

SECRETARIAT

Admission and Fee Regulatory Committee

(A statutory body established through an Act of Government of Madhya Pradesh)

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No. Sectt/OSD/92/2017 /1521

Dated : 11.07.2017

To,


**Secretary/Director,
Chirayu Medical College & Hospital,
Vill.- Bhaisakhedi, Indore High Way,
Bhopal**

Sub- Order passed in appeal No. 92/2017 for M.B.B.S. Course.

Ref- This Secretariat Letter No. Sectt/OSD/92/2017/1490 dated 08.07.2017.

With reference to above cited subject and order dated 07.07.2017, I am directed by Appellate Authority to send you a copy of the order passed dated 11.07.2017 on your appeal No. 92/2017 by Appellate Authority.

Encl. As Above.



(Dr. Alok Chaube)
Officer on Special Duty

End. No. Sectt/OSD/92/2017

Copy to : Hon'ble Appellate Authority, AFRC, Bhopal

For kind information.

Dated : 11.07.2017


(Dr. Alok Chaube)
Officer on Special Duty

BEFORE THE APPELLATE AUTHORITY CONSTITUTED UNDER THE MADHYA
PRADESH NIJI VYAVSAYIK SHIKSHAN SANSTHA (PRAVESH KA VINIYAMAN
AVAM SHULK KA NIRDHARAN) ADHINIYAM, 2007 AND AS AMENDED IN 2013.

Appeal No. 92/2017

Chirayu Medical College & Hospital,
BHOPAL.
M.P.

Appellant

VERSUS

The Admission and Fee Regulatory
Committee, Bhopal.

Respondent

ORDER

(Date 11.07.2017)

1. Vide common order dated 07.07.2017 the fee fixed by AFRC vide its chart dated 03.04.2017 was held vitiated for not determining the fees in accordance with the provisions of the Act and the Regulation and was therefore rescinded. Now, I proceed with fixation of appropriate fee as per provisions of the Act and the Regulation on the basis of scrutiny and analysis of accounts and fee proposal of each appellant institution. Since each appellate institution has submitted fee proposal for academic session 2017-18 and 2018-19 on the basis of its own financial situation, I proceed to pass fee fixation order for each appellant institution separately.
2. The appellant had submitted to AFRC a proposal for fixation of fee of Rs. 15,22,125.00 per year for academic session 2017-18 and 2018-19. Appellant pleaded that the fee proposal submitted to AFRC was based on realistic projection for expenditure and the higher fee was essential to meet the need of appellant institute for revenue as well as capital expenditure.

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3. Respondent submitted that AFRC in its meeting dated 03.04.2017 had already fixed appropriate fee for the appellant institution and there was no merit in appellant's request for further hike in fee.
4. The financial status of the appellant institution is briefly analysed hereunder on the basis of institution's audited accounts for financial years 2014-15 and 2015-16. Appellant institution has not submitted audited accounts for financial year 2016-17 in spite of opportunity given by the Appellate Authority to present the audited accounts for 2016-17 during the appeal stage. Therefore, provisional account for 2016-17 submitted by appellant institution has not been reckoned for the purpose of assessment of merit of fee proposal for academic session 2017-18. Since audited accounts for financial year 2016-17 have not yet been submitted by the appellant institution, appropriate fee for academic session 2017-18 would be fixed on the basis of audited accounts for 2014-15 and 2015-16.
5. MBBS course and the Teaching Hospital constitute an integrated unit. Hence, the audited accounts for MBBS college and Teaching Hospital have been considered together. Appellant's MBBS course and Teaching Hospital had incurred a deficit of Rs. (-) 7.11 crores in 2014-15 and a deficit of Rs. (-) 5.64 crores in financial year 2015-16. Accumulated loss for MBBS college and Teaching Hospital was Rs. (-) 37.35 crores in 2015-16. Details of income and expenditure and deficit in financial year 2015-16 as per audited accounts was as follows:

<u>Item</u>	<u>(Rs. in crores)</u>
1. Total income	39.85
2. Total Expenditure- (Including 'Interest' of Rs. 8.92 Crores & Excluding 'Depreciation' of Rs. 3.10 crores)	42.39
3. Deficit (excluding depreciation)	(-) 2.54
4. Total Expenditure (including depreciation)	45.49

[Signature]

5. Deficit (including depreciation) (-) 5.64

As on 31.03.2016 the status of accumulated deficit was as follows:

(i) MBBS Course and Teaching Hospital	(-) 37.35 crores
(ii) Institute	(-) 44.23 crores
(iii) Society	(-) 5.22 crores

It is thus evident that upto 31.03.2016, the MBBS Course and Teaching Hospital had not generated accumulated surplus, rather it had accumulated deficit of Rs. 37.35 crores. Similarly, the Institute and Society had also not generated accumulated surplus.

Appellant institute had substantial outstanding debt of Rs. 84.42 crores and Rs. 82.39 crores on 31.03.2016 and 31.03.2015 respectively. The Debt-Equity ratio for 2015-16 (2.5 : 1) and for 2014-15 (2.45 : 1) indicate a very high level of debt vis-a-vis equity/corpus.

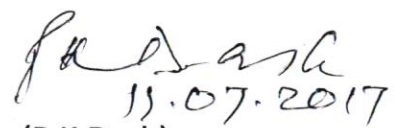
Appellant institute commenced operation in 2011-12 with admission of first batch of students for MBBS course. The above-mentioned analysis of the financial status of the appellant institution, as evident from their audited accounts, confirms that the institute has been incurring substantial loss on a year to year basis in running MBBS course and the Teaching Hospital and has a very high debt burden. In running MBBS course and teaching hospital, the institute had not incurred any profit or surplus during 2011-12 to 2015-16.

6. Appellant institute had proposed a fee of Rs. 15,22,125/- per year for academic sessions 2017-18 and 2018-19. Appellant institute had proposed a substantial increase in fee on the basis of its claim of much higher expenditure in 2016-17 vis-a-vis 2015-16. Since audited accounts for 2016-17 have not yet been submitted, these claims cannot be substantiated at present. It is also noted that the outstanding debt of Rs. 84.42 crores as on 31.03.2016 consisted of secured loan of Rs. 38.61 crores and unsecured loan of Rs. 45.81 crores. Appellant institute in their fee proposal have applied interest @ 15%



for unsecured loan. Since tenure and terms of unsecured loan are neither stated nor corroborated through any documentary evidence, the claim of the appellant institute for repayment of unsecured loan and interest thereon cannot be accepted without detailed scrutiny. Proposed fee has been calculated by also including repayment liability of principal amount of term loan and unsecured loan which is not justified. Repayment of principal amount of term loan has to be met over a longer tenure by generating a reasonable surplus every year from fee income as well as hospital income and it cannot be entirely loaded on the students alone. Therefore, the proposal submitted by the appellant institution is not considered reasonable and justified.

7. However, in view of the recurring loss incurred by the appellant institution during 2011-12 to 2015-16, the substantial outstanding debt, the Institute's accreditation under NABH and also considering the factors mentioned in Sec. 9 of the Act, it is appropriate to fix fee of Rs. **8.67 lakhs** per year for academic session 2017-18. Such a fee would enable the appellant institute to generate a reasonable surplus to meet the needs of the appellant institute for new capital expenditure as well as for renewal/replacement of capital assets.
8. Upon submission of fee proposal for academic session 2018-19 by the appellant institute along with its audited accounts for financial year 2016-17 and financial year 2017-18 latest by 31.03.2018, the Appellate Authority would pass appropriate orders under the Act.


11.07.2017
(P.K.Dash)

Appellate Authority