

Bharati Vidyapeeth Pune

April 28, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	267.06	CARE A- (Single A Minus) (Credit watch with developing implications)	Revised from CARE BBB+ (Triple B Plus); Placed on credit watch with developing implications
Total facilities	267.06 (Rupees Two hundred Sixty Seven crore and Six lakh only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

The revision in rating assigned to the bank facilities of Bharati Vidyapeeth Pune (BV), is on account of consistent growth in operating income with stable profit margins, healthy capital structure with strong net worth base and comfortable debt coverage indicators during FY16 (unaudited) (refers to period from April 2015 to March 2016).

The rating is placed on credit watch with developing implications in view of pending audited financial results for FY16 and provisional financial results for FY17 and the possible impact of the same on the credit profile of entity. CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the entity are clear.

The rating continues to derive strength from the experienced management council, large number of institutes offering diverse courses, adequate infrastructural facilities and increased demand for quality technical and management education.

The rating continues to remain constrained by relatively lower surplus generations and competition from other established and reputed institutes in and around Maharashtra. The rating also takes a note of project execution risk related to ongoing debt funded capex.

The ability of BV to maintain the consistent revenue growth with stable profit margins as well as complete its ongoing and upcoming projects without impacting the capital structure and debt coverage indicators would be the key rating sensitivity.

Detailed description of the key rating drivers
Key Rating Strengths
Consistent growth in operating income with stable profit margins, healthy capital structure with strong net worth base and comfortable debt coverage indicators

Total operating income excluding capital receipts grew by 5.47% to Rs.587.76 crore in FY15 as compared to Rs.557.26 crore in FY14. During FY16 (provisional) the total operating income excluding capital receipts grew by 7.35% and stood at Rs.630.98 crore. With higher capital and finance charges, surplus margin remained moderate at 11.33% during FY15 and 11.29% in FY16 prov. as compared to 12.19% during FY14.

During FY15 and FY16, BV received additions to its corpus fund to the extent of Rs.12.25 crore and Rs.15 crore respectively. The same coupled with surplus generated during FY15 and FY16 boosted tangible net worth to Rs.600.60 crore as on March 31, 2015 and Rs.686.91 crore as on March 31, 2016 (provisional) against Rs.521.89 crore in FY14.

Overall gearing remained stable at 0.33x as on March 31, 2015 and 0.25x as on March 31, 2016 against 0.36x as on March 31, 2014. Total debt to Gross Cash Accruals (GCA) levels also remained favourable and stood at 2.13x for FY15 and 1.54x for FY16 as compared with 2.03x in FY14.

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

The liquidity profile of BV continued to remain robust with current ratio of 1.90x and 1.85x as on March 31, 2015 and March 31, 2016 respectively.

Well-experienced founder and Governing Council: Bharati Vidyapeeth was established by Dr. Patangrao Kadam (Cabinet Minister, Maharashtra Govt till December 2014). He is also the founder member of many co-operative units operating in different domains such as sugar, textile, printing, consumer stores and banking. The day-to-day administration is managed by a governing council which consists of a secretary and is assisted by three Joint Secretaries and five Directors. Dr. Kadam has held various positions in State Government and was the Cabinet Minister for Forest Department in the Maharashtra Govt. till 2014. Dr. Vishwajeet Patangrao Kadam (son of Dr. Patangrao Kadam) is secretary of Bharati Vidyapeeth, he has been entrusted with the responsibility of looking after day-to-day operational activities of the trust. He is currently serving as the President of Maharashtra Pradesh Youth Congress.

Diversified portfolio in terms of large number of institutes offering diverse courses: BV campuses are spread over the state of Maharashtra and in New Delhi. It offers various different programs through more than 150 educational institutions right from Pre-Primary to Post-Graduate stages and research level institutions. BV offers courses across 23 faculties such as Arts, Science, Commerce, Engineering, MBA, Medicine, Pharmacy, Hotel Management, Law, Nursing, IT, Architecture among others.

Established track record and strong brand image: BV has been accorded the status of deemed university since 1996. It manages a full-fledged university, BVDU which has 35 institutes under it. BVDU was accredited with the A grade by the National Assessment and Accreditation Council (NAAC), Bangalore in the year 2011 and is reaccredited with A+ Grade on March 28, 2017. The total number of students in BV is more than 2 lakh during FY16. Around 29 institutes of BV have been granted as Deemed University status by Government of India, Ministry of Human Resource Development. It has an enrollment ratio of almost 90-100% across its institutes.

Key Rating Weaknesses

Presence in highly competitive and regulated industry along with shortage of teaching staff in the sector: 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 on operations may put limitations on operations of BV. The shortage of teaching staff is the most critical problem faced by the educational institutes. The GoI has initiated several programs for the training of teachers as well as induction of new teachers into the industry through the development of curriculum.

Project Risk

BV currently has four projects under process. The project near completion includes the girls' hostel at its campus at Dhankawdi, Pune and school at Balewadi, Pune. The civil work for the said girl's hostel is complete as on date with minor furniture and other works pending for completion. The project is expected to be complete and operational by first quarter of FY18. The construction of new school at Balewadi, Pune is under process and as on date, 50% of the said construction is complete with remaining completion expected by second quarter of FY18.

BV is also under the process of building a super specialty hospital at Kharghar, Navi Mumbai site and the project is expected to be completed by March 31, 2018.

Furthermore, BV has planned to set up a new general cum super specialty hospital at Dhankawdi, Pune. The construction is expected to commence in April 2017 and 70% of the total cost is expected to be incurred in FY18. The said hospital is expected to be operational in next 18 months i.e. approximately by mid FY19.

Timely completion of the debt-funded capex without any adverse impact in the capital structure and debt coverage levels is the key rating sensitivity.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)[CARE's Policy on Default Recognition](#)[Rating Methodology - Service Sector Companies](#)[Financial ratios – Non-Financial Sector](#)[Rating Methodology-Education Sector](#)**About the Entity**

Bharati Vidyapeeth, Pune (BV) was established in the year 1964 by 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. BV comprises of more than 160 educational units/institutes ranging from pre-primary schools to postgraduate institutions and also a full-fledged university, Bharati Vidyapeeth Deemed 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.

Total operating income was Rs.600.01 crore in FY15 and Rs.630.98 crore during FY16 provisional. Surplus margin stood at 11.33% during FY15 and 11.29% in FY16 provisional.

Status of non-cooperation with previous CRA: *Not Applicable*

Any other information: *Not Applicable*

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

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

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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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-Cash Credit	-	-	-	60.00	CARE A- (Under Credit watch with Developing Implications)
Fund-based - LT-Term Loan	-	-	September 2031	207.06	CARE A- (Under Credit watch with Developing Implications)

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	207.06	CARE A- (Under Credit watch with Developing Implications)	-	1)CARE BBB+ (22-Apr-16)	-	1)CARE BBB+ (11-Mar-15)
2.	Fund-based - LT-Cash Credit	LT	60.00	CARE A- (Under Credit watch with Developing Implications)	-	1)CARE BBB+ (22-Apr-16)	-	1)CARE BBB+ (11-Mar-15)

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