

## Press Release

### Dr D Y Patil Education And Research Foundation

August 27, 2019



#### Rating Assigned

|                                     |                              |
|-------------------------------------|------------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 12.00 Cr.                |
| <b>Long Term Rating</b>             | ACUITE BB+ / Outlook: Stable |

\* Refer Annexure for details

#### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE BB plus**) on the Rs. 12.00 crore bank facilities of DR D Y PATIL EDUCATION AND RESEARCH FOUNDATION (DYPERF). The outlook is '**Stable**'.

DYPERF, established in 2007 is a Pune-based education institute by trustee Cdr. Mr. Prataprao V. Chavan Patil. DYRF is a part of Dr D Y Patil Group. The trust manages two educational institutes and offers academic programmes in management studies, diploma courses in Advanced Computing, IT and Infrastructure Systems and Security, Big Data Analytics apart from running pre-primary, primary and secondary schools in Nigdi, Pune, Maharashtra.

#### Analytical Approach

Acuité has consolidated the business and financial risk profile of Dr D Y Patil Education and Research Foundation, Dr D Y Patil Institute of Management Studies (DYPIMS), Institute of Advanced Computing and Software Development (IACSD), Vidyanand Bhavan High School (Satchitanand Education Society) and St Ann's Pre-Primary School together referred to as 'DYP Group' to arrive at the rating. The consolidation is on account of the group managed by same trustees and operational and financial alignment. Extent of Consolidation: Full.

#### About the Group

Established in 2007, Dr D Y Patil Education and Research Foundation (DYPERF) manages Dr D Y Patil Institute of Management Studies (DYPIMS) and Institute of Advanced Computing and Software Development (IACSD) and later in 2015 acquired a running school Vidyanand Bhavan High School (managed by Satchitanand Education Society trust). The trustees also manage St Ann's Pre-Primary School.

#### Key Rating Drivers

##### Strengths

- **Experienced management**

DYP group was established in 2007, which offers academic programmes in management studies, diploma courses in Advanced Computing, IT and Infrastructure Systems and Security, Big Data Analytics apart from running pre-primary, primary and secondary schools in Nigdi, Pune, Maharashtra. 'D Y Patil' is an established brand name in Maharashtra. The group is promoted by Cdr. Mr. Prataprao V. Chavan Patil, Wg. Cdr. (retd.) of Indian Air Force, trustee of DYPERF and executive director of DYPIMS and IACSD. Further, the group is supported by trustee Mr. Dattatray Karnure, who has experience of more than two decades in this industry and Mr. Bharat Chavan Patil has experience of almost a decade. Acuité believes that the group's business risk profile will be supported by its established brand and position in educational sector across Kolhapur, Pune and Mumbai and experienced promoters.

- **Healthy student intake expected to translate into steady revenue growth**

DYPIMS has healthy occupancy ratio of 100 per cent and IACSD has occupancy ratio of 86 per cent for academic year 2018-19. The cumulative numbers of students have increased to 938 in FY2019 from 820 in FY2018. Further, there are ~1250 students in VBHS from class 1st to 10th and St Ann's has ~320 students. DYP group is planning to construct new building for Vidyanand Bhavan High School to meet the requirement of CBSE Board, Pune, which is expected to generate revenues for DYPERF in FY22 by leasing its premises to VBHS. This will have additional capacity available for growth in future. The group

has been growing at a CAGR of 13.9 per cent for the period FY2017 to FY2019 (Provisional). It earned revenue of Rs. 13.00 crore in FY2019 (Provisional) as against 11.33 crore in FY2018 and 10.01 crore in FY2017. Acuité believes that continuous headcount growth and steady fee revisions will support the continuous growth in income.

### **Weaknesses**

- **Debt funded capex plans impacting leverage levels**

On account of the growing demand for quality education, improving literacy rate and limited availability of infrastructure due to increasing occupancy levels, DYP Group is expanding its student's intake capacity by adding CBSE Board to Vidyanand Bhavan High School. The new expansion project will increase student intake by 100-150. The project will be funded through term loan of Rs.7.00 crore and balance Rs.3.00 crore by equity infusion and internal accruals. The new expansion work is yet to be initiated and is expected to commence its operations from FY2021. Any delay in project implementation due to pending approvals or unavailability of sufficient funds at any point may impact financial performance of DYP Group to a certain extent.

- **Increasing levels of reimbursement from Government**

The contribution of State Government to student fees belonging to OBC/SC/EBC category has been increasing. The debtors of DYP Group stood at Rs.3.70 crore for FY2019 (Provisional) as against Rs.2.73 crore for FY2018 and Rs.2.48 crore for FY2017. The reimbursement of fees from the Government leads to elongation in debtor days. The collection period stood at 107 days for FY2019 (Provisional) as against 90 days in FY2018 and 93 days in FY2017.

- **Intense competition and stringent regulatory framework for the educational sector in India**

The Indian education industry is highly regulated and DYP Group is subjected to the regulatory framework, which is to be followed by institutes and school. The institutes face competition from other private institutions offering similar courses. Given the competition, the ability of the institutes to attract requisite students in tune with its sanctioned intake would be a challenge. This is expected to limit the group's capability to increase fee along with the increase of occupancy. Any major change in regulatory framework by Government of India or change in policy by various affiliated boards will have major impact on the revenue, financial and operating performance of the school.

### **Liquidity Position:**

The group has adequate liquidity marked by net cash accruals as compared to its maturing debt obligations. DYP Group generated cash accruals of Rs.1.5-2.9 crore during the last three years through 2017-19 (Provisional), while the maturing debt obligations were in the range of Rs.1.32 crore over the same period. The cash accruals are expected to remain around Rs.2.8-3.6 crore during 2019-21, while its repayment obligations are estimated to be around Rs.1.3 crore. The group maintains cash and bank balances of Rs.1.78 crore as on March 31, 2019 (Provisional). The current ratio stood moderate at 1.48 times as on March 31, 2019 (Provisional). The group's cash accruals will be adequate to support future repayment obligations, considering the moderate increase in debt over near to medium term.

### **Outlook: Stable**

Acuité believes that DYP Group will maintain a 'Stable' outlook over the medium term, owing to its long-standing presence in the industry. The outlook may be revised to 'Positive' if its scale of operations increases on the back of further increase in fee receipts, while improving its leverage levels, thereby translating improvement in debt protection indicators. Conversely, the outlook may be revised to 'Negative' if the group fails to achieve the scalability amidst intensifying competition in its area of operations or if there is no improvement in the leverage levels and debt protection indicators.

### About the Rated Entity - Key Financials

|                               | Unit    | FY19 (Provisional) | FY18 (Actual) | FY17 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 13.00              | 11.33         | 10.01         |
| EBITDA                        | Rs. Cr. | 3.20               | 2.29          | 3.28          |
| PAT                           | Rs. Cr. | 2.10               | 0.93          | 1.76          |
| EBITDA Margin                 | (%)     | 24.63              | 20.20         | 32.74         |
| PAT Margin                    | (%)     | 16.18              | 8.18          | 17.61         |
| ROCE                          | (%)     | 13.56              | 9.02          | 14.07         |
| Total Debt/Tangible Net Worth | Times   | 0.35               | 0.48          | 0.63          |
| PBDIT/Interest                | Times   | 4.65               | 2.65          | 3.25          |
| Total Debt/PBDIT              | Times   | 1.65               | 2.70          | 2.32          |
| Gross Current Assets (Days)   | Days    | 245                | 274           | 300           |

### Status of non-cooperation with previous CRA (if applicable)

None

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities in Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Not Applicable

### \*Annexure – Details of instruments rated

| Name of the Facilities         | Date of Issuance | Coupon Rate    | Maturity Date  | Size of the Issue (Rs. Cr.) | Ratings/Outlook     |
|--------------------------------|------------------|----------------|----------------|-----------------------------|---------------------|
| Term loans                     | Dec, 2015        | Not Applicable | Dec, 2022      | 5.50                        | ACUITE BB+ / Stable |
| Proposed Fund Based Facilities | Not Applicable   | Not Applicable | Not Applicable | 6.50                        | ACUITE BB+ / Stable |

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**About Acuité Ratings & Research:**

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