

Down Town Charity Trust

April 03, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	46.00 (Enhanced from 41.15)	CARE BBB; Stable	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Down Town Charity Trust (DTCT) continues to draw strength from the experienced promoters having established brand name in North-east India, diverse course offerings with affiliation/approvals from relevant regulatory bodies, established infrastructure and qualified faculty members, satisfactory student enrolment ratio, satisfactory financial performance in FY23 (refers to the period from April 01 to March 31) and H1FY24 and comfortable capital structure and debt protection metrics.

The rating is, however, constrained by its modest scale of operations amidst fragmented and regulated nature of the education sector coupled with risk of non-completion of project within envisaged cost and time.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations marked by total operating income (TOI) above Rs.150 crore and maintenance of SBID margin above 40% on a sustained basis.
- Sustained improvement in enrolment rates.

Negative factors

- Decline in TOI below Rs.70 crore and SBID margin below 30% on a sustained basis.
- Deterioration in capital structure with overall gearing beyond 0.50x and TD/GCA beyond 2x.

Analytical approach: Standalone

Outlook: Stable

The trust is likely to maintain its healthy operational and financial performance given the stable demand coupled with the established brand name of the trust.

Detailed description of the key rating drivers

Key strengths

Experienced promoters having established brand in the North-east India

DTCT, established more than two decades ago, has set-up Assam Down Town University (ADTU) engaging students from all over the North-east and neighbouring states, thereby making a noticeable presence in the state of Assam. The trust is headed by Dr. N.N. Dutta (Chairman: MBBS, MS, FICS), who is a practicing and renowned ENT Specialist in Down Town Hospital Limited (DTHL) with active support from family members. The other trustees are Mr Biswa Dutta, Dr. B.K. Gogoi, Dr. Alaka Goswami and Dr. Manoj Mirdha amongst others.

Diverse course offering with affiliation/approvals from relevant regulatory bodies

The university has been accorded approvals from the Government of Assam as a State Private University and the University Grants Commission (UGC) under section 22 of the UGC Act, 1956. It has also obtained registration under Pharmacy Council of India (PCI) and Indian Nursing Council (INC) to offer courses pertaining to paramedical sciences and nursing. All technical courses like B. Tech, B.C.A, B.Sc (Computer Science) are under All India Council for Technical Education (AICTE). ADTU also got approval from Distance Education Bureau (DEB) under UGC in 2013 to offer its programs in distance mode. It has entered into various Memorandum of Understandings (MoUs) to offer collaborative academic programmes (student exchange) with Ireland, Nepal, Bangkok etc.

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

Established infrastructure and qualified faculty members

The University is spread over an area of 50 acres and provides facilities like library, auditorium and seminar halls, laboratories, health care services, hostel facility, ATM services, cafeteria etc. The faculties at ADTU are experienced professionals recruited from reputed institutes of India and abroad. There are 276 faculties in total having an average experience of approximately 10 years.

Satisfactory student enrolment ratio in FY23 and 9MFY24

The enrolment ratio has remained satisfactory at over 90% during the past 3 years. Furthermore, the enrolments continued to remain satisfactory at 97% during 9MFY24. The total number of student has increased to 3555 during 9MFY24 from 2604 student in FY23 on account of growth in enrolment in existing courses along with introduction of new courses like studies of agriculture by the university.

Satisfactory financial performance in FY23 and H1FY24

The operating income of the trust has increased y-o-y by 22.87% to Rs.115.15 crore in FY23 as against Rs.93.72 crore in FY22 on account of higher receipts of university programme fees. However, the SBILDT margin declined from 38.24% in FY22 to 31.38% in FY23 due to increase in overall operational expenses, including salaries and marketing costs. Depreciation charges also increased from Rs.12.82 crore in FY22 to Rs.17.82 crore in FY23. The entity earned surplus after tax (SAT) of Rs.21.17 crore in FY23 as against Rs.23.76 crore in FY22. The trust earned cash profit of Rs.38.99 crore in FY23 vis-à-vis negligible debt repayment obligations during FY23.

In H1FY24, the trust has already reported an operating income of Rs.81.31 crore with a SBILDT margin of around 29.26%. The trust expects to earn TOI of around Rs.160 crore in FY24.

Comfortable capital structure and debt protection metrics

The capital structure marked by overall gearing has remained comfortable and stood at 0.27x as on March 31, 2023, as against 0.25x as on March 31, 2022. The slight moderation in capital structure was mainly due to drawdown of balance term loan for construction of school building. This apart, TD/GCA has also slightly moderated from 0.95x as on March 31, 2022 to 1.09x as on March 31, 2023 due to increase in debt. Going forward, the capital structure and debt coverage indicators are expected to remain comfortable on the back of accretion of profits to reserves even though the remaining balance of the term loan is expected to be disbursed in FY24.

Key weaknesses**Modest scale of operation amidst fragmented nature of industry**

The education industry is highly fragmented with few players in the organized sector. Barring a few, most of the organized sector players have one or two institutes only. All these lead to high level of competition in the industry. ADTU operates on a moderate scale with operating revenue of Rs.115.15 crore in FY23 and net worth of Rs.158.55 crore as on March 31, 2023.

Regulatory framework for educational sector in India

India's educational system broadly comprises school education (preschool, secondary and higher secondary), higher education (professional and technical education). In addition, the segment also comprises vocational training, coaching classes, distance education through e-learning platforms, etc. The Ministry of Human Resource Development (MHRD) is the nodal ministry for the sector. The other bodies involved in regulating and maintaining standards in the sector include the National Council of Educational Research and Training (NCERT), the University Grants Commission (UGC), AICTE, and the National Council for Teacher Education (NCTE) at the central level. At the state level, the Department of Education and the State Council of Educational Research and Training (SCERT) have important roles to play. Hence, the regulatory challenges continue to pose a significant risk to the educational institutions as they are highly susceptible to changes in the regulatory framework.

Project implementation risk

In view of the growing demand, DTCT is undertaking the construction of a 10-storey building to house hostel facilities and other administrative blocks in its university and another 5-storey building in Moran. The total project cost is expected to be around Rs.58 crore, out of which around Rs.20 crore has already been expended. Both the buildings are expected to be ready by March 2025. In case there is any shortfall in internal accruals, term loan would be availed by the trust.

In addition, the trust is also planning to purchase 34 bigha of land. Approximately 12 bigha in north Guwahati have already been procured which has been funded through the sale of mutual funds and internal accruals. The trust has already expended Rs.12 crore on the same. The remaining 22 bigha is estimated to cost around Rs. 20 crore which will be purchased according to availability of fund. The trust may look for building new school on this land, the planning of which would begin post acquisition of the land.

Liquidity: Adequate

Trust has earned a GCA of Rs 38.99 crore in FY23 against negligible debt repayment obligation. Given healthy enrolment rate and steady collections, the overall liquidity is expected to remain adequate for servicing its overall debt over the medium term. Cash and bank balance as on March 31, 2023, stood at Rs 9.58 crore. Current ratio stood at 1.33x as on March 31, 2023. Furthermore, in FY24, the trust has repayment obligation of around Rs.3.00 crore against which it is expected to generate sufficient cash accruals. Also, the trust has prepaid Rs.4 crore in FY24 since the trust had surplus funds in hand.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Education](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

About the company and industry**Industry classification**

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Other Consumer Services	Education

DTCT, is a Public Trust, established in 1997 in Guwahati, promoted by Down Town Hospital Limited. DTCT is managed by Dr. N.N. Dutta (Chairman) and Mr. Joutishman Dutta (Managing Trustee). The trust has established a university namely Assam Down Town University (ADTU) which began its operations in the year 2010 and presently offers graduation, post-graduation and diploma courses in allied health and paramedical sciences, nursing, engineering and technology, management, pharmacy, hospitality and tourism management and performing arts. The university is approved by the University Grants Commission (UGC) and concerned bodies like All India Council for Technical Education (AICTE).

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	93.72	115.15	81.31
PBILDT	35.84	36.13	23.79
PAT	23.76	21.17	11.46
Overall gearing (times)	0.25	0.27	0.28
Interest coverage (times)	16.43	15.54	10.72

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: CRISIL has continued the ratings assigned to the bank facilities of DTCT under 'Issuer not-cooperating' category vide press release dated June 15, 2023, on account of non-availability of requisite information from the company.

Any other information: Not Applicable

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

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BBB; Stable
Term Loan-Long Term		-	-	July 2029	36.00	CARE BBB; Stable

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 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	10.00	CARE BBB; Stable	1)CARE BBB; Stable (05-Apr-23)	-	1)CARE BBB; Stable (24-Mar-22) 2)CARE BBB-; Stable (05-Apr-21)	-
2	Term Loan-Long Term	LT	36.00	CARE BBB; Stable	1)CARE BBB; Stable (05-Apr-23)	-	1)CARE BBB; Stable (24-Mar-22) 2)CARE BBB-; Stable (05-Apr-21)	-

LT: Long term

Annexure-3: Detailed explanation of 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-Cash Credit	Simple
2	Term Loan-Long Term	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.

Contact us

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About us:

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