



Press Release

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

August 11, 2023

Rating Upgraded

Product	Amt(Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.00	ACUITE BBB+ Stable Upgraded	-
Bank Loan Ratings	16.00	-	ACUITE A2 Upgraded
Total Outstanding Quantum (Rs. Cr)	33.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BBB+**' (read as **ACUITE t riple B plus**) from '**ACUITE BBB**' (read as **ACUITE t riple B**) and short-term rating to '**ACUITE A2**' (read as **ACUITE A two**) from '**ACUITE A3+**' (read as **ACUITE A three plus**) 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 capacity v/s actual admissions from 88% in FY2022 to 95% in FY2023. The improvement was also supported by addition of new institutes by the trust. The rating also factors in the augmentation in the scale of operations reflected by healthy growth of 30% YoY in operating income to Rs. 734.88 Cr in FY23 (Provisional) as against Rs. 565.48 Cr in FY22. The improvement was majorly on account of higher student intakes during the year. The rating also draws comfort from healthy and improving financial risk profile of the trust as reflected by reduction in financial leverage and healthy coverage metrics and strong liquidity position. The rating is however constraint on account of risks associated with stringent regulatory norms in the education industry.

About the Company

Maharashtra-based, Datta Meghe Institute of Higher Education and Research (DMIHER) was established by Mr. Dattatraya Raghobaji Meghe in 1988. The trust currently has 18 institutes which offer graduate and post-graduate courses in the field medical, dental, pharmacy, engineering, management, nursing and para medical courses in Health Sciences and Allied Sciences. The deemed to be University started a new off campus institute in Wanadongri, Nagpur and expect this all the institutes of the deemed to be univesity are located on area of more than 160 acre campus in Sawnagi, Wardha including off-campus Wanadongri, Nagpur. NAAC ranking 2023 is A++ for the next 7 years. NRIF ranking 2023 is 39th University India.

Analytical Approach

For arriving at this rating, Acuité 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

Continuous improvement in scale of operations

Datta Meghe Institute of Higher Education and Research (DMIHER) has 18 institutes along with 4 teaching hospitals including 1 dental care hospital (3 on campus and 1 off campus) and 10 hostel facilities available for the students in the campus under the Deemed to be University and trust. Furthermore, the deemed to be University added one new institute i.e. Shalinitai Meghe College of Nursing with annual intake of 100 seats. For the same, the deemed to be University did not have to invest in additional infrastructure to accommodate such increased intake as they used the off-campus facility of Wanadongri, Nagpur. DMIETR was providing engineering courses which was completely closed in July 2023 (new admissions were not taken since 2020). The increased intake capacity v/s actual admissions levels of the deemed to be university have witnessed improvement from 88% in FY2022 to 95% in FY2023. The intake capacity v/s actual admissions is expected to reach upto 99% in the medium term as the intake increases for each year of the course.

Furthermore, the trust recorded a healthy performance with an Y-o-Y increase of 30% in its revenue at the back of increased student intake. The revenue stood at Rs. 734.88 Cr in FY23 (Provisional) as against Rs. 565.48 Cr in FY22. The operating margin saw an increase from 7.25% in FY22 to 22.39% in FY23 (Provisional). The PAT margins also saw a subsequent improvement from 2.50% in FY2022 to 17.50% in FY23 (Provisional).

Acuité believes that operations of the trust will continue to remain stable with improving students intake and establishment of new institutions over the medium term.

Improvement in Financial Risk Profile

The financial risk profile of the trust is healthy marked by low gearing and comfortable debt protection metrics. The Networth of the trust stood at 282.81 Cr in FY23 as against 148.90 Cr in FY22. The trust had availed Loan Against Fixed Deposit from Tirupati Co-operative in FY22 which was closed in FY23. As a result, the trust's total debt reduced to Rs. 62.46 Cr as on 31st March 2023 as against Rs. 168.84 Cr as on 31st March 2022. The gearing of the trust improved substantially and stood at 0.21 times as on 31st March 2023 as against 1.00 times as on 31st March 2022. TOL/TNW stood at 0.85 times as on 31st March 2023 as against 2.19 times in 31st March, 2022. Debt protection metrics remained comfortable with Debt Service Coverage ratio at 7.41 times in FY23 as against 1.64 times in FY22. Interest Coverage ratio stood at 25.04 times in FY2023 as against 6.38 times in FY22.

Acuite believes that the financial risk profile of the trust 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

Various regulatory authorities such as MCI, DCI, NCI, MNC, PCI, UGC, Ministry of Aysuh, AICTE under the State and Central government prescribe regulatory frame work to DMIHER 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.

Rating Sensitivities

- Lower than expected operating performance
- Significant improvement in profitability margin

Material covenants

None

Liquidity Position Strong

The liquidity of the trust is strong marked by adequate Net Cash Accruals (NCA) as against maturing debt obligations. The NCA of the trust in FY23 stood at Rs. 157.94 Cr as against maturing debt obligations of Rs. 15.64 Cr during the same period. The trust is expected to maintain NCA of Rs. 157.94 Cr – Rs. 221.41 Cr as against maturing debt obligation of Rs. 15.64 Cr – Rs. 14.96 Cr in the medium term. The average bank limit utilization of the trust remained low at ~17% for 15 months ended June 2023. The trust maintained an unencumbered cash balance of Rs. 35.38 Cr as on 31st March 2023. 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 DMIHER will maintain a 'Stable' outlook over the medium term on the back of its experienced management and healthy intake capacity v/s actual admission 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 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	734.88	565.48
PAT	Rs. Cr.	128.59	14.17
PAT Margin	(%)	17.50	2.50
Total Debt/Tangible Net Worth	Times	0.11	0.41
PBDIT/Interest	Times	25.04	6.38

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

Not Applicable

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 May 2022	Secured Overdraft	Long Term	4.73	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Bank Facility	Long Term	0.27	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Secured Overdraft	Long Term	12.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	16.00	ACUITE A3+ (Upgraded from ACUITE A3)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	16.00	ACUITE A2 Upgraded
Punjab National Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB+ Stable Upgraded
Punjab National Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BBB+ Stable Upgraded

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About Acuité Ratings & Research

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