

Debadutta Educational Trust

January 19, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	3.08	CARE B-; Stable; ISSUER NOT COOPERATING*	Revised from CARE B; Stable (Single B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE has been seeking monthly 'No Default Statement (NDS)' and information from Debadutta Educational Trust (DET) to monitor the ratings vide e-mail communications dated January 03, 2023, January 10, 2023, and January 12, 2023, among others and numerous phone calls. However, despite our repeated requests, the trust has not provided the NDS and information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on DET's bank facilities will now be denoted as **'CARE B-; ISSUER NOT COOPERATING*'**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings have been revised on account of small scale of operations with limited track record, leveraged capital structure, elongated collection period and an intensely competitive and regulated nature of industry.

Description of the key rating drivers

At the time of last rating on February 25, 2022, the following were the rating strengths and weaknesses.

Analytical approach: Standalone

Key weaknesses

Small scale of operations with limited track record

Debadutta Educational Trust (DET) is imparting education in the name of 'D'MOUNT Valley School' in Koraput, Odisha with FY18 being the first full year of operations. As a result, the scale of operations of the trust is relatively small with total operating income at Rs.2.15 crore in FY21. The school has witnessed increase in student enrolment from 512 students in FY19 to 965 students in FY20. However, due to ongoing pandemic the enrolment in FY21 to 892 students in FY21 & FY22.

Leveraged capital structure

Although the firm's capital structure has improved with overall gearing ratio improving from 4.27x as on March 31, 2018 to 1.91x as on March 31, 2021, it continues to remain leveraged. Moreover, overall gearing is expected to moderate due to proposed term debt of for funding the planned capex of around Rs.4 crore.

Elongation in collection period due to Covid-19 impact

Before the pandemic, the trust was able to realize the fees from students on time and had Nil receivables. However, with the onset of the pandemic, the trust had to give more time to students to recover fees. As a result, the pending receivables increased to Rs.0.65 cr as on Mar 31, 2021. As a result, the average collection period increased to 54 days in FY21. However, the same has been brought down to Rs.0.40 crore as on Dec 31, 2021.

Intense competition & regulated nature of industry

Despite the increasing trend of privatization of education sector in India, regulatory challenges continue to pose a significant threat to the educational institutes. DET is affiliated from CBSE and hence, is required to follow the regulations of CBSE from time to time. DET is expected to face stiff competition from other established and upcoming schools in the nearby area.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key strengths

Improved financial performance in FY21

DET's income from operations have grown at a CAGR of 51.4% between FY18 and FY21 to Rs.2.15 crore due to substantial increase in number of students. SBIDT margins have moderated from 36.30% in FY18 to 15.01% in FY21 due to no hike in school fees vis-a-vis increase in administrative costs of the school. However, SAT margin has improved from 0.91% in FY18 to 2.58% in FY21 due to stable finance cost vis-a-vis increase in scale of operations. In 9MFY22, the trust has achieved total operating income of Rs.1.66 crore. In FY22, the trust has hiked fees by 5-7% which would help in improving revenues.

Adequate availability of faculty

The total number of teaching and non-teaching staff has remained fairly stable till FY20. However, with increase in number of students in FY20 the number of teaching & non-teaching staff has also increased. Also, student teacher ratio has remained moderate with an average of 30:1 ratio in the last two years.

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Education](#)

About the company

Debadutta Educational Trust (DET) was incorporated in 2016 by Mr. Bhagwan Dora and has been running D'MOUNT Valley School (DVS) in Koraput, Odisha. The school is situated in the heart of the city with all modern amenities and is affiliated with CBSE (upto Class Xth) and has a strength of around 900 students. The Trust has received approval from CBSE for setting up Class XI & Class XII and is in the process of setting up the same.

Brief Financials (₹ crore)	March 31, 2020 (A)	March 31, 2021 (A)	FY22/9MFY23
Total operating income	0.72	2.15	NA
PBILDIT	0.16	0.32	NA
PAT	0.01	0.06	NA
Overall gearing (times)	2.28	1.91	NA
Interest coverage (times)	1.95	2.36	NA

A: Audited;

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Sept 2026	3.08	CARE B-; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	3.08	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable (25-Feb-22)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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