

Press Release

Datta Meghe Institute of Medical Science

December 05, 2019

Rating Reaffirmed



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

DMIMS was established by Mr. Dattatraya Raghobaji Meghe in 1988. The trust has currently 8 institutes, which offer graduate and post-graduate courses in the field medical, pharmacy, engineering and nursing. All the institutes of the trust are located on area of 125 acre campus in Sawnagi, Wardha. DMIMS is accredited grade 'A+' by NAAC.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the DMIMS to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

DMIMS has been in operations since 1988. The Promoter, Mr. Dattatraya Raghobaji Meghe has experience of around three decades. Other trustees, Mr. Madhukar Janrao Ingle, Mr. Sameer Dattatraya Meghe, Mr. Sagar Dattatraya Meghe, Mr. Manish Balam Vaidya, Mr. Sandeep Vitthal Meghe and Mr. Nitin Shriram Korke has more than two decades of experience in the field of education. The founders along with a strong team of 688 qualified faculty members have been imparting quality education to their students.

Acuite believes that DMIMS would continue to benefit from promoters' experience and the qualified team.

- **Growing revenues and healthy occupancy levels**

DMIMS's revenues have been growing at CAGR of ~14 per cent over the last three years ending in March, 2019. Revenue stood at Rs.298.71 crores in FY2019 against Rs.261.15 in FY2018. Further, DMIMS has achieved revenue of Rs.285.00 crores for six months through September, 2019. The improvement in revenues are on account of increasing sanction intake to 1778 in AY2020 from 1480 in AY2019 by establishing two more institutes and increase in courses fee in the range of 3-5%.

Acuite believes that further revenue growth would aid the business risk profile over the medium term.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of the trust is moderate marked by moderate net worth, moderate gearing and healthy debt protection metrics. The net worth of the trust stands moderate at Rs.52.53 crore in FY2019 as compared to Rs.23.98 crore in FY2018. This improvement in net worth mainly due to healthy accretion to net reserves. The gearing of the trust stands moderate at 2.38

times as on March 31, 2019 as compared to 5.56 times as on March 31, 2018. The total debt of Rs.125.04 crore in FY2019 consist only term loans of Rs.79.28 crore and Rs.45.75 crore. Debt Service Coverage Ratio (DSCR) and Interest coverage ratio (ICR) is healthy and stood at 5.69 times in FY2019 as against 2.93 times in FY2018. Acuite believes that the trust to improve its financial risk profile in the near to medium term.

• Stringent regulatory framework and intense competition

Various agencies such as AICTE, NBA, NAAC, MCI, and UCG among others, under the State and Central government prescribe regulatory frame work to DMIMS depending on the professional courses offered. The compliance is highly regulated and marked with entry, operation and exit barriers at each level which can impact the revenues and profitability of the trust. Further, DMIMS is exposed to intense competition from various educational institutes located in surrounding areas.

Rating Sensitivities

- Substantial improvement in scale of operation, while maintaining profitability margin.
- Deterioration in financial risk profile.

Material covenants

None

Liquidity Position: Adequate

DMIMS has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. DMIMS generated cash accruals of Rs.28-44 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs.8-9 crore over the same period. The cash accruals of DMIMS are estimated to remain around Rs.45-52 crore during 2020-22, while its repayment obligation is estimated to be around Rs.8-9 crore over the same period. DMIMS has moderate reliance on working capital borrowings, the cash credit limit remains utilised more than ~70 percent. Acuite believes that the liquidity of DMIMS is likely to remain adequate over the medium term on account of growing cash accruals backed by increase in the number of courses and admissions.

Outlook: Stable

Acuite believes that DMIMS will maintain a 'Stable' outlook over the medium term on the back of its experienced management and healthy occupancy levels. The outlook may be revised to 'Positive' in case the trust registers higher-than-expected growth in its revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case the trust registers lower-than-expected growth in revenues or in case of deterioration in the trust's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	298.71	261.15	243.45
PAT	Rs. Cr.	26.35	7.42	13.44
PAT Margin	(%)	8.82	2.84	5.52
Total Debt/Tangible Net Worth	Times	2.38	5.56	6.98
PBDIT/Interest	Times	5.69	2.93	3.99

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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-20.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
16-October-2018	Secured Overdraft	Long Term	5.00	ACUITE BB / Stable (Assigned)
	Secured Overdraft	Long Term	12.00	ACUITE BB / Stable (Assigned)
	Letter of Credit	Short Term	16.00	ACUITE A4+ (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
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB / Stable (Reaffirmed)
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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