



Press Release

Datta Meghe Institute of Medical Sciences

October 16, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 33.00 Cr.
Long Term Rating	ACUITE BB/ Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 33.00 crore bank facilities of DATTA MEGHE INSTITUTE OF MEDICAL SCIENCES (DMIMS). The outlook is '**Stable**'.

DMIMS was established in 1988 at Sawangi (Maharashtra). The trust is headed by Mr. Dattatraya Raghobaji Meghe (President), Mr. Madhukar Janrao Ingle (Vice-President), Mr. Sameer Dattatraya Meghe (Secretary), Mr. Sagar Dattatraya Meghe (Treasurer), Mr. Manish Balam Vaidya (Trustee), Mr. Sandeep Vitthaal Meghe (Trustee) and Mr. Nitin Shriram Korke (Trustee).

The trust offers graduate and post-graduate courses in the fields of medical, pharmacy, engineering and nursing. The institutes of the trust are located in a 125 acre campus in Sawangi, about 80 kms away from Nagpur (Maharashtra). The total strength stood at 3663 students for academic year 2017-18.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of DMIMS for arriving at the rating.

Key Rating Drivers

Strengths

• Established position and experienced management

DMIMS has an established position in the education industry with presence for over the last three decades. The trust has five institutes including Jawaharlal Nehru Medical College, Sharad Pawar Dental College & Hospital, Smt. Radhikabai Meghe Memorial College of Nursing, Mahatma Gandhi Ayurvedic College and Ravi Nair Physiotherapy College. The trust also operates a super specialty teaching hospital under the name of A. V. Bhawe Rural Hospital.

Mr. Dattatraya Raghobaji Meghe is the Founder Chancellor of the trust with around three decades of experience in the education sector.

• Comfortable occupancy levels across key courses

The trust has maintained healthy occupancy level of around 93 percent for the medical courses which contributes majorly to the revenue in the last three years. The other courses have reported comfortable occupancy levels such as nursing (~91 percent), Dentistry (~94 percent), Ayurveda (85 percent) and Paramedical Science (91 percent). The overall sanctioned intake for all the courses stood at 4016 and the number of students stood at around 3663 for FY2018; thereby reporting comfortable occupancy level at around ~91 percent for FY2018. The trust has reported marginal growth in the overall student strength from 3624 students in FY2017 to 3663 in FY2018.

Weaknesses

• Weak capital structure

The trust's corpus fund stood at Rs.23.98 crore as on 31 March, 2018 as compared to Rs.14.73 crore in the previous year. The improvement in corpus fund is on account of surplus reported during FY2017 and FY2018. The debt to corpus fund ratio is highly leveraged at 5.56 times as on 31 March, 2018 as against 6.98 times in the previous year. The debt protection measures are comfortable with interest coverage ratio at 2.93 times in FY2018 as against 3.99 times in the previous year. The total outside liabilities to total corpus fund stood at 9.14 times as on 31 March, 2018 as compared to 12.15 times in the previous year. The trust undertakes continuous capital expenditure for expansion of existing infrastructure and adding new institutes. These plans are partially funded by bank term loan, internal accruals and liquidation of investments. The trust continuously undertakes capital expenditure activities majorly funded through debt and same can adversely impact the capital structure of the trust. Going forward, Acuite expects DMIMS will maintain leveraged capital structure on the back of its continuous capital expenditure plans.

• Stringent regulatory framework for educational sector in India

The operations of the trust are susceptible to stringent regulatory framework in the higher education sector in India. The trust's institutes have to abide by the rules framed by various regulatory bodies such as AICTE (All India Council for Technical Education), Indian Nursing Council, Government of Maharashtra and NCTE (National Council for Teacher Education). The rules restrict the trust's flexibility pertaining to student intake and fees revision.

• Competitive and fragmented industry

The institute offers graduate and post graduate courses in medical, nursing, paramedical sciences, Ayurveda and engineering in Sawangi. It is around 80 km away from Nagpur. There is high competition between colleges offering similar courses in this region. The institutes providing medical and nursing courses in Nagpur include NKP Salve Institute of Medical Sciences and Research Center, Lata Mangeshkar Hospital, Swargiya Dadasaheb Kalmegh Smruti Dental College and Hospital, to name a few. Given the competition, the ability of the institutes to attract requisite students in tune with its sanctioned intake would be a challenge.

Outlook: Stable

Acuite believes that DMIMS will maintain a 'Stable' business risk profile over the medium term on account of its established position and comfortable occupancy levels. The outlook may be revised to 'Positive' in case DMIMS registers significant growth in revenue and profitability while improving its capital structure. The outlook may be revised to 'Negative' in case of lower than expected cash accruals or large debt-funded capital expenditure resulting in deterioration in the capital structure or liquidity position of the trust.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	261.32	243.45	202.59
EBITDA	Rs. Cr.	33.55	37.60	13.81
PAT	Rs. Cr.	7.42	13.44	0.53
EBITDA Margin	(%)	12.85	15.44	6.82
PAT Margin	(%)	2.84	5.52	0.26
ROCE	(%)	13.73	21.87	0.61
Total Debt/Tangible Corpus Fund	Times	5.56	6.98	37.41
PBDIT/Interest	Times	2.93	3.99	2.55
Total Debt/PBDIT	Times	3.97	2.74	3.92
Gross Current Assets (Days)	Days	121	84	70

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

CRISIL, vide its press release dated June 20, 2018 had denoted the rating of Datta Meghe Institute of Medical Sciences as 'CRISIL B/Stable/CRISIL A4; ISSUER NOT COOPERATING; Rating Withdrawn' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	5.00	ACUITE BB/ Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB/ Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A4+ (Assigned)

Contacts

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About Acuité Ratings & Research:

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