



## Press Release

### Dashmesh Educational Charitable Trust

July 06, 2023

#### Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long term Bank Facilities	17.30	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	Reaffirmed	Simple
Short term Bank Facilities	17.70	IVR A2+ (IVR A Two Plus)	Reaffirmed	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 reaffirmation of the ratings assigned to the bank facilities of Dashmesh Educational Charitable Trust (DECT) continues to derive 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 satisfactory profitability in FY23 (Provisional.) coupled with its strong financial risk profile marked by comfortable capital structure and healthy debt protection metrics. However, these rating strengths continues to remain 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.

#### 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

##### Downward Factors



## Press Release

- Dip in operating income and/or profitability due to decline in enrolment ratio on a sustained basis
- 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 a 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 an 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 549 faculty members under DECT.

- **Satisfactory enrolment rates in educational institute**

The number of students enrolled in 1<sup>st</sup> year has registered a sustained increase in FY23 on Y-o-Y basis as compared to FY22.

- **Stable financial performance with satisfactory profitability in FY23**

The trust derives income from educational activities, hostel, mess and the 720 bedded hospital maintained by it. The operating income of the trust registered a year-on-year growth of ~10% i.e. from Rs. 292.29 crore in FY22(A) to Rs. 318.47 Crore in FY23(Prov.) on account of rise in



## Press Release

student head count and increase in fees in FY23. The profit margins of the trust though moderated continues to remain healthy in FY23(Prov.). The EBITDA margin of the Trust has moderated from 36.81% in FY22(A) to 29.48% in FY23(Prov.) due to rise in employees, faculty, and administration cost. Further, the PAT margin has also dampened from 28.64% in FY22(A) to 21.74% in FY23(Prov.) due to dip in absolute EBITDA.

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

The capital structure of the trust continues to remain comfortable on the account closing dates. The debt equity ratio & overall gearing ratio continues to remain healthy on the back of insignificant repayment of term loans and stood comfortable at 0.01x as on March 31, 2023 (Prov.) vis-a-vis 0.00x as on March 31, 2022. Total indebtedness as reflected by TOL/TNW also stood comfortable at 0.79x as on March 31, 2023 (Prov.). The trust had healthy debt protection metrics as reflected by interest coverage ratio at 146.90x in FY23(Prov.) vis-a-vis 68.03x in FY22(A) due to its healthy EBITDA level and insignificant finance cost attributable to its conservative capital structure. Further, Total debt to EBITDA and Total Debt / GCA stood comfortable at 0.03x as on March 31, 2023 (0.01x as on March 31, 2022).

- **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**

- **Intense competition**

DECT faces intense competition from reputed public and private institutes in the nearby states. This puts pressure on attracting / retaining talented students and faculty. In view of intense competition, the trust was forced to raise its employee and faculty costs which has impacted the margins in FY23.

- **Exposed to high regulatory structure in educational sector**

The education industry in India is highly regulated, thus exposing the entity to any regulatory changes in future. DECT's various schools/institute must abide by various regulatory bodies such as the University Grants Commission (UGC), the All-India Council for Technical Education (AICTE), the Bar Council of India (BCI), Department of Pre-university Courses, etc, universities and state governments, etc. This restricts its flexibility and autonomy with respect to fees and student intake, among others. Any non-compliance or violation of these regulations



## Press Release

may lead to cancellation of affiliation and may put restriction on new admissions impacting its revenues and cash flows.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Service Sector Companies](#)

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

[Criteria for assigning Rating outlook.](#)

### **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 Trust**

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)	
	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	292.29	318.47
EBITDA/SBITDA	107.60	93.88
PAT/Surplus	84.31	70.23
Total Debt	0.76	2.81
Tangible Net worth	318.00	388.18
EBITDA/ SBITDA Margin (%)	36.81	29.48
PAT/Surplus Margin (%)	28.64	21.74
Overall Gearing Ratio (x)	0.00	0.01
Interest Coverage Ratio (x)	68.03	146.90

*\*Classification as per Infomerics' standards.*

**Status of non-cooperation with previous CRA: Nil**



## Press Release

**Any other information: Nil**

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding. (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Over Draft (Proposed)	LT	17.30	IVR A-/Stable	IVR A-/Stable (April 12,2022)	-	-
2.	Bank Guarantee	ST	17.70	IVR A2+	IVR A2+ (April 12,2022)	-	-

**Name and Contact Details of the Rating Analyst:**

Name: Mr. Rahul Kr. Shaw Tel: (033) 46022266 Email: <a href="mailto:rahul.shaw@infomerics.com">rahul.shaw@infomerics.com</a>	Name: Mr. Avik Podder Tel: (033) 46022266 Email: <a href="mailto:apodder@infomerics.com">apodder@infomerics.com</a>
--	---

**About Infomerics:**

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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



## Press Release

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. For more information visit <https://www.infomerics.com>

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Over-Draft(Proposed)	-	-	-	17.30	IVR A-/Stable
Bank Guarantee	-	-	-	17.70	IVR A2+

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-dashmesh-jul23.pdf>

**Annexure 3: List of companies considered for consolidated analysis: Not Applicable.**

**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).