

**Bharati Vidyapeeth, Pune**

April 05, 2019

**Ratings**

| Facilities                | Amount<br>(Rs. crore)   | Rating <sup>1</sup>                                       | Rating Action   |
|---------------------------|---|---|---|
| Long-term Bank Facilities | 241.30  | <b>CARE A; Stable<br/>(Single A; Outlook:<br/>Stable)</b> | <b>Revised from<br/>CARE A-; Stable<br/>(Single A minus; Outlook:<br/>Stable)</b> |
| <b>Total facilities</b>   | <b>241.30<br/>(Rupees Two hundred Forty<br/>One crore and Thirty lakh only)</b> |   |   |

*Facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

The revision in the rating of the bank facilities of Bharati Vidyapeeth, Pune (BV) derives strength from consistent growth in operating income with stable profit margins, healthy capital structure with strong liquidity position and net worth base and comfortable debt coverage indicators and during FY18 (Audited). The rating further 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 strengths however constrained on account of non-profit making objective of the trust, geographical concentration mainly in the areas of Maharashtra, competition from other established & reputed institutes in and around Maharashtra and stringent regulatory framework for the education sector in India. The rating also takes a note of project execution risk related to ongoing debt funded capital expenditure.

The ability of BV to maintain the consistent revenue growth with stable profit margins as well as complete its ongoing 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**
***Well-experienced management and Governing Council***

Bharati Vidyapeeth was established 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 Dr. Patangrao Kadam), three Joint Secretaries and five Directors.

***Established track record and strong brand image***

Being established in 1964, BV has over five decades of track record in education sector. BV has been accorded the status of deemed university (DU) since 1996. It manages a full-fledged university, BVDU which has 35 institutes under it. 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 66th Rank among Universities by NIRF-2018. The total number of students in BV is more than 2 lakh during FY18. Around 81% of the total income of BV, during FY18, is contributed from the tuition fees from schools and colleges. It has an enrollment ratio of almost 90-100% across its institutes.

***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 programs through more than 160 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.

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

***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 (including addition in the earmarked fund) of BV grew by 8.82% and stood at Rs.811.44 crore in FY18(A) as compared with Rs. 745.71 crore in FY17(A) due to increase in fee and ~90-100% enrolment ratio. Surplus margin is stable at 21.80% in FY18 as against 22.03 % in FY 17.

During FY18, BV received additions to its corpus fund to the extent of Rs. 20.00 crore. The same coupled with surplus generated during FY18 boosted tangible net worth which stood at Rs.985.82 crore as on March 31, 2018.

Overall gearing improved from 0.23x as on March 31, 2017 to 0.19x as on March 31, 2018, due to repayment of term loans. Total debt to Gross Cash Accruals (GCA) levels improved and stood favourable at 0.29x in FY18 as compared with 0.32x in FY17.

**Strong Liquidity position**

Liquidity position of BV continues to be strong due to steady cash generation backed by 90-100% enrollment ratio. The cash & cash equivalent (including investments and deposits) has improved from Rs 181.45 crore as on March 31, 2017 to Rs 280.27 crore in March 31, 2018.

**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 BV.

***Geographical concentration mainly in the state of Maharashtra***

BV's has more than 160 educational units/institutes across Maharashtra state and around three institutes in Delhi. Though BV has large number of institutes and schools, limited geographic presence hinders the growth of the student strength to some extent.

***Project execution Risk***

BV is under the process of building a super specialty hospital at Kharghar, Navi Mumbai site and general cum super specialty hospital at Dhankawdi, Pune which are expected to be completed in FY19. Besides, this BV is carrying extension of building project for Colleges at Delhi, YM College at Pune and Staff Quarter at Sangli. The debt related to the projects is of Rs 160.80 crores. Timely completion of the debt-funded capital expenditure and derive envisaged benefits needs to be seen.

Envisaged debt funded capex of a larger size impacting liquidity position and capital structure is a key rating sensitivity.

**Analytical approach:** Standalone

**Applicable Criteria:**

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Financial ratios- Non Financial Sector](#)

[Sector specific methodologies- Education](#)

**About the entity**

BV 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. BV comprises of more than 160 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) | FY17 (A) | FY18 (A) |
|------------------------------|----------|----------|
|------------------------------|----------|----------|

|                           |        |        |
|---------------------------|--------|--------|
| Total operating income*   | 745.71 | 811.44 |
| PBILDT                    | 164.33 | 176.91 |
| PAT                       | 119.08 | 133.69 |
| Overall gearing (times)   | 0.23   | 0.19   |
| Interest coverage (times) | 9.29   | 10.70  |

A: Audited

\*Total Operating income including addition of earmarked funds.

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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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-Term Loan                  | -                | -           | Sept'31       | 160.80                        | CARE A;<br>Stable                         |
| Fund-based - LT-Cash Credit                | -                | -           | -             | 60.00                         | CARE A;<br>Stable                         |
| Fund-based - LT-Proposed fund based limits | -                | -           | -             | 20.50                         | CARE A;<br>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 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018                                     | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 |
| 1.      | Fund-based - LT-Term Loan                  | LT              | 160.80                         | CARE A;<br>Stable | 1)CARE A-;<br>Stable<br>(06-Apr-18)       | 1)CARE A-<br>(Under Credit watch with Developing Implications)<br>(28-Apr-17) | 1)CARE BBB+<br>(22-Apr-16)                | -   |
| 2.      | Fund-based - LT-Cash Credit                | LT              | 60.00                          | CARE A;<br>Stable | 1)CARE A-;<br>Stable<br>(06-Apr-18)       | 1)CARE A-<br>(Under Credit watch with Developing Implications)<br>(28-Apr-17) | 1)CARE BBB+<br>(22-Apr-16)                | -   |
| 3.      | Fund-based - LT-Proposed fund based limits | LT              | 20.50                          | CARE A;<br>Stable | -   | -   | -   | -   |

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