

May 24, 2024

## Sri Ramachandra Institute of Higher Education and Research Trust: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Unallocated limits	125.00	125.00	[ICRA]AA- (Stable); Reaffirmed
<b>Total</b>	<b>125.00</b>	<b>125.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation reflects the healthy operational and financial performances of Sri Ramachandra Institute of Higher Education and Research Trust (SRIHERT) in FY2024, which are expected to sustain in FY2025, supported by its established reputation in the medical education sector. SRIHERT has a track record of strong enrolments of 96%-99% for its medical courses. The Trust's revenue is estimated to grow by 4% YoY to Rs. 770 crore and the operating margins are likely to remain robust at ~48.0-48.5% in FY2024 (FY2023: 52.8%). ICRA expects the revenue to grow by 4-6% in FY2025 while sustaining the operating margins at current levels. SRIHERT's capital structure continues to remain comfortable with strong tangible net worth of more than ~Rs. 2,000 crore as of March 2024 against total indebtedness of Rs. 225 crore raised in March 2024 for funding of the new campus towards non-medical courses. While the Trust has capital expenditure (capex) plans of ~Rs. 1,250-1,300 crore during FY2025-FY2027, the debt reliance is expected to be limited and the capex is proposed to be funded largely through internal accruals and the strong existing on-balance sheet liquidity, as reflected in free cash and cash equivalents of more than ~Rs. 1,200 crore as of March 2024. Consequently, the debt protection metrics are expected to remain strong in the medium term.

The rating continues to favourably consider the established track record of SRIHERT spanning around four decades and strong reputation of its medical college in India, which ranked continuously among the top-25 in the country in the National Institutional Ranking Framework (NIRF). ICRA notes the efforts being taken by the university to improve its revenue diversification by offering additional courses in the non-medical education space. The rating also reflects the Trust's status as a deemed university and its A++ accreditation by NAAC, which provides considerable autonomy to the university in matters relating to offering new courses and deciding fees.

The rating, however, remains constrained by high course concentration of SRIHERT's revenue as of FY2024, ~74% of the total receipts are accounted from medical courses. Further, it is exposed to geographical concentration risk as the Trust has only one campus located in Porur, Chennai, which exposes the operations to the risk of disruption from localised events. The Trust is exposed to execution risk related to capex plans for the next three years, which is mitigated considering its established track record. The rating also considers the intense competition from both private and public educational institutions in the country, along with high regulatory risks owing to stringent compliance requirements from different regulatory bodies. Any change to the regulatory environment, including any capping of fees for courses (particularly medical), could have an adverse impact on the financial profile of the Trust.

The Stable outlook on the long-term rating reflects ICRA's expectations that the Trust will continue to maintain healthy enrolment ratio for its flagship courses, maintain a comfortable capital structure and strong debt coverage indicators over the medium term, supported by a sizeable corpus and healthy accruals.

### Key rating drivers and their description

#### Credit strengths

**Stable cash flows underpinned by healthy enrolment; strong capital structure with healthy corpus fund** – The university has a track record of strong enrolments of 96%-99% for its medical courses, backed by its established reputation. Moreover, the

placement for the academic year 2023 (AY23) remained at 100% for its medical and dental courses, and at ~88% levels for its paramedical courses. The placement for AY24 is ongoing and shall be completed by August 2024. SRIHERT's capital structure continues to remain comfortable with strong tangible net worth of more than ~Rs. 2,000 crore as of March 2024 against total indebtedness of Rs. 225 crore raised in March 2024 for funding of the new campus towards non-medical courses.

**High degree of autonomy; favourable long-term outlook for higher education in India** – The university's deemed status allows it considerable autonomy in matters related to offering new courses and fixing the fee structure, which in turn increases its operational flexibility. Its medical college is among the few colleges in India with a sanctioned seat strength of 250 for MBBS (the maximum strength allowed by the National Medical Council, NMC). ICRA expects the university to continue to benefit from the high demand-supply gap in the medical education sector in India.

**Long track record and established reputation** – The university has a long track record of around four decades in the medical education sector. It has consistently been ranked among the top-25 medical colleges in India as per the National Institutional Ranking Framework (NIRF) for the last five years. It is also recognised as a Category-1 institution by the University Grants Commission and A++ accreditation by the National Assessment and Accreditation Council. High ranking and accreditation of the university, coupled with its long track record, are expected to continue to enable it to attract and retain meritorious students and faculty members over the medium term.

### Credit challenges

**High revenue and geographical concentration** – The fee receipts from medical course continue to be the mainstay for the Trust, accounting for ~74% of its total revenue in FY2024. This exposes the university to risks emanating from regulatory changes, among other factors. ICRA, however, notes the university's endeavours to diversify its revenue by offering new non-medical courses across engineering and management science, which are likely to expand the revenue over the long term. Moreover, the university operates out of a single campus in Chennai, which exposes it to the risk of disruptions caused by localised events.

**Exposed to intense competition and regulatory risks** – The higher education sector in India is highly regulated by multiple bodies including the University Grants Commission and National Medical Council with strict compliance requirements. This exposes the university to significant regulatory risks. Any change in regulations, including capping of fees, could adversely impact the university's financial risk profile. The university is also exposed to intense competition from other private and public educational institutions. This risk is, however, largely mitigated by the university's high ranking and healthy reputation.

**Exposed to execution risk** – The Trust has capex plans of ~Rs. 1,250-1,300 crore during FY2025-FY2027, which is proposed to be funded through internal accruals and the strong existing on-balance sheet liquidity, thus exposing the Trust to execution risk. ICRA expects the construction to be completed within the scheduled timelines without time and/or cost overruns.

### Liquidity position: Strong

SRIHERT's liquidity position remains **strong**, characterised by free cash and cash equivalents of ~Rs. 1,200 crore as on March 31, 2024. The scheduled debt repayment obligation of Rs. 225 crore in FY2025 can be comfortably met by the expected cash flow from operations. Further, it is expected to incur capex of ~Rs. 1,250-1,300 crore during FY2025-FY2027, to be entirely funded through internal accruals and existing on-balance sheet liquidity.

### Rating sensitivities

**Positive factors** – The rating may be upgraded, if there is a significant increase in the scale of operations while maintaining robust profitability, strong liquidity along with improvement in diversification of revenue streams, on a sustained basis.

**Negative factors** – Pressure on the rating could arise in case of a substantial and sustained decline in revenue and accruals of the Trust. Higher-than-expected debt-funded capital expenditure or regulatory developments adversely impacting the Trust's financial risk profile and liquidity position could also put pressure on the rating. A specific credit metric which could result in a rating downgrade is if return on capital employed (RoCE) falls below 20%, on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology – Higher Education</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of SRIHERT and Sri Ramachandra Institute of Higher Education and Research (deemed to be University), as enlisted in Annexure II, given the common management and significant operational and financial linkages between them.

## About the Trust

Sri Ramachandra Institute of Higher Education and Research Trust (SRIHERT), formerly Sri Ramachandra University Trust, is a public charitable Trust, which operates Sri Ramachandra Institute of Higher Education and Research (deemed to be University), formerly Sri Ramachandra University, a medical college. SRIHERT was established by the late N.P.V. Ramasamy Udayar in 1985. It was recognised as a deemed University by the University Grants Commission in 1994 and operates out of a 175-acre campus, located at Porur, Chennai. The university runs fourteen constituent colleges offering around 160 plus courses across medical sciences, dental sciences, paramedical sciences, management and engineering, with nearly 9,000 students receiving education and training within the university campus. The Trust also operates Sri Ramachandra University Hospital – a 1,600-bed subsidised tertiary-care facility located within the campus to cater to the learning and training needs of the students.

## Key financial indicators

Consolidated	FY2022	FY2023
	Audited	Audited
Operating Income	687.6	742.7
PAT	388.3	432.6
OPBITDA/ Operating Income	55.1%	52.8%
PAT/ Operating Income	56.5%	58.3%
Total outside liabilities/Tangible net worth (times)	0.2	0.1
Total debt/OPBDIT (times)	-	-
Interest coverage (times)	181.2	-

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount 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

Sl. No.	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as of March 31, 2024	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					May 24, 2024	-	Feb 23, 2023	Nov 29, 2021
1	Unallocated limits	Long-term	125.00	-	[ICRA]AA-(Stable)	-	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term – Unallocated limits	Not Applicable

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	Long-term – Unallocated limits	NA	NA	NA	125.00	[ICRA]AA- (Stable)

Source: Company

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

Company Name	Ownership	Consolidation Approach
Sri Ramachandra Institute of Higher Education and Research (deemed to be University)	-	Full Consolidation

Source: Company

## ANALYST CONTACTS

**Rajeshwar Burla**  
+91 40 6939 6443  
[rajeshwar.burla@icraindia.com](mailto:rajeshwar.burla@icraindia.com)

**Anupama Reddy**  
+91 40 6939 6427  
[anupama.reddy@icraindia.com](mailto:anupama.reddy@icraindia.com)

**Pulkit K Varshney**  
+91 80 4332 6427  
[pulkit.varshney@icraindia.com](mailto:pulkit.varshney@icraindia.com)

**Riddham Agarwal**  
+91 80 4332 6405  
[riddham.agarwal@icraindia.com](mailto:riddham.agarwal@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)

## 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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

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



### Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.