

AL-Ameen Charitable Fund Trust

April 28, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.00	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Total Bank Facilities	5.00 (Rs. Five Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Al-Ameen Charitable Fund Trust factors improvement in scale of operations and adequate liquidity position. The rating derives its strength from experienced & resourceful trust members, high enrolment ratio, wide range of courses offered in the field of medical, presence of statutory approvals, efficient management of working capital & comfortable operating cycle and debt coverage metrics. However, the rating is constrained by fluctuation in operating margins, regulatory framework for educational sector in India and high competition.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Increase in the SBID margin above 25% on a sustained basis
- Maintaining enrolment ratio of 98-100% on a sustained basis.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Decline in enrolment ratio below 80% on sustained basis
- Undertaking Debt funded capex which in turn exerts pressure on liquidity profile of the Trust

Detailed description of the key rating drivers

Key Rating Strengths

Established position in the education sector along with experienced and resourceful society members

AL-Ameen Charitable Fund Trust (ACFT) is established in the year 1979 and has a long-standing presence in the education sector. The Trust was founded by Dr. Mumtaz Ahmed Khan who is graduated from Stanley Medical College, Chennai and studied M.S in Madras University. At present, Mr. Ziaulla Sheriff, the President is managing the Trust. He is supported by Dr. Mohammed Ali Khan who is also the Honorary Chairman of Almighty Education Trust, Bengaluru and Honorary Chairman of Bibi Ayesha Women's & Children's Hospital, Mysore, Dr. B.S Patil Director of AL-Ameen Medical College. The other key trustees are also well qualified and the total teaching staff are around 347 out of which 110 staff has more than 10 years of experience.

Statutory approvals and affiliates in place

AL-Ameen Medical college is affiliated to Rajiv Gandhi University of Health Sciences, Bengaluru and the college is recognized by Medical Council of India since 1994. The college premises spread over two hundred acres of land on western hills of historical city of Vijayapur. The college has started Post Graduate courses in various disciplines of Medical Sciences which are also recognized by MCI (Medical Council of India). AL-Ameen Dental college offers BDS course which is recognized by the Rajiv Gandhi University of Health Sciences, Bengaluru and Dental Council of India. Al-Ameen Fathima School of Nursing duly recognized by the Indian Nursing Council.

Wide spectrum of courses offered with well-established infrastructure

ACFT operates three medical institutions along with hospitals and hostels offering wide range of medical courses with modern amenities and infrastructural facilities. The institutions offer various undergraduate and postgraduate courses in the field of Medicine, Physiology, Anatomy, Forensic medicine, General Surgery, Gynaecology, ENT, Dental and Nursing. Admissions courses are done through National Eligibility cum Entrance Test (NEET) through common counselling and the admissions generally happen during September to October of every year. In FY21, the admissions got impacted due to covid 19 pandemic and admissions started in the month of January 2022 and is expected to finish the process by April 2022.

High enrolment ratio despite high competition in the education sector

All the undergraduate courses from the three institutions have maintained 100% enrolment since FY2018-19 despite high competition in the education sector. The overall enrolment ratio including post-graduation courses has been 98% in FY20. In FY21 the admissions have been delayed due to lockdown impact are still under process and is expected to complete by April 2022.

Improved financial performance in FY21 and FY22 and stabilization of operating margins

The scale of operations of the Trust has improved significantly from FY18 (Rs. 40.80 crore) till FY21 (Rs. 67.40 crore) & subsequent increase in FY22 (Prov.) of Rs. 68.27 crore. The increasing trend is owing to increase in tuition fees for MBBS

¹Complete definition of the ratings assigned are available at [HYPERLINK "http://www.careedge.in"](http://www.careedge.in) www.careedge.in and other CARE Ratings Ltd.'s publications

course by 2% in FY20 and 24% in FY21. Other than fee collection, hostel receipts, income from clinical facilities and other incidental income contribute to the total income. Total revenue contribution from tuition fees is 81% in FY20 and 84% in FY21. The SBILTD Margin of the society has improved from 0.9% in FY18, to 12.24% in FY20 & 34.6% in FY21. The improvement is caused due to increase in tuition fee with marginal increase in expenditure. In FY21, because of covid 19 lockdown, administration expenditures dropped in resulting in a improved operating profit margin. However, the operating profit margin will stabilise in FY22 (prov.) at 22%, returning to pre-pandemic levels.

Satisfactory capital structure and debt coverage indicators

The trusts total debt consists of secured loans from banks and unsecured loans from trust members. The overall gearing marks at 0.02 in FY21 as compared to 0.05 in FY20 which is below unity and owing to low debt and comfortable tangible net worth. The trusts capital consists of corpus fund which forms the part of donations and Trust's core operational activities. In FY21, the PBILTD/Interest coverage ratio is comfortable and improved to 50.79x in FY21 as compared to last year 6.32x in FY20. Further in FY22 (Prov) it stands at 19.89 due to decrease in the absolute EBITDA levels from Rs. 23.31 crore in FY21 to Rs. 14.92 in FY22 (Prov).

Efficient management of working capital

The average working capital limits utilization for the trailing 12 months ending December 2021 is 34.4%. The reason for lower utilization is because the fee collection from students is more efficient, resulting in a zero-operating cycle. The trust has no debtors because all fees are paid by students, and the government does not reimburse payments because the institution is a private organisation. Fees paid in advance for medical college and dentistry college, caution deposits and hospital rent deposits, and other deposits payable after course completion are among the trust's payables. The Trust manages its working capital through generating income from fees and other non-recurring sources.

Key Rating Weaknesses

Regulatory framework for educational sector in India

The education sector remains highly regulated with constant intervention from the central government and other regulatory bodies. In addition to the UGC (University Grants Commission) and AICTE norms, higher education institutes like colleges and universities are regulated by the respective state governments with respect to the number of management seats and amount of the tuition fees charged for the government quota and management quota giving limited flexibility to the institutions. These factors have a significant impact on the revenue and profitability of the institutions. Despite the increasing trend of privatization in the education sector in India, the sector continues to operate under stringent regulatory purview. Accordingly, the players, at times, find it difficult to realize their plans or cope up with the framework resulting in failure of the institution. Further, in respect of self-financing colleges, fees are governed by a statutory body. The operating flexibility of the education sector is limited, as regulations govern almost all aspects of operations, including fee structure, number of seats, changes in curriculum and infrastructure requirements. These factors resultantly have significant impact on the revenue generating capacity and profitability of the institutions.

Exposure to intense competition in the education sector

ACFT faces intense competition from a large number of medical institutes in Karnataka. Sustained inflow of students will largely depend on the trust's ability to offer quality education, through continuous infrastructure development, and retention and recruitment of the best faculty.

Liquidity: Adequate

Adequate liquidity is marked by higher collection efficiency of the tuition fees resulting in lower average utilization of Fund based working capital limits at 34.5% for the trailing 12 months ended December 2021. The trust has generated healthy GCA levels at Rs. 22.85 crore in FY21 and Rs. 14.17 in FY22(Prov.) against nil repayment obligations. Further, the trust has free cash & bank balance of Rs. 11.95 crore in FY22 (Prov.). The trustees infuse funds through unsecured loans as required every year.

Analytical approach: Standalone financials of Al-Ameen Charitable Fund Trust has been considered for rating assessment

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology – Education Sector](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

AL-Ameen Charitable Fund Trust, Bengaluru, a charitable organization was founded Dr. Mumtaz Ahmed Khan at Bengaluru in 1979 with group of leading Muslim personalities. The trust operates three Medical institutions – Al-Ameen Medical College, Dental College and Nursing College & School. The Trust alongside also runs medical hospital, Dental hospital and Woman and Child Hospital.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-03-2022 (P)
Total operating income	54.96	67.40	68.27
PBILDT	6.84	23.31	14.92
PAT	-0.45	14.92	5.34
Overall gearing (times)	0.06	-0.02	0.03
Interest coverage (times)	6.32	50.79	19.89

A: Audited P: Provisional NA: Not 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 for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	5.00	CARE BB; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	5.00	CARE BB; Stable	-	-	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple

Annexure 5: Bank Lender Details for this Company

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

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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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