

Press Release

Dashmesh Educational Charitable Trust

November 09, 2020

Rating Withdrawn



| | |
|-------------------------------------|---------------------------|
| Total Bank Facilities Rated* | Rs.125.00 Cr. |
| Long Term Rating | ACUITE BBB (Withdrawn) |
| Short Term Rating | ACUITE A3+ (Withdrawn) |

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+ (read as ACUITE A three plus)**' on the Rs.125.00 crore bank facilities of Dashmesh Educational Charitable Trust. The outlook is '**Stable**'.

The rating has been withdrawn on account of request received from the company and NOC received from the banker as per Acuité's policy.

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 a 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 a 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

- **Improvement in sales and efficient working capital operations**

Operating Income for the FY2020 (Provisional) stood at Rs 240.93 crore as against Rs. 212.52 crore. Operating margin stood at 24.38 percent in FY2020 (Provisional) and 29.20 percent in FY2019. Further net profit margin in FY2020 (Provisional) stood at 10.27 percent in FY2020 (Provisional) as against 10.85 percent in FY2019. Further, the operations of DECT are working capital efficient, marked by Gross Current Asset (GCA) of 70 days in FY2020 (Provisional) as compared to 73 days in FY2019.

- **Financial risk profile**

DECT has healthy financial risk profile marked by healthy net worth, healthy debt protection metrics and low gearing. The net worth of the trust stood at Rs.181.92 crore as on 31 March 2020 (Provisional) as against Rs. 150.07 crore as on 31 March 2019. The gearing level (debt-equity) stood stable at 0.29 times as on 31 March 2020 (Provisional) as against 0.40 times as on 31 March 2019. The total debt of Rs.51.89 crore as on 31 March 2020 (Provisional) as against Rs. 60.34 crores in the last year. The interest coverage ratio (ICR) stood at 10.06 times in FY2020 (Provisional) as against 5.86 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 1.07 times in FY2020 (Provisional). Debt to EBITDA stood at 0.84 times in FY2020 (Provisional).

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 the Government of India or change in policy by various affiliated boards will have a 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 an established track record of operations.

Liquidity position: Adequate

The trust has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. DECT generated cash accruals of Rs.55.54 crore in FY2020 (Provisional) against debt obligations of Rs.53.03 crore for the same period. The trust's working capital operations are intensive, marked by Gross Current Asset (GCA) days of 70 days in FY2020 (Provisional). The trust maintains unencumbered cash and bank balances of Rs.4.70 crore as on 31 March, 2020 (Provisional). The current ratio stands at 0.55 times as on 31 March, 2020 (Provisional). Acuite believes that the liquidity of the trust is likely to remain adequate over the medium term on account of moderate cash accruals against no major debt repayments over the medium term.

Rating Sensitivity

Not Applicable

Material Covenant

Not Applicable

About the Rated Entity - Key Financials

| | Unit | FY20 (Provisional) | FY19 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income | Rs. Cr. | 240.93 | 212.52 |
| PAT | Rs. Cr. | 24.74 | 23.07 |
| PAT Margin | (%) | 10.27 | 10.85 |
| Total Debt/Tangible Net Worth | Times | 0.29 | 0.40 |
| PBDIT/Interest | Times | 10.06 | 5.86 |

Status of Non-corporation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in service sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|---------------------------------------|---|
| 16-Aug-2019 | Overdraft | Long Term | 15.00 | ACUITE BBB / Stable (Upgraded from ACUITE BBB-/Stable) |
| | Term Loan | Long Term | 13.18 (Revised from Rs. 21.48 Cr.) | ACUITE BBB / Stable (Upgraded from ACUITE BBB-/Stable) |
| | Term Loan | Long Term | 6.27 (Revised from Rs. 7.53 Cr.) | ACUITE BBB / Stable (Upgraded from ACUITE BBB-/Stable) |
| | Term Loan | Long Term | 24.57 | ACUITE BBB (Withdrawn) |
| | Term Loan | Long Term | 22.36 (Revised from Rs. 24.29 Cr.) | ACUITE BBB / Stable (Upgraded from ACUITE BBB-/Stable) |
| | Term Loan | Long Term | 46.31 (Revised from Rs. 48.29 Cr.) | ACUITE BBB / Stable (Upgraded from ACUITE BBB-/Stable) |
| | Bank Guarantee | Short Term | 17.70 | ACUITE A3+ (Upgraded from ACUITE A3) |
| | Proposed Bank Facility | Long Term | 4.18 (Revised from Rs. 1.14 Cr.) | ACUITE BBB / Stable (Upgraded from ACUITE BBB-/Stable) |
| 14-Aug-2018 | Secured Overdraft | Long Term | 15.00 | ACUITE BBB- / Stable (Assigned) |
| | Term Loan | Long Term | 21.48 | ACUITE BBB- / Stable (Assigned) |
| | Term Loan | Long Term | 7.53 | ACUITE BBB- / Stable (Assigned) |
| | Term Loan | Long Term | 24.57 | ACUITE BBB- / Stable (Assigned) |
| | Term Loan | Long Term | 24.29 | ACUITE BBB- / Stable (Assigned) |
| | Term Loan | Long Term | 48.29 | ACUITE BBB- / Stable (Assigned) |
| | Bank Guarantee | Short Term | 17.70 | ACUITE A3 (Assigned) |
| | Proposed Bank Facility | Long Term | 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 (Withdrawn) |
| Term Loan | Not Available | Not Available | Not Available | 13.18 | ACUITE BBB (Withdrawn) |

| | | | | | |
|------------------------|----------------|----------------|----------------|-------|---------------------------|
| Term Loan | Not Available | Not Available | Not Available | 6.27 | ACUITE BBB (Withdrawn) |
| Term Loan | Not Available | Not Available | Not Available | 22.36 | ACUITE BBB (Withdrawn) |
| Term Loan | Not Available | Not Available | Not Available | 46.31 | ACUITE BBB (Withdrawn) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 17.70 | ACUITE A3+ (Withdrawn) |
| Proposed Bank Facility | Not Applicable | Not Applicable | Not Applicable | 4.18 | ACUITE BBB (Withdrawn) |

Contacts

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About Acuité Ratings & Research:

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