

Bharati Vidyapeeth, Pune

April 07, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	229.61	CARE A+ (CWD) (Single A Plus) (Under Credit watch with Developing Implications)	Placed on Credit watch with Developing Implications
Total Facilities	229.61 (Rs. Two Hundred Twenty-Nine Crore and Sixty-One Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has placed the rating on the bank loan facilities of Bharati Vidyapeeth, Pune (BVP) under credit watch with developing implications following delay in receipt of audited financials for FY20 (refers to the period April 1 to March 31) from the society. The rating continues to consider well-experienced management and governing council, established track record and strong brand image along with diversified portfolio in terms of large number of institutes offering diverse courses which led to large scale of operations. Further, the rating also factors the society's robust capital structure and healthy debt coverage metrics. The rating is majorly constrained on account of presence in highly competitive and regulated industry; geographical concentration in the state of Maharashtra and project related risks.

Rating Sensitivities

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

- Substantial increase in enrolment of students by increasing its intake capacity across various courses and commencement of its ongoing projects leading to total operating income above Rs.1500 crore on a sustained basis.

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

- Substantial increase in debt levels leading to overall gearing of more than 0.5x on a sustained basis.
- Substantial decline in turnover on account of decline in enrolments and/or any regulatory action leading to decline in number of seats offered by the educational institutes under the society
- Deterioration in SBID Margins below 20% on a sustained basis

Detailed description of the key rating drivers

Key Rating Strengths

Well-experienced management and Governing Council: Bharati Vidyapeeth, Pune (BVP) was established in 1964 by Late Dr. Patangrao Kadam (Cabinet Minister, Maharashtra Government till December 2014). The day-to-day administration is managed by a governing council which consists of a secretary (Dr Vishwajeet Kadam, Son of Late Dr. Patangrao Kadam), three Joint Secretaries and five Directors. Dr. Vishwajeet Kadam holds the degree of B.E., MBA, and Management & Leadership in Education from Harvard University; and also has completed Phd in Management.

Established track record and strong brand image: Being established in 1964, BVP has over five decades of track record in education sector. BVP has been accorded the status of deemed to be university (DU) since 1996. Around 44 graduate and post graduate institutes are operated under Bharati Vidyapeeth, Deemed to be University (BVDU). BVDU is accredited with the A+ grade by the National Assessment and Accreditation Council (NAAC), Bangalore in the year 2017 (A grade by NAAC in 2004 and 2011), Category-I Deemed to be University Grade by UGC and 63rd Rank among Universities by NIRF-2020. The total number of students in BVP is more than 2 lakh. Around 72% of the total income of BVP during FY19 was contributed by the tuition fees from schools and colleges.

Diversified portfolio in terms of large number of institutes offering diverse courses: BVP campuses are spread over the state of Maharashtra and union territory of New Delhi. It offers various programs through its 224 educational institutions right from Pre-Primary to Post-Graduate stages and research level institutions. BVP offers courses across 12 faculties such as Arts, Science, Commerce, Engineering, MBA, Medicine, Pharmacy, Hotel Management, Law, Nursing, IT, Architecture among others.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Large scale of operations: With presence of 224 schools and colleges across Maharashtra and Delhi catering more than 12 faculties, the society educates more than 2 lakh students, which is quite significant. With the rising number of students and periodic hike in fees, the revenue has been steadily rising. The total operating income (TOI), which includes fees, grants, rent and interest; grew by an estimated 15-16% in FY20 over FY19 to an estimated Rs.940 crore. BVP has enrolment ratio of about 95%. The tuition fees constituted about 72.23% of TOI in FY19. Fees from medical courses constitute about 60% of the total fees, non-medical courses constitute about 30%, schools and others provide about 10% of the total fees. COVID-19 didn't have adverse impact in terms of enrolment of students for its courses. Though, there has been slight delay in fees, no major impact in the collection cycle has been observed.

Robust capital structure and healthy debt coverage metrics: BVP has strong networth of Rs.1202.99 crore as on March 31, 2019 (A) and Rs.1382.41 crore estimated as on March 31, 2020. Furthermore, even after debt funded capex being undertaken, the society's overall gearing is comfortable at 0.19x as on March 31, 2019 (A) and estimated at 0.11x as on March 31, 2020; improving from 0.23x as on March 31, 2018 (A).

With low debt levels and healthy profitability, the PBILDT interest coverage ratio improved to 14.35x in FY19 (A) and estimated 11.18x in FY20 from 10.71x in FY18 (A). The total debt/gross cash accrual (TDGCA) was 1.40x in FY19 (A) as against 1.17x in FY18 (A). It has improved to an estimated 0.75x in FY20 on account of repayment of temporary overdraft of Rs.50 crore in June 2019 along with scheduled repayment of term loan. The debt coverage metrics are expected to remain healthy over the medium term.

Ample Liquidity supported by Substantial Cash and Cash Equivalents: BVP on account of healthy cash flow from operations over the years has been able to steadily increase its cash reserves. As on March 31, 2018, the unencumbered cash and cash equivalents (including fixed deposits) were Rs.275.22 crore which had increased to Rs.464.98 crore as on March 31, 2019 and about Rs.500 crores as in March 2021.

Key Rating Weaknesses

Presence in highly competitive and regulated industry: The operating and financial flexibility of the education sector are limited, as regulations govern almost all aspects of operations, including fee structure, number of seats, changes in curriculum and infrastructure requirements. These regulations may put limitations on operations of BVP.

Geographical concentration mainly in the state of Maharashtra: BVP's has more than 200 educational units/institutes across Maharashtra state and just three institutes in Delhi. Though BVP has large number of institutes and schools, limited geographic presence hinders the growth of the student strength to some extent.

Project Execution Risk: BVP has been constructing multi-specialty hospital in Navi Mumbai; and medical college along with general cum super specialty hospital at Dhanakwadi in Pune. In both the projects, the cost of project has increased by Rs.20-21 crore each. With regards to multi-specialty hospital in Navi Mumbai, the society has completed 85% of the work whereas with regards to project in Dhanakwadi, Pune, the hospital is fully completed whereas medical college is still being constructed. Furthermore, the company is planning to construct engineering and medical college in Delhi, Oncology Hospital at Dhanakwadi in Pune, Hostel at Dhanakwadi in Pune and extension of Medical college at Dhanakwadi in Pune which will cumulatively cost Rs.240 crore for which cumulative debt of Rs.132.5 crore is expected to be contracted. However, none of the projects have commenced till date along with absence of financial closure.

Liquidity: Strong

BVP's strong liquidity is supported by healthy gross cash accruals (GCA), unencumbered cash and cash equivalents and low bank limit utilization. The society generated estimated GCA of Rs.200 crores in FY20. There will be healthy cushion to meet annual term debt obligations of Rs.17.64-25.39 crore over FY22-23. Furthermore, it should be noted that principal repayments are scheduled once in a year between September-December; after majority of the fees have been collected for the ensuing academic year i.e. by August. There was slight delay in fee collection due to COVID, however, the impact of the same has not been significant. The society has substantial cash and cash equivalents of about Rs.500 crores (including FDs) in March 2021; which is expected to keep the liquidity robust for FY22. The society has minimal reliance on cash credit facility for its operations. The cash flow from operation is also robust at Rs.217.57 crores in FY19 and above Rs.200 crore estimated for FY20.

Analytical approach: Standalone

Applicable Criteria

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

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

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

[Liquidity analysis of non-financial sector entities](#)
[Rating Methodology – Education Sector](#)

About the Company

BVP was established in the year 1964 by late Dr. Patangrao Kadam. The day-to-day administration is managed by a governing council headed by secretary, Dr. Vishwajeet Kadam, who is assisted by three Joint Secretaries and five Directors. BVP comprises of 224 educational units/institutes ranging from pre-primary schools to postgraduate institutions and also a full-fledged university, BVDU. BV operates through eight major centers in Maharashtra viz. Pune, Mumbai, Kadegaon, Panchgani (Satara), Sangli, Solapur, Kolhapur and Karad. It also has three institutes in New Delhi offering graduation and post-graduation courses.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	811.45	830.09
PBILDT	176.91	194.52
PAT	133.70	151.00
Overall gearing (times)	0.19	0.19
Interest coverage (times)	10.71	14.35

A: Audited

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: Not Applicable

Complexity level of various instruments rated for this company: Annexure 3

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Nov, 2025	23.22	CARE A+ (CWD)
Fund-based - LT-Term Loan			Dec, 2033	47.50	CARE A+ (CWD)
Fund-based - LT-Term Loan			Dec, 2032	60.00	CARE A+ (CWD)
Fund-based - LT-Term Loan			Sept, 2026	18.39	CARE A+ (CWD)
Fund-based - LT-Cash Credit	-	-	-	60.00	CARE A+ (CWD)
Fund-based - LT-Proposed fund based limits	-	-	-	20.50	CARE A+ (CWD)

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	149.11	CARE A+ (CWD)	1)CARE A+; Stable (29-Jun-20)	1)CARE A; Stable (05-Apr-19)	1)CARE A-; Stable (06-Apr-18)	1)CARE A-(CWD) (28-Apr-17)
2.	Fund-based - LT-Cash Credit	LT	60.00	CARE A+ (CWD)	1)CARE A+; Stable (29-Jun-20)	1)CARE A; Stable (05-Apr-19)	1)CARE A-; Stable (06-Apr-18)	1)CARE A-(CWD) (28-Apr-17)
3.	Fund-based - LT-Proposed fund based limits	LT	20.50	CARE A+ (CWD)	1)CARE A+; Stable (29-Jun-20)	1)CARE A; Stable (05-Apr-19)	-	-

Annexure 3: Complexity level of various instruments rated for this trust

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Proposed fund based limits	Simple
3.	Fund-based - LT-Term Loan	Simple

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

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About CARE Ratings:

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