

Pacific Medical University (Revised)

July 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	72.31 (Enhanced from 41.61)	CARE BB; Stable	Revised from CARE BB-; Stable
Long Term / Short Term Bank Facilities	5.50	CARE BB; Stable /CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in ratings assigned to the bank facilities of Pacific Medical University (PMU) takes into account of sustenance of a moderate scale of operations and healthy profitability during FY24 (refers to the period April 1 to March 31) alongwith controlled debt levels.

The ratings, favourably factor in its experienced promoters in education sector, moderate scale of operations, comfortable capital structure and debt coverage indicators, adequate liquidity and favourable prospects of the education sector in India.

The ratings however continue to remain constrained on account of past instances of delays in debt servicing and its presence in a highly regulated and competitive education sector. Ratings also take cognisance of continuous capex requirements in the sector for facility augmentation / upgradation, which restricts the free cash flows.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Maintenance of SBILDT margin of above 35% on a sustained basis
- Build up of liquidity to the tune of Rs.20 cr. and above

Negative factors

- Any delay in receipt of fees from student which results in elongation in operating cycle.
- Deterioration of profitability margin with SBILDT margin below 20% on sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectations that the university will continue to benefit from vast experience of the promoters in education industry and sustain its moderate financial risk profile.

Detailed description of the key rating drivers:

Key weaknesses

Past track record of delays in interest and principal debt servicing

Company had instances of delays in principal and interest servicing from 2019 till March 2023. It subsequently fully repaid the earlier facilities with no outstanding balance. Post sanction of facilities from new lender in April 2023, account has been regular with no delays in debt servicing. Past delays were mainly due to mismatches in cash flows, owing to high collection period and periodic collection of fees, heavy capex incurred towards Post Graduate course infrastructure and medical equipment and utilisation of funds for repayment of unsecured loans.

Highly regulated education industry with regard to approvals and accreditations though demand prospects remain good

The higher education in India is placed in the concurrent list of the constitution and thus comes under the purview of both Central and State Government. The sector is regulated by Ministry of Human Resources at the national level and by the education ministries in each state, as well as by Central bodies like University Grant Commission (UGC) and 14 other professional councils like All India Council of Technical Education (AICTE), Directorate of Technical Education (DTE), etc.

The operating and financial flexibility of the higher education sector are limited, as regulations governs almost all aspects of operations, including fee structure, number of seats, changes in curriculum and infrastructure requirements. Further, each Institution offering a Post Graduate or an Under Graduate Technical Program are required to submit an application to the AICTE

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

council, every year for extension of approval of courses offered by the Institution. Any delay or rejection of approval request may result into under-achievement of projected revenue streams. PMU being in the education sector is also highly regulated by the norms of governing bodies. These regulations on operations of PMU could put limitation on the revenue growth of PMU. However, India has the largest population in the world providing good demand prospects in education sector.

Key strengths

Experienced promoter group in the education sector

PMU is sponsored by Tirupati Balaji Education Trust (TBET), which is part of Pacific group (PG) of Udaipur. TBET is managed by Mr B R Agarwal (founder chairman of Pacific Group) and his family. The promoter group has experience of managing five other trusts/societies besides TBET for more than past one decade. Mr Rahul Agrawal, son of Mr B R Agarwal is the chairperson of PMU and looks after overall functioning of the university along with a team of 12 members in the board of management. Furthermore, PMU has a team of highly qualified and well experienced professionals. PG also manages other trusts/societies which offer courses in varied fields including pharmacy, dental, engineering, management, education, medical science, media and mass communication, information technology, hospitality, and fashion technology among others. It also manages Global Health Research and Management Institute which operates medical college and hospital (750 beds) under the name of Pacific Institute of Medical Sciences with intake capacity of 150 seats for MBBS and PG intake capacity of 61 seats at Udaipur. In FY14, PMU was promulgated as a private university, university status reduces various operating restrictions like, conducting of examinations and formulation of course curriculum.

Moderate scale of operations and healthy surplus margin

The scale of operation of the university remained on similar levels as in FY23 and stood at Rs.355.62 cr. in FY24 (Rs.358.72 cr. in FY23).

The profitability of the university stood healthy with SBILDT margin and surplus margin of 32.71% and 25.45% respectively in FY24, though moderated from previous year on account of increase in employee costs with start of new courses. Accordingly, the Gross Cash Accruals (GCA) of the university also stood comfortable Rs.113.41 crore in FY24 (P.Y: Rs.158.05 crore).

Comfortable capital structure and debt coverage indicators, though with sizeable capex requirement

The capital structure of the university stood comfortable marked by overall gearing of 0.11x as on March 31, 2024 (0.06x in FY23). As on March 31, 2024, total debt of the university stood at Rs.50.34 cr. comprising mainly term loan and unsecured loans. However, the education segment entails continuous capex requirements, which results in restricted free cash flows. University undertook a capex of Rs.47.37 cr. in FY24 which included build-up of various amenities such as staff quarter, toilet block, lecturer theatre, hospital equipments, furniture, vehicles and other equipments.

Further, there is ongoing capex of Rs.83.96 cr. towards hostel building, staff building, furniture and medical equipments of which Rs.39.96 has been incurred in FY24 and remaining will be completed in FY25. University took additional term loan of Rs.34.50 cr. in FY24, Rs.9.5 cr. in FY25 and plans to avail additional Rs.15 cr. term loan for above mentioned capex.

Debt coverage indicators stood comfortable with total debt/GCA and interest coverage of 0.44 times (0.14 times in FY23) and 19.06 times (29.31 times) respectively as on March 31, 2024. Also, the net-worth base of the university stood healthy at Rs.447.44 crore as on March 31, 2024 (P.Y: Rs.357.26 crore).

Liquidity: Adequate

Liquidity remains adequate with adequacy of cash accruals vis-à-vis repayment and healthy cash flow from operations, though large part of the same is deployed for capex. The operating cycle of university stands moderate at 57 days in FY24 as compared to 4 days in FY23, elongated with increase in average collection period.

Average collection period increased to 87 days in FY24 from 48 days in FY23, with some delays in fee from students, which resulted in some moderation in cash flow from operations y-o-y to Rs.50.58 crore in FY24 (Rs.137.68 crore in FY23). Average utilization of working capital borrowings stood high at 85-90% for past 12 months ended May, 2024, however overall sanctioned limits vis-a-vis the scale of operations remain limited.

Company has debt repayment obligation of around Rs.14 cr. which is expected to be met from envisaged gross cash accruals. Extent of capex undertaken by the university and timeline of recovery of fee from students shall remain crucial from the liquidity perspective.

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](#)
- [Short Term Instruments](#)

About the company and industry

Industry classification

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

Udaipur (Rajasthan) based PMU is a private university established in September 2014.

PMU is sponsored by Tirupati Balaji Education Trust (TBET). Presently, PMU runs a medical college and hospital under the name 'Pacific Medical College & Hospital' (PMCH). The hospital was started post completion of construction in July 2013; while the academic session in medical college commenced from September 2014 post receipt of approval from Medical Council of India (MCI). The university during FY17 started courses including BSc (nursing), BSc (paramedical), MSc (medical science), MSc (nursing), General Nursing and Midwifery (GNM). It started PG course also since 2020 and the university takes admission in MBBS and BDS course on the basis of national eligibility cum entrance test (NEET) while admissions in nursing, para-medical and medical science are taken on the basis of merit.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	201.20	358.72	355.62
SBILDT	84.21	160.95	116.32
Surplus	62.73	138.34	90.52
Overall gearing (times)	0.36	0.06	0.11
Interest coverage (times)	12.05	29.31	19.06

A: Audited, Prov.: Provisional, Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	5.00	CARE BB; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	5.50	CARE BB; Stable / CARE A4
Term Loan-Long Term		-	-	April 2028	67.31	CARE BB; 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE D (04-Apr-23) 2)Withdrawn (04-Apr-23)	1)CARE D (02-Aug-22)	1)CARE D (22-Jul-21)
2	Fund-based - LT-Mortgage Loan facility/ Asset backed financing	LT	-	-	-	1)CARE D (04-Apr-23) 2)Withdrawn (04-Apr-23)	1)CARE D (02-Aug-22)	1)CARE D (22-Jul-21)
3	Non-fund-based - LT-Bank Guarantee	LT	-	-	-	-	-	1)Withdrawn (22-Jul-21)
4	Term Loan-Long Term	LT	67.31	CARE BB; Stable	-	1)CARE BB-; Stable (22-Aug-23)	-	-
5	Fund-based - LT-Bank Overdraft	LT	5.00	CARE BB; Stable	-	1)CARE BB-; Stable (22-Aug-23)	-	-
6	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	5.50	CARE BB; Stable / CARE A4				

LT: Long term; ST: Short term; LT/ST: Long term/Short 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-Bank Overdraft	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	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.

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About us:

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