



Press Release
DATTAKALA SHIKSHAN SANSTHA
August 03, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.00	ACUITE BB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	22.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB-**' (read as **ACUTE double B minus**) on Rs. 22.00 crore bank loan facilities of Dattakala Shikshan Sansthan. The outlook is '**Stable**'

Rationale for rating assigned

The rating assigned factors in the experience of more than two decades of the trustees in the education industry. The rating also draws comfort from improvement in the business risk profile of the trust marked by improvement in actual intake across courses along with introduction of new technical courses. Further, the operating performance of the company has also improved over the last three years marked by improvement in operating income at Rs.33.98 crore for FY23 (Est.) as against Rs. 29.74 crore in FY22 and Rs. 19.60 crore in FY21, though still remain modest. These strengths are partially offset by the elongated debtor collection period leading to stretch in liquidity position and the trust's below average financial risk profile.

About the Company

Incorporated in 2006, Dattakala Shikshan Sansthan (DKSS) is a charitable trust that established with an object of imparting education. DKSS is located at Bhigwan in Maharashtra and has a 25 acre campus which houses all the institutes under the trust. The trust has total of 9 institutes which provide school education from nursery to 12th and technical courses like pharmacy, engineering and management. The trust is managed by Mr. Ramdas Zol who has over two decades of experience in the field of education.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of DKSS to arrive at the rating

Key Rating Drivers

Strengths

Established track record of operations and experienced management

DKSS has been in operations since 2006. The founder, Mr. Ramdas Zol along with other trustees namely Mrs. Maya Zol, Mr. Rana Suryawanshi and Ms. Jaymala Baldal who have more than two decades of experience in the field of education. The founders, along with a strong team of around 182 qualified faculty members, have been imparting quality education to their students.

Acuité believes that the established track record and experienced management will continue to benefit DKSS over medium to long term.

Steady improvement in operating performance

The operating performance of the trust has been steady marked by a steady increase in the intake of students over the years and addition to technical courses offered by the company. The operating income of the trust remain modest however improved over the years and stood at Rs.33.98 crore for FY23 (Est.) as against Rs. 29.74 crore in FY22 and Rs. 19.60 crore in FY21. Approximately 90% of the trust's income is generated by the technical courses offered. The drop in income in FY21 in on account of the covid induced lockdown.

The total actual intake of all the technical courses offered by the trust increased to 2479 students in FY23 as against 2177 students in FY22 and 1757 students in FY21. The trust during 2021-22 introduced Master of Computer Application a 2 year course with a sanctioned intake capacity of 120 students and Diploma in Pharmacy in 2022-23 with a sanctioned capacity of 60 students. The trust has also increased its sanctioned intake for its engineering and management courses over the last two years. The occupancy rates at its pharmacy courses are healthy with nearly full occupancy levels. The occupancy levels for the management and engineering courses are at an average of 50%. The operating margins of the trust stood at 16.40 percent in FY23(Est.) as against 14.95 percent in FY22 as against 23.71 percent in FY21. The PAT margins of the trust stood at 1.99 percent in FY23 (Est) as against 0.68 percent in FY22 and 0.10 percent in FY21.

Acuite believes that the operating performance of the trust may continue to improve with likely increase in intake of the students in the medium term.

Weaknesses

Intensive working capital operations

The working capital operations of the trust are intensive marked by GCA days of 358 days in FY22 as against 402 days in FY21 and 187 days in FY20. The GCA days remain driven by the debtor collection period. Approximately 60% seats of the technical are for students who receive scholarship under certain schemes of the government. Hence, the fees for such students are received from the welfare department where the recovery takes around a year. Further, ~50% or more seats at the schools are for students under the reserved category students where the trust provides schooling, accommodation and food for such students against government grant. Additionally, the fees are cleared by the students in the month of May-June and hence the debtor collection period as on balance sheet date remain elongated. The debtor collection period of the trust stood at 282 days in FY22 as against 314 days in FY21 and 180 days in FY20. The reliance of the trust on bank limits for its working capital requirements remain low as the trust has a sanctioned limit of Rs. 0.50 crore and an average utilization of 50 percent for 12 months ended March 2023.

Acuite believes that the ability of the trust to manage its working capital operations will remain a key rating sensitivity over the medium term.

Below average financial risk profile

The financial risk profile of the trust is below average marked by a moderate network, high gearing and average debt protection metrics. The tangible network of the trust stood at Rs. 11.38 crore as on March 31, 2022 as against Rs. 10.75 crore as on March 31, 2021 and Rs. 10.73 crore as on March 31, 2020. The increase in network is on account of increased accretion of profits to reserves. The total debt of the trust stood at Rs. 25.23 crore as on March 31, 2022 as against 25.16 crore as on March 31, 2021 and Rs. 21.87 crore as on March 31, 2020. The gearing (Debt to Equity) of the trust stood at 2.22 times as on March 31, 2022 as against 2.34 times as on March 31, 2021 and 2.04 times as on March 31, 2020. The TOL/TNW of the trust stood at 3.61 times as on March 31, 2022 as against 3.19 times at March 31, 2021 and 2.62 as on March 31, 2020. The debt protection metrics of the trust remained comfortable marked by DSCR of 1.17 times in FY22 as against 1.18 times in FY21 and 2.13 times in FY20. The ICR of the trust stood at 2.03 times in FY22 as against 1.73 times for FY21 and 1.74 times for FY20. Going forward, the trust has huge repayments of its debt obligations on account of ballooning repayments and hence the DSCR of the trust is likely to range between 1.02-1.44 times.

Acuite believes improvement in DKSS's financial risk profile over the medium term will remain a key rating monitorable.

Rating Sensitivities

- Sustained improvement in occupancy levels and scale of operations while maintaining profitability
- Any deterioration in the working capital cycle on account of further elongation in debtor collection period leading to stretched liquidity.

Material covenants

None

Liquidity Position Stretched

Liquidity of the trust is stretched marked by huge debt service obligations in the near to medium term and slow growth in the net cash accruals. Further, the elongated debtor collection period also adds pressure to the liquidity position. The net cash accruals of the trust however remained sufficient to meet its debt service obligation in FY22. The net cash accruals of the trust stood at Rs. 2.25 crore as for FY22 as against repayment obligations of Rs. 1.60 times during the same period. The reliance of the trust on bank limits remain low with ~50 percent utilization for 12 months ended March 2023. The trust maintains unencumbered cash balance of Rs. 2.65 crore as on March 31, 2023. Further, the trust also has unencumbered fixed deposits of Rs.1.15 crore to additionally support the liquidity.

Acuite believes that the liquidity of the trust over the near to medium term will remain a key rating monitorable.

Outlook: Stable

Acuite believes that the trust will continue to maintain a 'Stable' outlook over near to medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the trust achieves higher than expected growth in revenues and improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the liquidity position on account of higher-than-expected debt and working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	29.74	19.60
PAT	Rs. Cr.	0.20	0.02
PAT Margin	(%)	0.68	0.10
Total Debt/Tangible Net Worth	Times	2.22	2.34
PBDIT/Interest	Times	2.03	1.73

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

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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE BB- Stable Assigned
Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.28	ACUITE BB- Stable Assigned
Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.23	ACUITE BB- Stable Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.84	ACUITE BB- Stable Assigned
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.55	ACUITE BB- Stable Assigned
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.08	ACUITE BB- Stable Assigned
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.52	ACUITE BB- Stable Assigned

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About Acuité Ratings & Research

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