

## Press Release

**Datta Meghe Institute of Higher Education And Research (Erstwhile I  
Meghe Institute of Medical Sciences)**

**May 31, 2022**



### Rating Upgraded

| Product                               | Quantum<br>(Rs. Cr) | Long Term Rating                  | Short Term Rating        |
|---------------------------------------|---------------------|-----------------------------------|--------------------------|
| Bank Loan Ratings                     | 16.00               | -                                 | ACUITE A3+  <br>Upgraded |
| Bank Loan Ratings                     | 17.00               | ACUITE BBB   Stable  <br>Upgraded | -                        |
| Total Outstanding<br>Quantum (Rs. Cr) | 33.00               | -                                 | -                        |
| Total Withdrawn Quantum<br>(Rs. Cr)   | 0.00                | -                                 | -                        |

### Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.33.00 crore bank facilities of Datta Meghe Institute of Higher Education and Research. The outlook is '**Stable**'.

### Reason for upgrade

The upgrade in rating reflects improvement in operating levels supported by increased intake from 1328 seats in FY2020 to 4143 seats in FY2022 and addition of new institutes. Further, the operating income improved to Rs. 530 crore in FY2022 (Prov) as against Rs.466.82 crore in FY2021 and Rs.382.82 Cr in FY2020. Rating also factors in improvement in the financial risk profile of the trust as reflected by reduction in financial leverage and healthy coverage metrics, strong liquidity position, and healthy profitability metrics.

### About the Company

Maharashtra-based, Datta Meghe Institute of Higher Education and Research (DMIHR) was established by Mr. Dattatraya Raghobaji Meghe in 1988. The trust has currently 10 institutes, which offer graduate and post-graduate courses in the field medical, pharmacy, engineering, management, and nursing. Trust started new off campus institute in Nagpur and expect this 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

For arriving at this rating, Acuite has taken a standalone view of the business and financial risk profile of Datta Meghe Institute of Higher Education and Research

### Key Rating Drivers

#### Strengths

#### Increasing scale of operations and improving operating performance

Datta Meghe Institute of Higher Education and Research (DMIHR) has 14 institutes along with

4 teaching hospitals (3 on campus and 1 off campus) under the trust. The sanctioned intake across institutes increased from 1328 seats in FY2020 to 1910 seats in FY2021 and 4143 seats in FY2022. The trust added two new institutes i.e. School of Epidemiology and Public Health with 16 seats in FY2021 and Faculty of Engineering and Technology with 324 seats in FY2022. Apart from these two institutes, the sanctioned intake in each institute was increased by the trust with a major increase seen in School of Allied Health Sciences and Datta Meghe Medical College, Wanadongri (off campus). While the occupancy level of students remained 100% in FY2020 and FY2021, it fell down to ~60% in FY2022 (provisional). This was due to an increase in sanctioned intake for the entire course as against actual intake seen only for the first year of the course. The occupancy is expected to reach 100% in the medium term as the intake increases for each year of the course. Further, the trust did not have to invest in additional infrastructure to accommodate such increased intake as they used the existing infrastructure of previously discontinued Datta Meghe Institute of Engineering and Technology (DMIET). The trust recorded a healthy performance with a Y-o-Y increase of 22% in its revenue at the back of increased student intake. The revenue stood at Rs.466.82 Cr in FY2021 as against Rs.382.82 Cr in FY2020. The operating margin saw an increase of 770 bps from 13.01% in FY2020 to 20.72% in FY2021. The PAT margins also saw a subsequent improvement from 5.59% in FY2020 to 14.59% in FY2021. The trust has recorded healthy performance of ~Rs.530 Cr in FY2022 (Prov).

### **Healthy Financial Risk Profile**

The financial risk profile of the company is healthy, marked by moderate gearing and comfortable debt protection metrics. Total Corpus fund of the trust stood at 154.90 Cr in FY2021 as against 82.13 Cr in FY2020. Total Debt of the trust stood at Rs. 98.06 Cr as on 31st March 2021 as against Rs. 143.27 Cr as on 31st March 2020. Gearing (Debt/ Corpus Fund) of the company remains moderate at 0.63 times as on 31st March 2021 as against 1.74 times as on 31st March 2020. TOL/TNW (Total outside liabilities to tangible net worth) stood at 1.67 times as on 31st March, 2021 as against 3.15 times as on 31st March, 2020. Debt protection metrics remained comfortable with Debt Service Coverage ratio (DSCR) at 3.69 times in FY2021 as against 2.91 times in FY2020. Interest Coverage ratio (ICR) stood at 12.09 times in FY2021 as against 5.71 times in FY2020.

Acuite believes that the financial risk profile of the company will continue to remain healthy over the medium term supported by increased scale of operations and absence of any debt funded capex.

### **Weaknesses**

#### **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 framework to DMIHR 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, DMIHR is exposed to intense competition from various educational institutes located in surrounding areas.

### **Rating Sensitivities**

Lower than expected operating performance

Significant improvement in profitability margins

### **Material covenants**

None

### **Liquidity: Adequate**

The liquidity of the trust is adequate, marked by adequate Net Cash Accruals (NCA) as against maturing debt obligations. The NCA of the trust in FY2021 stood at Rs. 88.71 Cr as against maturing debt obligations of Rs. 18.23 Cr during the same period. The trust is expected to maintain NCA of Rs. 72.83-99.09 Cr as against maturing debt obligation of Rs. 18.65-15.64 Cr in the medium term. The bank limit utilization stood at 25.21% for 11 months ended March 2022. The trust maintained unencumbered cash balance of Rs. 40.28 Cr as on 31st March 2021 as against 63.92 Cr. In FY2020.

Acuite believes that the liquidity of the trust is likely to remain strong over the medium term on account of healthy cash accruals and lower reliance on external debt for its working capital requirements

### Outlook: Stable

Acuite believes that DMIHR 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.

### Other Factors affecting Rating

None

### Key Financials

| Particulars                   | Unit    | FY 21 (Actual) | FY 20 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income              | Rs. Cr. | 466.82         | 382.82         |
| PAT                           | Rs. Cr. | 68.10          | 21.41          |
| PAT Margin                    | (%)     | 14.59          | 5.59           |
| Total Debt/Tangible Net Worth | Times   | 0.63           | 1.74           |
| PBDIT/Interest                | Times   | 12.09          | 5.71           |

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of 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

| Date        | Name of Instruments/Facilities | Term       | Amount (Rs. Cr) | Rating/Outlook                                          |
|-------------|--------------------------------|------------|-----------------|---------------------------------------------------------|
| 05 Mar 2021 | Secured Overdraft              | Long Term  | 5.00            | ACUITE BBB-   Stable (Upgraded from ACUITE BB   Stable) |
|             | Bank Guarantee                 | Short Term | 16.00           | ACUITE A3 (Upgraded from ACUITE A4+)                    |
|             | Secured Overdraft              | Long Term  | 12.00           | ACUITE BBB-   Stable (Upgraded from ACUITE BB   Stable) |
| 05 Dec 2019 | Secured Overdraft              | Long Term  | 12.00           | ACUITE BB   Stable (Reaffirmed)                         |
|             | Bank Guarantee                 | Short Term | 16.00           | ACUITE A4+ (Reaffirmed)                                 |
|             | Secured Overdraft              | Long Term  | 5.00            | ACUITE BB   Stable (Reaffirmed)                         |
| 16 Oct 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

| Lender's Name        | ISIN           | Facilities                       | Date Of Issuance | Coupon Rate    | Maturity Date  | Quantum (Rs. Cr.) | Rating                         |
|----------------------|----------------|----------------------------------|------------------|----------------|----------------|-------------------|--------------------------------|
| Punjab National Bank | Not Applicable | Bank Guarantee (BLR)             | Not Applicable   | Not Applicable | Not Applicable | 16.00             | ACUITE A3+   Upgraded          |
| Punjab National Bank | Not Applicable | Overdraft                        | Not Applicable   | Not Applicable | Not Applicable | 4.73              | ACUITE BBB   Stable   Upgraded |
| Punjab National Bank | Not Applicable | Overdraft                        | Not Applicable   | Not Applicable | Not Applicable | 12.00             | ACUITE BBB   Stable   Upgraded |
| Not Applicable       | Not Applicable | Proposed Long Term Bank Facility | Not Applicable   | Not Applicable | Not Applicable | 0.27              | ACUITE BBB   Stable   Upgraded |

## Contacts

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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