

Bharati Vidyapeeth, Pune

April 6, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	241.30	CARE A-; Stable (Single A minus; Outlook: Stable)	Removed from credit watch; Rating reaffirmed
Total facilities	241.30 (Rupees two hundred Forty One crore and Thirty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating to the bank facilities of Bharati Vidyapeeth, Pune (BV) registered under Societies Registration Act, 1860 and the Bombay Public Trust Act, 1950 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 further takes into account consistent growth in operating income with stable profit margins, healthy capital structure with strong net worth base and comfortable debt coverage indicators during FY16 (Audited) (refers to the period April 01 to March 31) and FY17 (Audited). Further, with the receipt of FY16 & FY17 audited financials, the rating henceforth is removed from credit watch.

The rating strengths however continue to remain moderated by relatively lower surplus margins on account of non-profit making objective of the trust, geographical concentration of the institutes mainly in the areas of Maharashtra, competition from other established & reputed institutes in and around Maharashtra and regulatory risk associated to 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 since 1996. It manages a full-fledged university, Bharati Vidyapeeth Deemed 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 was more than 2 lakh during FY17. 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.

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.

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 of BV grew by 15.04% and stood at Rs.720.64 crore in FY17 (A) as compared with Rs. 626.41 crore in FY16 (A). Surplus margin improved to 16.52% in FY17 from 11.66% during FY16.

During FY16 and FY17, BV received additions to its corpus fund to the extent of Rs.4.90 crore and Rs.34.99 crore respectively. The same coupled with surplus generated during FY16 and FY17 boosted tangible net worth which stood at Rs.678.32 crore as on March 31, 2016 and Rs.823.87 crore as on March 31, 2017 (Audited).

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

Overall gearing remained comfortable at 0.23x as on March 31, 2017 (P.Y.: 0.25x). Total debt to Gross Cash Accruals (GCA) levels improved and stood favourable at 1.31x in FY17 as compared with 1.74x in FY16.

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

During FY17 BV had four projects under process out of which two projects i.e. school at Balewadi, Pune and girls' hostel at its campus at Dhankawdi, Pune completed in FY18.

Other two projects namely super specialty hospital at Kharghar, Navi Mumbai and general cum super specialty hospital at Dhankawdi, Pune are expected to be completed in FY19. The total capital expenditure for the super specialty hospital at Kharghar, Navi Mumbai is expected to be ~Rs. 68 crore with funding from bank borrowing and internal accruals in the ratio of 70:30. Similarly the total capital expenditure for general cum super specialty hospital at Dhankawdi, Pune of Rs. 79 crore will be funded from Bank borrowings and internal accruals in the ratio of 75:25. BV has incurred ~34% of the total project cost till December 31, 2017.

Timely completion of the debt-funded capital expenditure without any adverse impact on 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](#)

[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)	FY16 (A)	FY17 (A)
Total operating income	626.41	720.64
PBILDT	123.89	162.86
PAT	73.04	119.08
Overall gearing (times)	0.25	0.23
Interest coverage (times)	5.31	10.05

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

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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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-; Stable
Fund-based - LT-Term Loan	-	-	September 2031	181.30	CARE A-; 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	181.30	CARE A-; Stable	-	1)CARE A- (Under Credit watch with Developing Implications) (28-Apr-17)	1)CARE BBB+ (22-Apr-16)	-
2.	Fund-based - LT-Cash Credit	LT	60.00	CARE A-; Stable	-	1)CARE A- (Under Credit watch with Developing Implications) (28-Apr-17)	1)CARE BBB+ (22-Apr-16)	-

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