September 27, 2023

Dr. D. Y. Patil Vidyapeeth Society: Ratings upgraded to [ICRA]A+(Stable)/[ICRA]A1+

Summary of rating action

Instrument^	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based- Working Capital Facilities	39.00	39.00	[ICRA]A+(Stable); upgraded from [ICRA]A(Stable)
Non-Fund based- Working Capital Facilities	14.00	14.00	[ICRA]A1+; upgraded from [ICRA]A1
Total	**53.00**	**53.00**	

^Instrument details are provided in Annexure-1

Rationale

The ratings upgrade for Dr. D.Y. Patil Vidyapeeth Society (DYPVS) factors in the steady expansion in its scale of operations along with comfortable surplus margins, aided by healthy admission levels in its flagship institute. Sound cash flows have resulted in limited dependence on external debt, translating into a robust financial profile. The liquidity position of the society remains strong with free liquid balance of Rs. 332.7 crore as on March 31, 2023, and unutilised overdraft facility of Rs. 39.0 crore as on July 31, 2023.

The ratings continue to draw comfort from the society's established position in the field of imparting medical and dental education in Maharashtra, as evident from the high position in NIRF[1] enjoyed by its flagship institutes. The occupancy level in its flagship courses remained healthy at 95-100% in FY2023, lending adequate revenue visibility. ICRA also notes the self-financed deemed-to-be-university status of the society, which provides it with strong operational and financial flexibility regarding student intake capacity, addition of new courses, course content and fee structure.

The ratings, however, remain constrained by the society's exposure to geographical and revenue concentration risks, regulatory risks, as well as intense competition in the medical education sector. The society's presence is limited to Maharashtra and a large part of its revenues (~70% in FY2023) is derived from two key colleges. The medical and dental colleges face intense competition from other Government, private and deemed universities in and outside Maharashtra, competing for both the quality of students and faculties alike. The education sector faces irregularity in cash flows, which are linked to student admission timelines. Generally, DYPVS receives the major portion of the fees from July-September in a fiscal. Thus, cash flow management is the key to ensure timely salary payments, debt servicing and accommodate any capital expenditure plan.

ICRA also notes the society's large upcoming capital expenditure (capex) plans of Rs. 350 crore between FY2024 and FY2026 towards constructing an additional hostel building as well as a new oncology unit at the existing hospital premises. While this would constrain the society's free cash flows, ICRA draws comfort from DYPVS' strong liquidity position and expected healthy cash flow generation, which would limit its dependence on external debt.

As on September 5, 2023, DYPVS had advanced ~Rs. 75 crore of funds to its sister concern, DY Patil Unitech Society (DYPUS), to part fund the latter's capital expenditure towards new infrastructure for hospital and colleges. The management expects to start recovering the advances from the current fiscal itself. Any large cash lock in the form of advances, which affects the liquidity position of the society, remains a key rating monitorable.

The Stable outlook reflects ICRA's opinion that the society's financial profile will remain adequately supported by healthy enrolments across key courses, aided by its strong reputation and its comfortable liquidity profile, which would limit its dependence on external debt to fund its capex plans.

[1] National Institutional Ranking Framework

Key rating drivers and their description

Credit strengths

Steady expansion in scale of operations, healthy operating profitability– The revenues of the society increased significantly by 27% over FY2022 to Rs. 869.6 crore in FY2023 (as per provisional estimates). Healthy enrolment levels in most of the courses in conjunction with premium and increasing fees for flagship courses have translated into a healthy growth in revenue receipts during the last few years. Further, the operating profitability of the trust remained strong at 28.3% in FY2023. The society continues to witness healthy occupancy for its key flagship courses **–** MBBS, BDS and MS/MD[2] **–**at 95-100% in FY2023, which lends adequate revenue visibility. The overall student strength also increased to 19,142 in the academic year 2022-23 vis-a-vis 11,037 students in the academic year 2021-22, supported by healthy occupancy levels in its flagship courses and increased admissions in online learning courses.

Good reputation of medical and dental colleges – The society has an established position in the field of medical education in Maharashtra with an extensive track record in running medical and dental colleges. The society commenced operations of the medical college in 1996. The society was ranked third among the dental colleges and 15th among the medical colleges by NIRF in 2023. The society is accredited by NAAC[3] with 'A++' grade.

Comfortable capital structure and robust coverage indicators, strong liquidity position – Despite capex incurred every year towards upgrading of infrastructure, higher fee income and surplus had facilitated limited dependency on external debt, leading to a robust financial profile. As on March 31, 2023, total debt stood at nil with free cash and bank balances and deposits of Rs. 332.7 crore. The leverage levels remained low with total outside liabilities vis-à-vis the tangible net worth of 0.2 times as on March 31, 2023. Higher surplus and limited dependence on external debt led to robust coverage indicators with an interest coverage ratio of 344 times in FY2023. Going forward, the financial risk profile is expected to remain strong, aided by healthy cash flows, which will limit the society's dependence on external debt.

Deemed and self-financed university status provide operational and financial flexibility – Being a self-financed deemed-to-be university, DYVPS can decide its own course structure, examination pattern and fee structure, resulting in high operational and financial flexibility.

Credit challenges

Geographical and revenue concentration risks – The society's footprints are limited to Maharashtra. Further, a large part of its revenues (close to 70%) is concentrated in its two key medical and dental colleges. Both these colleges have a long operating history and enjoy good reputation in Maharashtra. Revenue contribution from the medical college is expected to remain high given that its large intake and premium fee structure. Besides, there is a large demand-supply mismatch for medical education in India. Apart from the medical and dental colleges, contribution from the remaining courses has remained low.

Exposure to intense competition and regulatory risks; irregular cash flows linked to student admissions – The medical and dental colleges face intense competition from other Government, private and deemed universities in and outside Maharashtra, competing for both quality students and faculty alike. The trust will have to continuously enhance its online and offline teaching infrastructure to attract the best quality students and retain its faculty. Any expansion in capacity of Central and state government colleges could further intensify the competition. The society has benefited from its deemed university status, allowing it to regularly hike fees. Any future regulatory action to cap the fee could affect the society's financial prospects.

The education sector witnesses irregular cash flows that are linked to student admission timelines. Given the nature of operation where the major portion of the fee amount is received from July-September in a fiscal, effective cash flow management remains critical to ensure timely salary payments, debt servicing and accommodating any capex plans for the entire year.

Large capex plans over the medium term – The society is expected to incur a capex of Rs.460 crore over the next few years (FY2024-FY2027) towards a new college building (Rs.60 crore) and setting up of a new oncology unit with an envisaged cost of Rs.320 crore. The same is envisaged to be set up in a phased manner and is expected to commence operations from FY2025. The capex is estimated to be funded through internal accruals. While this would constrain the society's free cash flows, ICRA draws comfort from the society's strong liquidity position and expected healthy cash flow generation, which would limit its dependence on external debt.

Liquidity position: Strong

The liquidity position of the society is strong, underpinned by healthy unencumbered cash and bank deposits of Rs. 332.7 crore as on March 31,2023 (comprising Rs.235.2 crore of fixed deposit and the balance Rs. 97.5 crore of cash and bank balance). Moreover, the unutilised bank limits of Rs. 39 crore as on July 31, 2023, provides additional liquidity buffer to the society. The cash flow from operations is expected to remain strong in the range of Rs. 230 crore-Rs.280 crore over FY2024-FY2026, given the healthy enrolment rates for its key courses. Against this, the society has envisaged a capex of Rs. 350 crore over FY2024-FY2026 towards setting up of a new oncology unit and a new college building. The capex has been proposed to be funded via internal accruals and available cash and bank deposits. The society had no long-term loans outstanding as on March 31, 2023.

Rating sensitivities

Positive factors – ICRA could upgrade the long-term rating if the society demonstrates a substantial growth in its revenues, aided by high occupancy level, strengthening its student base while maintaining healthy profitability and strong liquidity position.

Negative factors – Pressure on the ratings could arise in case of a considerable decline in revenues and/or the operating surplus, or any significant debt-funded capex, which adversely impacts its coverage indicators and the liquidity position. Any significant cash outflow to Group entities, adversely impacting the liquidity position, would also be a negative factor. Specific credit metric that could lead to a rating downgrade include weakening of return on capital employed to below 18% on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Higher Education Sector Corporate Credit Rating Methodology
Parent/Group Support	NA
Consolidation/Standalone	The rating is based on the standalone financial statements of the rated entity.

About the company

DYPVS, a deemed-to-be university, was founded by Padmashree Dr. DY Patil. There are 13 institutions offering under-graduate and post-graduate courses in medical, homeopathy, dental, physiotherapy, nursing, ayurveda, MBA among others. The first institution i.e., the medical college was started as a women's college in 1996-1997 and was later converted into a co-education college from 2000-2001. The society is accredited by the National Assessment and Accreditation Council (NAAC) with 'A++' grade.

[2] MBBS: Bachelor of Medicine, Bachelor of Surgery, BDS: Bachelor of Dental Surgery and MS: Master of Science /MD: Doctor of Medicine

[3] National Assessment and Accreditation Council

Key financial indicators

	FY2022 (Audited)	FY2023 (Provisional)
Operating income (Rs. crore)	682.3	869.6
PAT (Rs. crore)	105.9	212.7
OPBDIT/OI (%)	22.0%	28.3%
PAT/OI (%)	15.5%	24.5%
Total outside liabilities/Tangible net worth (times)	0.4	0.2
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	98.3	344.0

Source: Financial statements of MITADT and ICRA research; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Source: Company, ICRA Research; All ratios as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2024)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Sep 27,2023	July 28, 2022	April 05,2021	-
1	Fund based limits	Long-term	39.00	-	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A- (Stable)	-
2	Non-fund-based limits	Short-term	14.00	-	[ICRA]A1+	[ICRA]A1	[ICRA]A2+	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based limits	Simple
Non-fund-based limits	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: Click Here

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs Crore)	Current Rating and Outlook
NA	Overdraft limits	NA	-	-	39.00	[ICRA]A+(Stable)
NA	Bank Guarantee	NA	-	-	14.00	[ICRA]A1+

Source: DYVPS

Annexure-2: List of entities considered for consolidated analysis: Not applicable.

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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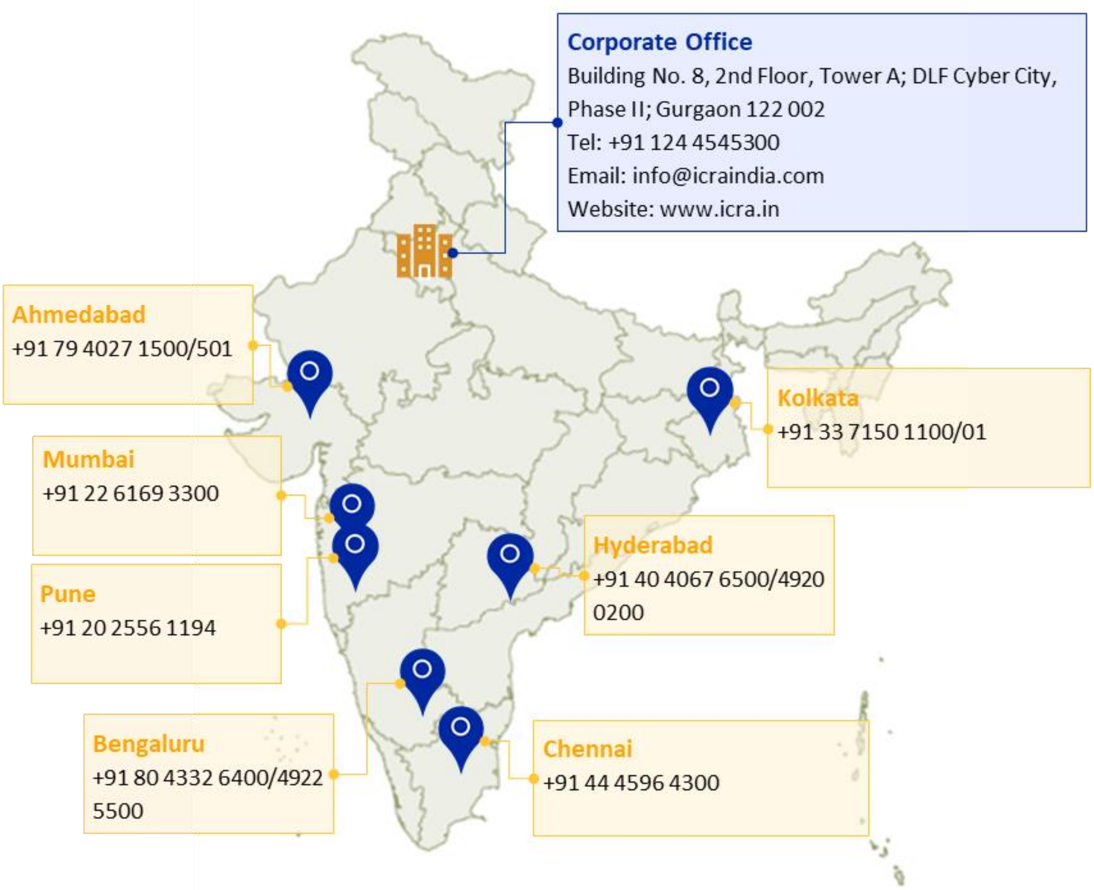

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