

March 22, 2024

## Shri Vile Parle Kelavani Mandal: Continue on Rating Watch with Negative Implications; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based - Term loan	745.16	1096.93	[ICRA]AA-; continues on rating watch with negative implications; rating assigned for enhanced amount
Long-term fund-based - Cash credit	40.00	40.00	[ICRA]AA-; continues on rating watch with negative Implications
Short-term fund-based - Overdraft	104.60	228.60	[ICRA]A1+; continues on rating watch with negative implications; rating assigned for enhanced amount
Long-term/short-term - Unallocated	175.24	0.47	[ICRA]AA-; continues on rating watch with negative implications/ [ICRA]A1+; continues on watch with negative implications
<b>Total</b>	<b>1,065.00</b>	<b>1,366.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings of Shri Vile Parle Kelavani Mandal (SVKM/trust) remain on watch with negative implications due to the uncertainty with respect to resumption of online courses by SVKM post debarment by the University Grant Commission (UGC) last year. NMIMS' School of Distance Learning accounted for almost 25% of the trust's revenues in FY2023 with healthy surplus margins. Given the high share SVKM's overall revenues and surplus were adversely impacted in FY2024. ICRA understands that with the withdrawal of petition by SVKM in February 2024 and subsequent inspection by UGC being underway, SVKM will be able to resume online courses in the near term subject to UGC approval. ICRA will continue to monitor the developments in this regard and the associated reputational risks.

The ratings continue to derive comfort from the experienced management of the 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 1,17,140 in AY2022-23 (out of the total student strength of 1,50,677), is the flagship institution of the trust and enjoys strong reputation, 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 growth during the last six years ended in FY2023, while maintaining healthy operating surplus margin (OSM) of 40-50%. Revenues are expected to moderate in the near term led by ban on distance learning courses by UGC which accounted for around 22% in its revenues. 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 flexibilities across 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 and School of Distance Learning (online courses), which account for ~50-60% of the trust's revenues and majority of the operating surplus. Nevertheless, ICRA notes that revenues from other campuses (including the new ones) are growing steadily. 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-FY2023, the trust had incurred significant debt-funded capital expenditure (capex) towards setting up new campuses/institutes and upgradation of its existing facilities. All

new campuses except Chandigarh have attained breakeven surplus levels. ICRA notes that such capex is expected to continue over the medium term towards setting up of new institutes, addition of courses and upgradation of facilities. The quantum and the funding mix of these investments as well as timely stabilisation of new campuses would be the key rating factors. The ratings also consider 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.

## 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, and polytechnic, among others. It operates 65 institutes, including deemed-to-be-university NMIMS through campuses across Mumbai, Shirpur, Dhule, Navi Mumbai (Maharashtra), Bengaluru (Karnataka), Hyderabad, Jadcherla (Telangana), Indore (Madhya Pradesh) and Chandigarh (Punjab). SVKM's established position in the market was reflected in its high student strength of 1,50,677 in AY2022-23. NMIMS, the flagship institution of the trust, has a strong brand equity, with its recognition as a Category-1 institution by the University Grants Commission (UGC) and A+ accreditation by the 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 in the 21st position in the National Institution Ranking Framework (NIRF) 2023, conducted by the Ministry of Human Resource Development (MHRD). NMIMS' strong brand position is also reflected in its student strength of 1,17,140 in AY 2022-23 against 89,392 in AY2021-22. The current President and Chancellor of SVKM is Mr. Amrish R. Patel, Member of Legislative Assembly, Shirpur (Maharashtra). He is assisted by Vice Chancellor, Pro Vice Chancellors and a leadership team (which includes directors of various campuses), who have vast experience in the education sector.

**Consistent growth in revenues and healthy OPM in medium term** – SVKM's revenues have witnessed a healthy CAGR of more than 20% during last six years ended in FY2023 to Rs. 2,092.6 crore, supported by increasing student intake for existing courses, addition of new campuses and courses and fee revision across major surplus-generating courses. The student strength increased to 1,50,677 in FY2023 from 63,953 in FY2018. The OSM, along with an increase in revenues, remained healthy in the range of 40-50% in the last five fiscals. However, in the current fiscal with ban on distance learning courses, the revenues were impacted and, thus, the trust is expected to record decline of around 20% in its revenues to Rs. 1,600-1,650 crore in FY2024. Moreover, operating surplus is expected to moderate to around 37-38% in FY2024 as the trust was required to refund fees for 1st semester students to the tune of Rs. 125 crore, which directly impacted the surplus for the year.

Going forward, the revenues are expected to increase by ~10-15% per annum, supported by a rise in the student strength due to increasing enrolments across new campuses and regular fee revisions. Additionally, with reducing debt and consequently lower interest expenditure, net surplus is expected to increase.

**Strong financial risk profile** – The strong financial risk profile of SVKM is marked by a low gearing and comfortable coverage indicators. Despite incurring large and partly debt-funded capex in the last six fiscals, the gearing stood comfortable in the range of 0.2-0.8 times, given the healthy net worth position and high accretion to reserves. The interest coverage ratio and debt service coverage ratio (DSCR) strengthened to 17.7 times and 4.1 times, respectively, in FY2023 compared to 14.1 times and 3.0 times, respectively, in FY2022. Going forward, despite SVKM's large capex plans, a prudent funding mix and healthy surplus generation would keep its overall financial profile strong.

**Deemed-to-be university status of NMIMS** – While NMIMS was established in 1981, it was granted a deemed-to-be-university status in 2003. The status imparts significant autonomy across student intake capacity, course content, addition of courses and fee structure. NMIMS university remains the growth driver of the trust, accounting for 86% and 95% of the revenues and operating surplus (excluding development fees), respectively, in FY2023.

## Credit challenges

**Dependence on a few flagship courses of NMIMS Mumbai campus and School of Distance Learning** – SVKM remains dependent on a few flagship courses including management, engineering and commerce at the NMIMS Mumbai campus and School of Distance Learning (online courses), which account for ~50-60% of the trust's revenues and majority of the operating surplus. Nevertheless, ICRA notes that revenues from other campuses (including the new ones) are growing steadily. All new campuses (Navi Mumbai, Shirpur, Bengaluru, Indore, Hyderabad) except Chandigarh have attained breakeven surplus levels. 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.

**Large capex in the near term** - SVKM had incurred huge capex in the last six years on upgradation of its existing facilities to accommodate the student intake and for establishing new campuses. SVKM had undertaken development of various NMIMS campuses at Bengaluru, Navi Mumbai, Indore, Jadcherla, Dhule, Shirpur and Chandigarh in the last six years. Through FY2024-2026, the capex is estimated to be in the range of Rs. 800-900 crore per fiscal, to be funded through a more balanced funding mix, which provides some comfort. However, any 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; exposed 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. 133.6 crore in FY2024, Rs. 159.5 crore in FY2025 and Rs. 132 crore in FY2026) and meet capex requirements. The liquidity is supported by unutilised bank limits worth Rs. 63.6 crore as on January 31, 2024, and unencumbered cash and liquid balances of Rs. 156.5 crore as on December 31, 2023. The trust collects around 80% fees during June to August every year and major debt repayments are scheduled in July every year. The trust will incur capex worth Rs. 800-900 crore per annum (partly debt funded) towards setting up of new institutes, addition of courses and upgradation of its facilities. However, given the steady increase in enrollments across courses and healthy surplus margins, the liquidity position is expected to remain comfortable.

## Rating sensitivities

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

**Negative factors** – Pressure on the ratings could arise if a material decline in the enrolment levels or slower ramp-up of the 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	Standalone

## About the company

SVKM, established in 1934, 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 to post-graduation with NMIMS (deemed-to-be-university) being the flagship institution. The student strength stood at 1,50,677 in AY2022-23. NMIMS has institutes spread across Mumbai, Shirpur, Dhule, Bengaluru, Hyderabad, Jadcherla, Indore and Chandigarh.

### Key financial indicators (audited)

SVKM	FY2022	FY2023
Operating income	1,592.8	2,060.0
PAT	526.3	626.4
OPBDIT/OI	49.7%	44.4%
PAT/OI	33.0%	30.4%
Total outside liabilities/Tangible net worth (times)	0.7	0.5
Total debt/OPBDIT (times)	1.0	0.7
Interest coverage (times)	14.1	17.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

### 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 as of Mar 15, 2024 (Rs. crore)	Date & rating in FY2024			Date & rating in FY2023	Date & rating in FY2022		Date & rating in FY2021
					Mar 22, 2024	May 12, 2023	Apr 26, 2023		Mar 13, 2023	Jan 13, 2022	
1	Fund-based term loans	Long-term	1096.93	1,096.93	[ICRA]AA-; Rating Watch with Negative Implications	[ICRA]AA-; Rating Watch with Negative Implications	[ICRA]AA-; Rating Watch with Negative Implications	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	-
2	Fund-based cash credit	Long-term	40.00	--	[ICRA]AA-; Rating Watch with Negative Implications	[ICRA]AA-; Rating Watch with Negative Implications	[ICRA]AA-; Rating Watch with Negative Implications	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	-	-
3	Fund-based overdraft	Short-term	228.60	--	[ICRA]A1+; Rating Watch with Negative Implications	[ICRA]A1+; Rating Watch with Negative Implications	[ICRA]A1+; Rating Watch with Negative Implications	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	-	-
4	Non-fund-based Letter of Credit	Short-term	-	--	-	-	-	-	[ICRA]A1+	-	-
5	Unallocated Limits	Long-term/short-term	0.47	--	[ICRA]AA-; Rating Watch with Negative Implications/ [ICRA]A1+; Rating Watch with Negative Implications	[ICRA]AA-; Rating Watch with Negative Implications/ [ICRA]A1+; Rating Watch with Negative Implications	[ICRA]AA-; Rating Watch with Negative Implications/ [ICRA]A1+; Rating Watch with Negative Implications	[ICRA]AA-(Stable)/ [ICRA]A1+	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based - Term Loan	Simple
Long-term Fund-based - Cash Credit	Simple
Short-term Fund-based - Overdraft	Simple
Long-term/Short-term -Unallocated	NA

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 I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based Term Loans	FY2019	7.85-9.00%	FY2030	1096.93	[ICRA]AA-; rating Watch with Negative Implications
NA	Fund-based Cash Credit	-	-	-	40.00	[ICRA]AA-; rating Watch with Negative Implications
NA	Fund-based Overdraft	-	-	-	228.60	[ICRA]A1+; rating Watch with Negative Implications
NA	Unallocated Limits	-	-	-	0.47	[ICRA]AA-; rating Watch with Negative Implications / [ICRA]A1+; rating Watch with Negative Implications

Source: Company

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## Annexure II: List of entities considered for consolidated analysis – Not Applicable

## ANALYST CONTACTS

**Jayanta Roy**  
+91 33 7150 1100  
[jayanta@icraindia.com](mailto:jayanta@icraindia.com)

**Priyesh Ruparelia**  
+91 22 6169 3328  
[priyesh.ruparelia@icraindia.com](mailto:priyesh.ruparelia@icraindia.com)

**Taanisha Sharma**  
+91 22 6169 3344  
[Taanisha.sharma@icraindia.com](mailto:Taanisha.sharma@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)  
[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



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