

January 12, 2022

## Shri Vile Parle Kelavani Mandal: [ICRA]AA-(Stable); assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based - Term Loan	150.00	[ICRA]AA-(Stable); assigned
<b>Total</b>	<b>150.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The assigned rating derives comfort from the experienced management of Shri Vile Parle Kelavani Mandal (SVKM/trust), its wide and established operational reach through 65 institutions as well as the strong brand equity enjoyed by the institutions operating under its aegis. Narsee Monjee Institute of Management Studies (NMIMS), with a student strength of 62,016 in AY2020-21 (out of the total student strength of 95,012), is the flagship institution of the trust and enjoys strong reputation, thereby ensuring healthy enrolments. Aided by addition of new campuses and courses, increasing student strength for existing courses as well as fee revisions, the trust's revenues have witnessed a healthy compounded annual growth rate (CAGR) of 16% during FY2017-FY2021, while maintaining healthy operating surplus margin (OSM). The financial profile of the trust remains strong, marked by low gearing and comfortable coverage indicators. ICRA also notes that the non-affiliated, self-financed status of the NMIMS deemed-to-be-university provides strong operational and financial flexibility with respect to the student intake capacity, addition of new courses, course content and fee structure.

ICRA notes SVKM's high reliance on a few flagship courses of NMIMS University's Mumbai campus, which account for ~65-70% of the trust's revenues and over 90% of the operating surplus. Being a charitable organisation, SVKM also provides subsidised education services through its non-NMIMS institutions, despite their strong vintage, high student strength and healthy occupancy levels. During FY2017-FY2021, the trust had incurred significant debt-funded capital expenditure (capex) towards setting up new campuses/institutes and upgradation of its existing facilities. However, some of the new campuses are currently in their gestation period and are yet to achieve breakeven of operations. Capex undertaken towards infrastructural development is expected to continue over the medium term, albeit at lower levels and through a more balanced funding mix. The quantum and the funding mix of these investments as well as timely stabilisation of new campuses would be key rating factors. The rating also considers significant competition in the higher education sector, which puts pressure on attracting and retaining talented students and faculty members. The trust is exposed to significant regulatory risks associated with stringent compliance requirements as the education sector is highly regulated in India.

The Stable outlook reflects ICRA's opinion that the trust should continue to witness healthy enrolments across key courses, aided by its strong brand name, leading to healthy revenue and surplus generation. Along with a moderation in capex, this is expected to result in a continued strong financial profile.

### Key rating drivers and their description

#### Credit strengths

**Long and established track record of operations and experienced management** – Established in 1934, SVKM has been operating for over eight decades and offers courses from pre-primary school to post graduation in the fields of management, engineering, commerce, economics, science, law, arts, pharmacy, architecture, poly-technic, among others. It operates 65 institutes, including NMIMS deemed-to-be-university operating through eight campuses across Mumbai, Shirpur, Dhule, Navi

Mumbai (Maharashtra), Bangalore (Karnataka), Hyderabad, Jadcherla (Telangana), Indore (Madhya Pradesh) and Chandigarh (Punjab). SVKM's established position in the market is reflected through its high student strength of 95,012 in AY2020-21. The current President of SVKM is Mr. Amrish R. Patel, Member of Legislative Assembly, Shirpur (Maharashtra). NMIMS, the flagship institution of the trust, has a strong brand equity, reflected in its recognition as a 'Category 1' institution by the University Grants Commission (UGC) and 'A+' accreditation by National Assessment and Accreditation Council (NAAC). NMIMS university's flagship institute, School of Business Management (Mumbai), has been ranked among the top B-schools in India and is ranked 22<sup>nd</sup> in the National Institution Ranking Framework (NIRF) 2021 conducted by the Ministry of Human Resource Development (MHRD). NMIMS' strong brand position is also reflected in its student strength of 62,016 in AY2020-21.

**Consistent growth in revenues and healthy OSM** – SVKM's revenues have witnessed a healthy CAGR of 16% during FY2017-FY2021, supported by increasing student intake for existing courses, addition of new campuses and courses and fee hikes. The student strength increased to 95,012 in AY2020-21 from 61,839 in AY2016-17. Along with an increase in revenues, the OSM remained healthy in the range of 35-47% in the last five fiscals. Despite the adverse impact of the pandemic in FY2021, the trust reported revenues of Rs. 1,166.9 crore (Previous year [P.Y.] Rs. 1,057.2 crore; reflecting a growth of 10% in FY2021) and an all-time high OSM of 46.6% (P.Y. 38.6%) due to savings in administration expenses owing to the online mode of classes. In FY2022, the revenue growth is likely to remain healthy in the range of 16-20%, given the healthy enrolments in NMIMS university. The OSM is likely to remain on a higher side (than the historical average of 38-40%) due to the ongoing online classes, which would lead to a further improvement in the financial profile.

**Strong financial risk profile** – The strong financial risk profile of SVKM is marked by a low gearing and comfortable coverage indicators. Despite incurring huge debt-funded capex in the last five fiscals, the gearing stood comfortable in the range of 0.6-0.8 times given the healthy net worth position and high accretion to reserves. The interest coverage ratio and debt service coverage ratio (DSCR) strengthened to 7.6 times and 2.7 times, respectively in FY2021 compared to 5.1 times and 2.0 times, respectively in FY2020. Going forward, with an expected moderation in capex and a balanced funding mix, the overall financial profile is expected to remain strong.

**Deemed-to-be university status of NMIMS** – While NMIMS was established in 1981, it was granted deemed-to-be-university status in 2003. The deemed-to-be-university status imparts significant autonomy with respect to student intake capacity, course content, addition of courses and fee structure. NMIMS university remains the growth driver of the trust, accounting for 77% and 90% of the revenues and operating surplus (excluding development fees), respectively in FY2021.

## Credit challenges

**Dependence on a few flagship courses of NMIMS Mumbai campus** – SVKM remains dependent on a few flagship courses including management, engineering and distance learning at NMIMS Mumbai Campus. Being a charitable organisation, SVKM provides subsidised education services through its non-NMIMS institutions, despite their strong vintage, high student strength and healthy occupancy levels. Going forward, diversification of revenues and surpluses across the campuses, leading to lower reliance on the flagship courses of NMIMS Mumbai campus, would be a key rating monitorable.

**Huge debt-funded capex undertaken in the past; some of the new campuses are yet to achieve breakeven** – During FY2017-FY2021, the trust had incurred significant debt-funded capital expenditure (capex) towards setting up new campuses/institutes in Hyderabad, Jadcherla, Navi Mumbai, Shirpur, Indore and Chandigarh and for upgradation of its existing facilities. The capex was largely funded in the debt-to-internal accrual ratio of 3:1. However, some of these new campuses are currently in their gestation period and are yet to achieve breakeven of operations. Timely ramp-up of operations of the new campuses would be a key monitorable. Capex undertaken towards infrastructural development is expected to continue over the medium term, albeit at lower levels and through a more balanced funding mix (debt-to-equity ratio of 1:1), which provides some comfort. However, higher-than-expected debt-funded capex, adversely impacting the financial profile and/or the liquidity position, would remain a key rating sensitivity.

**Highly regulated education sector; exposure to intense competition** – The institutes under SVKM are exposed to inherent risks associated with the highly regulated education sector in India. The institutes are governed by various state and central laws. Any adverse Government regulation may impact the trust’s revenues as well as operational growth. Although the NMIMS university enjoys significant autonomy in its operations, it needs to continuously comply with regulations of the Government as well as various regulatory bodies, such as UGC. SVKM also faces intense competition from other reputed universities across the country, which puts pressure on attracting and retaining talented students and faculty members.

## Liquidity position: Adequate

SVKM’s liquidity position is **adequate** marked by increasing student enrolments, translating into healthy cash flows to service debt repayment obligations (Rs. 172 crore in FY2023, Rs. 174 crore in FY2024 and Rs. 160 crore in FY2025) and meet capex requirements. The liquidity is supported by unutilised bank limits to the tune of Rs. 194.6 crore and cash and liquid balances of ~Rs. 95 crore as on December 31, 2021. The trust collects around 80% fees during June to August every year and major debt repayments are scheduled in July every year. With moderate capex plans and an expected healthy cash flow, the liquidity position is expected to remain comfortable. The average overdraft limit utilisation stood at 39% for the 12-month period ended in November 2021.

## Rating sensitivities

**Positive factors** – The rating could be upgraded if there is a substantial increase in revenues and surplus of the trust along with a diversification of the same across various campuses, leading to an improvement in the overall financial risk profile.

**Negative factors** – Pressure on the rating could arise if a decline in enrolment levels or slower ramp up of new campuses adversely impacts the revenues and profits and thus the financial profile of SVKM. In addition, higher-than-expected debt-funded capex, leading to total debt-to-operating surplus ratio (Total Debt/Operating Surplus) of over 1.5 times on a sustained basis, could also lead to a rating downgrade.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Entities in the Higher Education Sector</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of SVKM.

## About the company

Established in 1934, SVKM is a public charitable trust registered under the Societies Registration Act, 1860, and the Bombay Public Trust Act, 1950. The trust is headed by Mr. Amrish Patel and operates 65 educational institutes at various levels starting from pre-primary up to post-graduation with NMIMS (Deemed-to-be-university) being the flagship institution. The student strength stood at over 95,000 in AY2020-21. NMIMS has institutes spread across Mumbai, Shirpur, Dhule, Bangalore, Hyderabad, Jadcherla, Indore and Chandigarh.

## Key financial indicators

	FY2020 (Audited)	FY2021 (Audited)
Operating Income (Rs. crore)	1,057.2	1,166.9
PAT (Rs. crore)	160.5	297.4
OPBDIT/OI (%)	38.6%	46.6%
PAT/OI (%)	15.2%	25.5%
Total Outside Liabilities/Tangible Net Worth (times)	1.1	0.9
Total Debt/OPBDIT (times)	2.4	1.7
Interest Coverage (times)	5.1	7.6

Source: SVKM; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation)

All the above figures are as per ICRA calculations

## Status of non-cooperation with previous CRA: Not applicable

Any other information: None

## Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. Crore)	Amount Outstanding (Rs. Crore)	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	
					12-Jan-2022	-	-	-	
1	Fund-based Term Loans	Long-term	150.0	150.0	[ICRA]AA-(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: [www.icra.in](http://www.icra.in)

**Annexure-1: Instrument details**

ISIN No./ Lender Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
Kotak Mahindra Bank	Fund-based Term Loans	FY2019	6.5%	FY2027	150.00	[ICRA]AA- (Stable)

Source: SVKM

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

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