- **Healthy financial risk profile**

DECT has healthy financial risk profile marked by healthy net worth, healthy debt protection measures and low gearing. The net worth increased to Rs.172.92 crore as on 31 March, 2019 (Provisional) as against Rs.121.34 crore in the previous year on account of healthy accretion of reserves. The trust's gearing (Debt-Equity) stood low at 0.35 times as on 31 March, 2019 (Provisional) as against 0.86 times in the previous year. The total debt of Rs.60.38 crore consists of long term loan of Rs. 54.49 crores from the bank and working capital borrowings of Rs. 5.89 crores. The healthy revenue growth coupled with healthy profitability levels have resulted in healthy net cash accruals of Rs.112.44 crore during 2017-19. DECT's coverage indicators stood comfortable marked by the interest coverage ratio which stood at 6.61 times in FY2019 (Provisional) as against 3.37 times in the previous year. TOL/TNW ratio stood at 1.03 times in FY2018.

Weaknesses

- **Stringent regulations of the educational sector in India and competitive industry:**

The Indian education industry is highly regulated and DECT is subjected to the regulatory framework, which is to be followed by trust operated institutes. The institutes operated by the trust have various affiliations under agencies such as All India Council for Technical Education (AICTE), National Assessment and Accreditation Council (NAAC), University Grants Commission (UGC), among others, and their continued affiliation is critical for the revenue generation. Any major change in regulatory framework by Government of India or change in policy by various affiliated boards will have major impact on the revenue, financial and operating performance of the trust. Further, DECT faces intense competition from other institutes in the locality offering similar courses. However, the risk is mitigated to some extent on account of established track record of operations.

Liquidity Position

DECT has strong liquidity marked by healthy net cash accruals to its maturing debt obligations. The trust generated cash accruals of Rs. 18.36 crore for FY2019 (Provisional) against debt obligations of Rs.0.42 crore for the same period. The cash accruals of the trust are estimated to remain in the range of around Rs. 22.65 crore to Rs. 28.59 crore during 2020-22 against repayment obligations ranging from Rs. 0.83 crore to Rs. 0.98 crore. DECT's working capital operations are moderate marked by gross current asset (GCA) days of 109 days for FY2019 (Provisional). The trust maintains unencumbered cash and bank balances of Rs. 10.15 crore as on 31 March, 2019 (Provisional). The current ratio stands at 7.90 times as on 31 March, 2019 (Provisional). Acuite believes that the liquidity of the trust is likely to remain healthy over the medium term on account of healthy cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuité believes that DECT will maintain a 'Stable' outlook over the medium term on the back of its experienced track record of operations. The outlook may be revised to 'Positive' in case the trust registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the trust registers lower-than-expected growth in revenues and profitability or in case of deterioration in the trust's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	209.72	161.26	125.31
EBITDA	Rs. Cr.	70.44	44.24	24.58
PAT	Rs. Cr.	51.45	25.96	8.88
EBITDA Margin	(%)	33.59	27.43	19.62
PAT Margin	(%)	24.53	16.10	7.08
ROCE	(%)	27.19	18.75	9.80
Total Debt/Tangible Net Worth	Times	0.35	0.86	1.16
PBDIT/Interest	Times	6.61	3.37	2.52
Total Debt/PBDIT	Times	0.84	2.10	4.12
Gross Current Assets (Days)	Days	71	86	65

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14-Aug-2018	Secured Overdraft	Long Term	INR 15.00	ACUITE BBB-/ Stable (Assigned)
	Term Loan	Long Term	INR 21.48	ACUITE BBB-/ Stable (Assigned)
	Term Loan	Long Term	INR 7.53	ACUITE BBB-/ Stable (Assigned)
	Term Loan	Long Term	INR 24.57	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	INR 24.29	ACUITE BBB-/ Stable (Assigned)
	Term Loan	Long Term	INR 48.29	ACUITE BBB-/ Stable (Assigned)
	Bank Guarantee	Short Term	INR 17.70	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	INR 1.14	ACUITE BBB-/ Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB / Stable (Upgraded from ACUITE BBB-/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	13.18 (Reduced from Rs. 21.48 Cr.)	ACUITE BBB / Stable (Upgraded from ACUITE BBB-/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	6.27 (Reduced from Rs. 7.53 Cr.)	ACUITE BBB/ Stable (Upgraded from ACUITE BBB-/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	24.57	ACUITE BBB-/ Stable (Withdrawn)
Term loans	Not Applicable	Not Applicable	Not Applicable	22.36 (Reduced from Rs. 24.29 Cr.)	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable)
Proposed	Not Applicable	Not Applicable	Not Applicable	4.18 (Enhanced from Rs. 1.14 crores)	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	46.31 (Reduced from Rs. 48.29 crores)	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	17.70	ACUITE A3+ (Upgraded from ACUITE A3)

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About Acuité Ratings & Research:

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