

Bharati Vidyapeeth, Pune

June 29, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long term Bank Facilities	229.61 (reduced from 241.30)	CARE A+; Stable (Single A Plus; Outlook: Stable)	Revised from CARE A; Stable; (Single A; Outlook: Stable)
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

The revision in the rating to the long term bank facilities of Bharati Vidyapeeth, Pune (BVP) factors in expectation of sustained strengthening of the financial risk profile of the trust particularly, robust networth rising from Rs.985.82 crores as on March 31, 2018 (A) to Rs.1382.41 crores estimated as on March 31, 2020 and strong liquidity position to manage any financial exigency.

BVP's large scale of operations is underscored by its management of over 200 schools and colleges with more than 2 lakhs students enrolled under it. Large scale of operations along with healthy profitability has led to generation of large surplus over the years, particularly over the last couple of fiscal years which in tandem with capital receipts in the form of government and corporate funds has led to robust networth over the last few account closing dates through March 31, 2020. Furthermore, the healthy cash flow from operations over the past two fiscal years has led to substantial rise in unencumbered cash and cash equivalents (including fixed deposits) increasing from Rs.275.22 crore as on March 31, 2018 (A) to an estimated Rs.468.80 crore as on March 31, 2020. This provides substantial flexibility to sustain any financial exigency including COVID-19. CARE believes BVP with its healthy business risk profile will continue to sustain its strengthened financial risk profile and liquidity over the medium term.

The rating also considers 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. The rating is majorly constrained on account of presence in highly competitive and regulated industry; and geographical concentration in the state of Maharashtra. The rating also takes into account the ongoing project execution risk and covid 19 impact.

Rating Sensitivities

Positive Factors

- 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

- Substantial increase in debt levels leading to overall gearing of more than 0.5x on a sustained basis.
- Deterioration in SBID Margins below 20% on a sustained basis.
- Continued outbreak of COVID-19 resulting in significant impact on the business risk profile of BVP, particularly its scale of operations in a sustained manner.

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

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

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 in 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.

Large scale of operations: With presence of 224 schools and colleges across Maharashtra and Delhi catering more than 12 faculties, the trust 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 constitutes about 60% of the total fees, non-medical courses constitutes about 30%, schools and others provide about 10% of the total fees. COVID-19 is expected to have slight adverse impact in terms of enrolment of students particularly in non-medical graduate and post-graduate programs; however the trust is expected to grow again in terms of enrolment and revenue from FY22 onwards and hence is expected to continue to sustain its large scale of operations.

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). Though, the trust is expected to avail additional Rs.93-94 crores over the next couple of years towards capex of multi-specialty hospital in Pune and Navi Mumbai as well as extension of engineering and management building in Delhi along with a girl's convent school, the overall gearing is expected to remain comfortable going forward.

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 remains at similar levels currently. This will help the trust tide over during the current COVID-19 crisis smoothly and may support any ad-hoc capex funding required over the medium term.

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. Furthermore, considering the state of Maharashtra and Delhi are amongst the major hotspots of Coronavirus in India, it may slightly constrain admissions of outstation students for the academic year 2020-21.

Project Execution Risk: BVP has been constructing two multi-specialty hospitals, one in Pune and another in Navi Mumbai. There has been some delay in construction progress partly due to extended rainfall in FY20, however, about 60% of the total projected cost of Navi Mumbai project and about 75% of the total project cost of Navi Mumbai has been incurred till May 2020. The trust is expected to avail the undisbursed term loan amounting to Rs.43.90 crore in FY21. Considering the advanced stage of execution and funding tie-up, there is low project execution risk.

Furthermore, the trust is planning to extend the building of Engineering and Management College in Delhi along with constructing a girl's convent school. The estimated cost of the project is about Rs.75 crore for which the trust may avail term loan of Rs.50 crores. However, with plans at initial stage and disruption due to COVID-19, there is presence of moderate project risk.

Liquidity: Strong

BVP's strong liquidity is characterized by healthy Gross Cash Accruals (GCA), substantial unencumbered cash and cash equivalents and low bank limit utilization. The trust generated GCA estimated at Rs.200 crores for FY20 as against term debt obligations of Rs.10.39 crores in FY21. Despite the outflow proposed towards its proposed capital expenditure programs in the coming fiscals, healthy GCAs are likely to support the liquidity position of the trust.

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. However, in FY21, there is possibility of the fees being collected in staggered form, on account of concessions to support certain students having financial constraints due to COVID-19 but the large cash reserves are likely to support the liquidity position.

Additionally, over the last 12 months, the average cash credit utilization was very low at about 5%.

Analytical approach: Standalone

Applicable Criteria

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

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

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

[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.

Covenants of rated instrument / facility: *Not applicable*

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	811.45	830.09
Surplus before Interest and Depreciation	176.91	194.52
Surplus	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

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+; Stable
Fund-based - LT-Term Loan			Dec, 2033	47.50	CARE A+; Stable
Fund-based - LT-Term Loan			Dec, 2032	60.00	CARE A+; Stable
Fund-based - LT-Term Loan			Sept, 2026	18.39	CARE A+; Stable
Fund-based - LT-Cash Credit	-	-	-	60.00	CARE A+; Stable
Fund-based - LT-Proposed fund based limits	-	-	-	20.50	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 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+; Stable	-	1)CARE A; Stable (05-Apr-19)	1)CARE A-; Stable (06-Apr-18)	1)CARE A- (Under Credit watch with Developing Implications) (28-Apr-17)
2.	Fund-based - LT-Cash Credit	LT	60.00	CARE A+; Stable	-	1)CARE A; Stable (05-Apr-19)	1)CARE A-; Stable (06-Apr-18)	1)CARE A- (Under Credit watch with Developing Implications) (28-Apr-17)
3.	Fund-based - LT-Proposed fund based limits	LT	20.50	CARE A+; Stable	-	1)CARE A; Stable (05-Apr-19)	-	-

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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