

January 31, 2025

DAV College Trust and Management Society: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loans	25.34	25.34	[ICRA]A+ (Stable); reaffirmed
Total	25.34	25.34	

*Instrument details are provided in Annexure-I

Rationale

While assigning the rating, ICRA has taken into consideration the consolidated financials of DAV College Trust Management Society (CTMS/Society), which includes all the schools, institutes, colleges and other organisations run by the CTMS including DAV University.

The rating factors in the established track record of the society's operations with over 900 education institutes spread across the country, its large scale of operations, low leverage and strong liquidity position with cash and investments (including investments in unencumbered fixed deposits) of over Rs. 6,786 crore as on March 31, 2024. ICRA notes that the society's schools/institutes has a long and established track record of over 138 years, in the education sector, supporting admission at CTMS' schools/institutes. The society has over 900 educational institutes, including 800 schools spread across the country and one state private university namely DAV University (university) in Jalandhar, Punjab, which provides diversity to cash flows. CTMS has sizeable free cash reserves, majority of which is dispersed at various institute levels and continuation of strong fungibility of the same would remain important for its overall liquidity profile.

The rating is, however, constrained by the pressure on the society's operating surplus on account of high fixed overheads and limitation on fee hikes due to stiff competition for the society's schools and institutes. The operating surplus margins of the society remains modest at 4.5% in FY2024 compared to 15-16% witnessed in the pre-Covid years. With implementation of 8th pay commission, the operating surplus/margins are likely to remain modest going forward. ICRA believes that a sustained upward revision in the fees of various institutes under the Group would be critical for an improvement in its margin profile, considering its high fixed overhead cost structure. The society's credit profile remains exposed to risks associated with regulatory as well as reputational risks, as any adverse developments related to these could impact the operations of the schools/institutes.

The Stable outlook assigned to the long-term rating reflects ICRA's belief that CTMS will maintain its healthy operational and financial profile, along with a steady expansion of its network of educational institutes on the back of its brand presence, while maintaining strong liquidity levels.

Key rating drivers and their description

Credit strengths

Reputed player in Indian education sector with operational track record of over 138 years – The DAV Group has a strong brand profile in the education sector, supported by its track record of over 138 years and its vast network of more than 900 educational institutes, including 800 schools spread across the country and one state private university namely DAV University. The total strength of employees is over one lakh, and more than 20 lakh students are enrolled with the DAV Group at present.

Stable cash flows underpinned by several matured institutes under the society – CTMS’ stable cash flows are supported by its diversified presence across multiple educational institutes, many of which have been operational for a long time. ICRA notes that despite a moderation in the society’s operating surplus margins, it has generated cash accruals of Rs. 935.1 crore in FY2024, supported by interest income from its large cash reserves. Considering the nature of educational institutes, the cash flows from operations would remain stable, going forward.

Satisfactory financial profile with large scale of operations and strong liquidity – The society’s financial profile is supported by its large scale of operations, which stands at Rs. 4,924.4 crore in FY2024. Further, given the long track record of profitable operations, the society has accumulated large cash and liquid investment balances of Rs. 6,786 crore as on March 31, 2024, which provides stable and substantial interest income. Moreover, the society’s financial risk profile remains comfortable with minimal dependence on external debt and limited capex.

Credit challenges

Pressure on operating surplus margins in recent years due to high fixed costs – The reported operating surplus (profit) margin in FY2024 stood at 4.5%, much lesser compared to the profitability levels of 15-16% achieved in the pre-Covid years primarily due to high fixed costs amid limited fee hikes, especially in the post pandemic years. The fixed costs mainly comprise employees’ salary and large provisioning towards gratuity on an actuarial basis. Nevertheless, a healthy liquidity buffer and prudent cash flow management shielded the Group from any adverse implications.

Stiff competition in the school education sector limits ability to revise tuition fees – The Group’s schools face stiff competition from various Government and private schools and colleges offering similar or better infrastructure in attracting students and faculties. This restricts its ability to revise the tuition fee in line with the increasing costs. Further, stiff competition impacts the student intake, which could exert pressure on its revenue as well as profitability. However, this risk is partly mitigated by the long track record and brand position of the Group in the education sector.

Exposed to high regulatory as well as reputational risks – As the education industry is well regulated, the Group’s institutions are susceptible to changes in the policies of regulatory bodies of both Central and state governments. Any non-compliance or violation of these regulations may lead to cancellation of that institute’s affiliation and may put restrictions on new admissions, impacting its revenues and cash flows. Further, education institutes are highly susceptible to reputational risks in terms of proper school administration, quality staff and academic results. Hence, the Group’s ability to maintain longevity of the brand and reputation remains the key for its growth.

Liquidity position: Strong

On a consolidated basis, CTMS had a strong liquidity, supported by cash reserve and investments (including investments in fixed deposits) of Rs. 6,786 crore as on March 31, 2024, resulting in a strong liquidity position. While the cash balance is dispersed across multiple locations with the respective institutes, given the strong control of CTMS, the fungibility of these funds remains strong. Further, the society generates robust cash from operations as well as large interest income on liquid balances with relatively lower funding commitment for debt servicing (around Rs. 35 crore repayment in FY2025). On a consolidated basis, the Group is likely to generate large cash accruals of around Rs. 680-720 crore in FY2025. Additionally, the society receives sizeable amount of donations. The society has a demonstrated track record of generating strong residual cash after meeting all its obligations, including sizeable capex, funded primarily through internal accruals and support extended to weaker institutes in the Group.

Rating sensitivities

Positive factors – The rating could be upgraded if the society demonstrates a sustained revenue growth with significant improvement in operating surplus, while maintaining strong liquidity and comfortable debt protection metrics.

Negative factors – The rating may be downgraded if there is any sharp decline in the revenue receipts and operating surplus or any large debt-funded capex leading to material weakening in liquidity levels/credit metrics on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Higher Education
Parent/Group Support	Not Applicable
Consolidation/Standalone	ICRA has based its analysis on the consolidated financial statements of CTMS, which include all the schools, institutes colleges and other organisations run by CTMS, including the DAV University.

About the entity

DAV CTMS is a non-Governmental educational organisation, managing a chain of more than 900 educational institutions, including 800 schools and one state private university. The first DAV institution was established in Lahore in June 1886. The management has established several senior secondary schools, public schools, management colleges, Ayurvedic colleges, dental colleges, engineering institutes, industrial training centres, hospitals, university, etc. The operations of the society are managed by the DAV College Management Committee.

Key financial indicators (audited)

CTMS	FY2023	FY2024
Operating income	4,533.0	4,924.4
PAT	592.6	743.9
OPBDIT/OI	2.1%	4.5%
PAT/OI	13.1%	15.1%
Total outside liabilities/Tangible net worth (times)	0.4	0.5
Total debt/OPBDIT (times)	1.0	0.8
Interest coverage (times)	11.0	32.3

PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and Amortisation/Operating Surplus; Amount in Rs. crore

Source: Company; ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2025) Amount rated (Rs. crore)	Chronology of rating history for the past 3 years							
			FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long term	25.34	Jan 31, 2025	[ICRA]A+ (Stable)	Nov 30, 2023	[ICRA]A+ (Stable)	Aug 29, 2022	[ICRA]A+ (Stable)	May 21, 2021	[ICRA]A+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loans	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, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term Fund-based – Term loans	June 2016	NA	Mar 2025	25.34	[ICRA]A+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-II: List of entities considered for consolidated analysis:

Company Name	Status	Ownership	Consolidation Approach
More than 900 educational institutions including DAV University	Institutes in the DAV Group	100%	Full Consolidation

Source: CTMS

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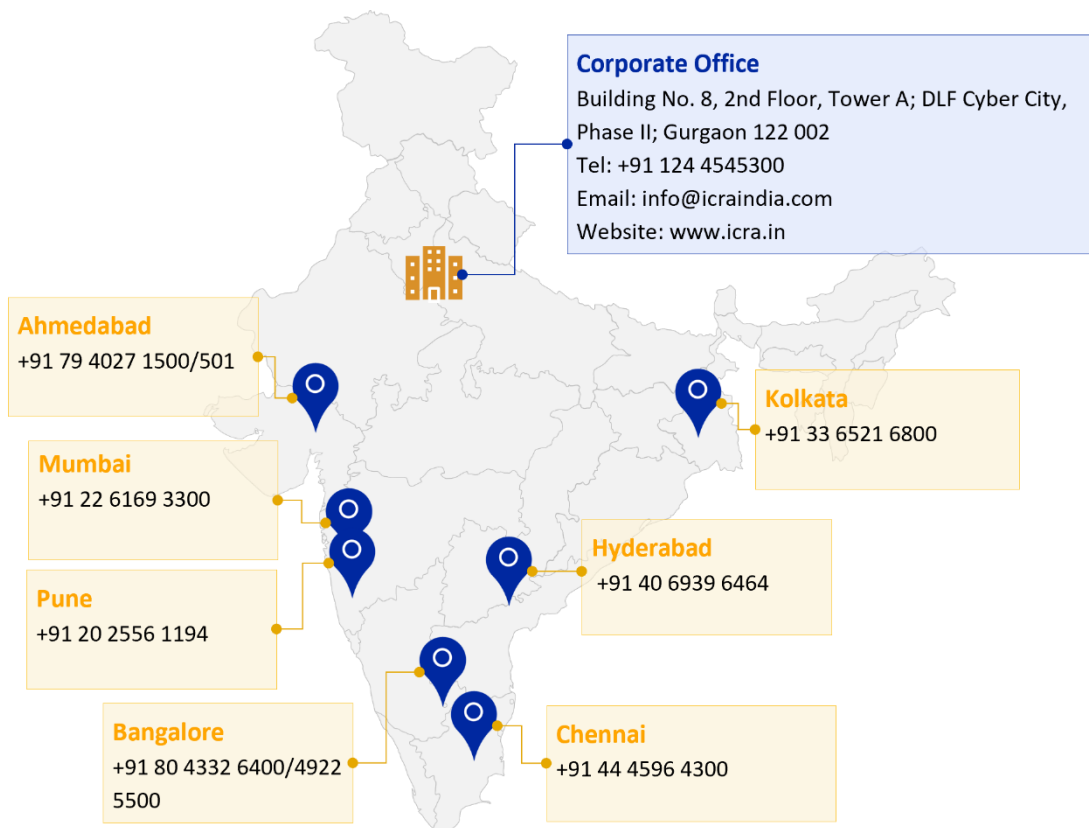


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