



## Press Release

### Dashmesh Educational Charitable Trust

April 12, 2022

#### Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	15.00	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	Assigned	Simple
Short term Bank Facilities	20.00	IVR A2+ (IVR A Two Plus)	Assigned	Simple
<b>Total</b>	<b>35.00</b> <b>(INR Thirty-Five Crore Only )</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Dashmesh Educational Charitable Trust (DECT) derives comfort from its established track record of operation spanning more than two decades in the education sector under experienced board of trustee with its satisfactory infrastructure backed by experienced faculties leading to satisfactory enrolment rates in its educational institutes and favourable demand outlook for education in India. The ratings also consider DECT's stable financial performance with improvement in profitability in FY21 and in 9MFY22 along with its strong financial risk profile marked by comfortable capital structure and healthy debt protection metrics. However, these rating strengths are partially offset due to its presence in highly competitive sector with exposure to high regulatory risks associated with the stringent compliance requirements of relevant regulatory authorities. The ratings also considers volatility in cash flows as the trust receiving lump-sum fees, while the debt repayment obligations are monthly or quarterly in nature which necessitates prudent cash flow management to ensure regular debt servicing.

#### Key Rating Sensitivities:

##### Upward Factors

- Improvement in enrolment ratio leading to improvement in the operating income and profitability on a sustained basis.
- Consistency in maintaining the strong financial risk profile marked by comfortable capital structure and health debt protection metrics.



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### Downward Factors

- Dip in operating income and/or profitability due to decline in enrolment ratio.
- Higher than anticipated capital expenditure impacting the capital structure with overall gearing moderated below 1x.
- Deterioration in liquidity position.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced board of trustee with long track record**

The trustees of 'DECT', have experience of over two decades in the educational & other related activities. The Trust is managed by Board of trustees having five members with vast experience. The two main promoters of the Trust Mr. Manmohan Singh Chawla & Mrs. Madhu Preet Kaur are Trustees since its inception.

- **Established presence of DECT in the education segment**

DECT has more than 20 years of track record in the field of education and offers 160 plus courses in 18 disciplines with medical and dental colleges. The society also runs a university named Shree Guru Gobind Singh Tricentenary University located in Gurgaon, Haryana. In addition to that, it operates a general hospital with capacity of 720 beds.

- **Satisfactory infrastructure coupled with experienced faculties**

DECT manages 18 educational institutes and offers various programmes in medicine, dental sciences, pharmacy, physiotherapy, commerce & management, hotel management, law, engineering & technology, agricultural sciences, mass communication, fashion & design. Further, all the institutes under DECT have well equipped classrooms, laboratories, computer centres, conference rooms, seminar halls, internet facility, well stocked library, and other resources. Additionally, the educational institution has experienced faculties in each of the discipline. At present, there are a total of 546 faculty members under DECT.

- **Satisfactory enrolment rates in educational institute**

The number of students enrolled in first year has registered a sustained increase in the past three years through FY21. The total enrolment is ~83% of the total seats available under different discipline.



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- **Stable financial performance with improvement in profitability in FY21 and in 9MFY22**

The operating income of the trust registered gradual and sustained increase in the past three years through FY21 to Rs.249.41crore from Rs. 211.95 crore in FY19. Over the same period, the income from educational activities increased from Rs.187.32 crore in FY19 to Rs.223.05 crore in FY21 driven by increase in student head count. The EBITDA margin of the trust remained healthy, and range bound in between 27.07%-31.58% over FY19-FY21. Further, the PAT margin also registered sustained improvement from 13.32% in FY19 to 19.74% in FY21 backed by gradual rise in EBITDA and lower finance costs driven by scheduled repayment of loans. In 9MFY22, the trust has achieved a revenue of ~Rs.209 crore with EBITDA of ~Rs.77 crore.

- **Strong financial risk profile marked by comfortable capital structure and healthy debt protection metrics**

The capital structure of the trust has been significantly improved over the past three account closing dates. The debt profile of the trust majorly consisted of term loans from banks and bank overdraft. The debt equity ratio & overall gearing ratio registered constant improvement in the past three account closing dates through FY21 on the back of repayment of term loans and stood comfortable at 0.07x & 0.10x respectively as on March 31, 2021. Total indebtedness as reflected by TOL/TNW also stood comfortable at 1.09x. The debt protection metrics of the entity remained healthy over the years marked by its cash accruals and low debt level. The interest coverage ratio stood healthy over the years and improved from 6.41x in FY19 to 19.18x in FY21. Further, Total debt to EBITDA also improved from 0.90x as on March 31,2019 to 0.27x as on March 31,2021.

- **Favourable demand outlook for education in India**

The demand for higher education is very high in the country which supports the demand prospect of the trust to a great extent.

### **Key Rating Weaknesses**

- **Strict regulations in education sector along with intense competition**

The education industry in India is highly regulated, thus exposing the entity to any regulatory changes in future. Further DECT faces intense competition from reputed public and private institutes in the nearby states. This puts pressure on attracting / retaining talented students and faculty.



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- **Volatility in cash flows**

Infomerics notes the mismatch in cash flows with the trust receiving lump-sum fees, while the repayment obligations are quarterly or monthly, which necessitates prudent cash flow management to ensure regular debt servicing. However, the trust maintains adequate liquidity to serve its repayment obligations which would mitigate the risk arising from volatility in cash flows.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Service Sector Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

**Liquidity – Strong**

The liquidity of the trust is expected to remain strong in the near term marked by sufficient cash accruals with insignificant debt repayment obligations in the near term. Further, on the back of its healthy capital structure the trust has healthy gearing headroom.

**About the Company**

Established in 1999, Dashmesh Educational Charitable Trust (DECT) offers 160 plus courses in 18 disciplines for Undergraduates, Graduates, Postgraduates & PHD students across various institutes. In addition to that, it operates a general hospital with capacity of 720 beds. The Trust is managed by Board of trustees having five members. The two main founders of the trust, Mr. Manmohan Singh Chawla & Mrs. Madhu Preet Kaur are trustees since its inception.

**Financials: Standalone**

For the year ended* / As On	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	242.83	249.41
EBITDA/SBITDA	65.74	78.77
PAT/Surplus	33.46	49.80
Total Debt	51.48	21.65
Tangible Net worth	183.44	234.16
Adjusted Tangible Net worth	158.68	209.26
EBITDA/ SBITDA Margin (%)	27.07	31.58
PAT/Surplus Margin (%)	13.57	19.74



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For the year ended* / As On	31-03-2020	31-03-2021
Overall Gearing Ratio (x)	0.21	0.07
Interest Coverage Ratio (x)	10.73	19.18

*\*Classification as per Infomerics' standards.*

**Status of non-cooperation with previous CRA:** Brickwork Ratings has placed the rating of Dashmesh Educational Charitable Trust in the Issuer Non-Cooperating category as the trust did not cooperate in the rating procedure despite repeated follow ups vide its Press Release dated October 18,2021.

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Over-Draft	LT	15.00	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	-	-	-
2.	Bank Guarantee	ST	20.00 (Including proposed limit of Rs.2.30 crore)	IVR A2+ (IVR A Two Plus)	-	-	-

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**About Infomerics:**

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).



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Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
OverDraft	-	-	-	15.00	IVR A-/Stable
Bank Guarantee	-	-	-	17.70	IVR A2+
Bank Guarantee-Proposed	-	-	-	2.30	IVR A2+

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-Dashmesh-Apr22.pdf>





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**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).