November 21, 2019

Dr. D. Y. Patil Vidyapeeth Society: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term loans	71.20	4.00	[ICRA]BBB+ (Stable), reaffirmed
Long term Fund-based limits	20.00	39.00	[ICRA]BBB+ (Stable), reaffirmed
Short-term non-fund based limits	14.00	14.00	[ICRA]A2, reaffirmed
Total	105.20	57.00	

**Instrument details are provided in Annexure-1*

Rationale

The reaffirmation of ratings continues to favourably factor in the established position of Dr. D. Y. Patil Vidyapeeth Society (DY Patil or the trust) in medical education in Maharashtra with an extensive track record in operating both medical and dental colleges. Further, the trust has demonstrated healthy occupancy levels of over 95% for the undergraduate and postgraduate courses in its key flagship medical and dental colleges, while the overall occupancy level across all the undergraduate and postgraduate courses offered by the society witnessed more than 80% occupancy. This along with regular upward fee revision led to a healthy growth in its operating income (OI) of above 25% during FY2018 and FY2019 each, and strong adjusted operating profitability of more than 20% in FY2018 and FY2019 each, leading to a satisfactory financial risk profile. The rating continues to draw comfort from the trust's strong debt protection metrics (total debt/OPBDITA of 0.83 times and interest coverage of 13.98 times in FY2019) due to limited dependency on external debt and strong profitability. Further, regular investments in expansion and upgradation of its hospital infrastructure, support the quality of its medical education and attract better quality faculty and students. This in turn enable the medical college to compete with other reputed institutions in the country.

The ratings of the trust are, however, constrained by its exposure to geographical concentration, revenue concentration and regulatory risks and to intense competition in the medical education sector. Moreover, there is lumpiness in cash flows, which is typical to the sector. The trust's footprints are limited to Maharashtra. Further, a large part of its revenues (close to 70%) are concentrated in two key colleges - medical and dental colleges, making it vulnerable to geographical and revenue concentration risks. The medical and dental colleges face intense competition from other Government, private and deemed institutes in and outside Maharashtra, competing for both the quality of students and faculty alike. Any increase by the Government in expanding the capacity of Central and state government colleges as envisaged could further intensify competition. The trust has benefited from its deemed university status allowing it to regularly hike fees, any future regulatory action to cap the fee hike could inhibit the trust's financial prospects. On March 31, 2019, DYPVS advanced Rs. 39.19 crore to its sister concern DY Patil Unitech Society (DYPUS), which results in a significant portion of cash lock considering the repayment by the sister concern to take considerable time. The trust and the sector exhibit lumpiness in cash flows linked to student admission timelines. Generally, a predominant portion of the fees are received from April to August of a fiscal. Thus, cash flow management is the key to ensure timely salary payments, debt servicing and accommodate any capital expenditure plans.

ICRA's Stable outlook factors in the healthy occupancy and premium fee structure for its flagship courses leading to healthy OI growth and operating profitability and reasonably predictable cash flows resulting in an adequate financial risk profile.

Key rating drivers and their description

Credit strengths

Established position of trust in imparting medical education – The trust has an established position in the field of medical education in Maharashtra with an extensive track record in running the medical and dental colleges, with the medical college being opened in 1996. It has ten institutes offering flagship courses in medical and dental, along with other courses such as Ayurvedic, homoeopathic, nursing, optometry, physiotherapy, biotechnology and master's in business administration (MBA). The National Institutional Ranking Framework (NIRF) has ranked Dr. D. Y. Patil Medical College, Hospital and Research Centre, Pune at 20th position all over India.

Healthy occupancy for its flagship courses and regular fee revision supporting revenue growth – The trust has demonstrated healthy occupancy levels for its key flagship medical and dental colleges with the undergraduate courses of MBBS and BDS witnessing above 95% occupancy. The overall occupancy of all graduate and postgraduate courses offered by the society remains healthy at around 80% of the sanctioned Intake. Such occupancy levels, along with a large intake for its flagship courses (250 for MBBS and 238 for Doctor of Medicine (MD)/ master's in surgery (MS) and regular upwards fee revision led to a healthy revenue growth of above 25% during FY2018 and FY2019.

Comfortable financial risk profile with satisfactory operating profitability and debt protection metrics – Along with the strong revenue growth as discussed above, the adjusted operating profitability remained above 20% of the total revenues during FY2018 and FY2019 each. Strong profitability and limited dependency on external debt led to comfortable debt protection metrics, as represented by total debt/OPBDITA of 0.83 times and interest coverage of 13.98 times in FY2019. Moderate net worth of Rs. 257.27 crore as on March 31, 2019, against limited dependency on external debt up to Rs. 82.52 crore led to comfortable capital structure of 0.32 times as on March 31, 2019. Further, repayment of external loans to the tune of Rs. 46.4 crore in the current financial year reduces external dependence and further strengthens the capital structure.

Considerable investment in expansion and upgradation of hospital infrastructure – Over the past few fiscals, the trust has made considerable investment in expansion and upgradation of its hospital and college infrastructure, which is expected to support the quality of its medical education and attract better quality faculty and students. This will thus enable the colleges to compete with other reputed institutions in the country.

Credit challenges

Geographical and revenue concentration risks – The trust's footprints are limited to Maharashtra. Further, a large part of its revenue (close to 70%) is concentrated by two key colleges - medical and dental colleges, making it vulnerable to geographical and revenue concentration risks.

Exposure to intense competition and regulatory risks – The medical and dental colleges face intense competition from other Government, private and deemed institutes in and outside Maharashtra, competing for both the quality of students and faculty alike. The trust will have to continuously enhance its physical and teaching infrastructure to attract the best quality students and retain its teaching faculty. Any increase by the Government in expanding the capacity of Central and state government colleges as envisaged could further intensify competition. The trust has benefited from its deemed university status allowing it to regularly hike fees. Any future regulatory action to cap the fee could affect the trust's financial prospects.

Lumpiness of cash flows; efficient cash flow management remains important – The trust and the sector exhibit lumpiness in cash flows linked to student admission timelines. Generally, most of the fees are received from April to

August of a fiscal. Thus, cash flow management is the key to ensure timely salary payments, debt servicing and accommodate any capital expenditure plans.

Sizeable advances to sister concern results in cash lock up – As on March 31, 2018, DYPVS had advanced Rs. 3.75 crore to its sister concern DY Patil Unitech Society (DYPUS), which increased to Rs. 39.19 crore as on March 31, 2019. This advance was utilised by DYPUS for land acquisition and college building over it, and towards construction and development of hostel building. With a significant amount of fund advanced to sister concern towards incurring capital expenditure, the returns from which would take considerable time. This results in cash lock up and will remain a credit negative.

Liquidity position: Adequate

The trust has been able to generate adequate free cash flow from operations as evidenced from robust fee income generated during FY2018 and FY2019. This enabled the society to repay its entire outstanding term debt of Rs. 42.45 crore as on March 31, 2019, in the current financial year. The cash flow generation from operations is expected to remain adequate, given the healthy occupancy for its key medical courses and continuous fee revisions. The cash and cash equivalent of Rs. 23.6 crore as on March 31, 2019, coupled with an unutilised OD facility of Rs. 36.4 crore as on October 31, 2019 provide buffer to its liquidity profile. However, given the nature of operation, wherein a predominant share of fee amount is received from April to August of a fiscal, the cash flow management is the key to ensure timely salary payments, debt servicing and accommodate any capital expenditure plans.

Rating sensitivities

Positive triggers – ICRA could upgrade the rating if the trust demonstrates consistent growth in revenue, coupled with profits on a sustained basis. Increase in intake capacity and occupancy level on a sustained basis strengthening the student base of the society will also trigger a rating upgrade.
Negative triggers – Negative pressure on the rating could arise in case of significant degrowth in revenues resulting in low operating profits, or an increase in dependency on external debt resulting in stretched capital structure. Further, deterioration in the TOL/TNW could trigger a downward rating revision.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Rating Methodology Rating Methodology for Entities in Higher Education Sector
Parent/Group Support	NA
Consolidation/Standalone	The rating is based on standalone financial statements of the society

About the company

Dr. D.Y. Patil Pratishthan, Kolhapur, a public trust was founded in 1984 by Padmashree Dr. D. Y. Patil. In March 2010, D. Y. Patil Pratishthan decided to split its Group into two, Dr. D. Y. Patil Global Education Society having a deemed university status and Dr. D. Y. Patil Vidya Pratishthan Society, which is under Pune University. Dr. D. Y. Patil Pratishthan, Kolhapur transferred the management of D. Y. Patil University and seven other institutions working under its ambit in favour of Dr. D. Y. Patil Global Education Society. However, the University Grants Commission had laid down a guideline that a separate society is required in the name of the deemed university. Thus, the name of Dr. D. Y. Patil Global Education Society was changed to D. Y. Patil Vidyapeeth Society. There are a total of 10 institutions under D. Y. Patil Vidyapeeth Society and 38 institutions under Dr. D. Y. Patil Vidya Pratishthan Society. Dr. D. Y. Patil Vidya Pratishthan Society was renamed to Dr. D. Y. Patil Unitech Society in 2018. The medical college was started as a women's only college in 1996-1997 and later converted into a co-education college from 2000-2001 onwards. The university started with one constituent unit, i.e. the medical college in January 2003, which was later expanded to other constituent colleges/institutions offering a variety of programmers.

In FY2019, the trust has reported a net profit of Rs. 44.18 crore on an operating income (OI) of Rs. 471.31 crore, compared to a net profit of Rs. 26.28 crore on an OI of Rs. 366.62 crore in the previous year.

Key financial indicators (Audited)

	FY2018	FY2019
Operating Income (Rs. crore)	366.62	471.31
PAT (Rs. crore)	26.28	44.18
OPBDIT/OI (%)	20.92%	20.99%
RoCE (%)	12.22%	17.52%
Total Outside Liabilities/Tangible Net Worth (times)	1.00	0.89
Total Debt/OPBDIT (times)	1.19	0.83
Interest Coverage (times)	9.87	13.98
DSCR	4.10	4.54

*Adjusted financials considering Development Fees as part of revenue.

Source: Company and ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sr. No.	Instrument	Current Rating (FY2020)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs.crore)	Date & Rating	Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017
					21 November 2019	11 May 2018	-	1 March 2017
	Term loan	Long-term	4.00	0.00	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	[ICRA]BBB- (Stable)
	Fund based limits	Long-term	39.00	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	[ICRA]BBB- (Stable)
	Non-fund based limits	Short term	14.00	-	[ICRA]A2	[ICRA]A2		[ICRA]A3

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	NA	NA	March 2021	4.00	[ICRA]BBB+(Stable)
NA	Fund based limits	NA	NA	NA	39.00	[ICRA]BBB+ (Stable)
NA	Non-fund based limits	NA	NA	NA	14.00	[ICRA]A2

Source: Dr. D. Y. Patil Vidyapeeth Society

Annexure-2: List of entities considered for consolidated analysis – NA

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About ICRA Limited:

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