

June 16, 2023

Sri Siddhartha Academy of Higher Education: [ICRA]BBB-(Stable); assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term-Fund Based Term Loan	93.10	[ICRA]BBB- (Stable); assigned
Long Term Unallocated limits	6.90	[ICRA]BBB- (Stable); assigned
Total	100.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating considers the healthy operating and financial performances of the trust in FY2023, healthy intake of students in FY2024 and ICRA's expectations of continued stable performance. Sri Siddhartha Academy of Higher Education's (SSAHE) operating income witnessed a healthy increase at a CAGR of 32% over the last five years on the back of incremental student additions from Siddhartha Institute of Medical Sciences and Research Centre, which started taking fresh medical admissions from FY2020, coupled with an increase in medical courses fees from FY2018. Growth in receipts from its medical colleges and hospitals had mainly contributed to revenue increase over the years. ICRA expects SSAHE to continue to maintain the healthy growth in the operating income and margins over the medium term on the back of recent fee increase and healthy net cash accruals. The rating also draws comfort from SSAHE' established track record of running educational institutions and imparting quality education for a long time and diversification of the trust's revenue stream across two medical colleges and one dental and engineering college. The rating also factors in SSAHE's conservative capital structure, healthy debt coverage metrics and a sizeable liquid investment portfolio, which is likely to keep its net debt at a negative level in the near-to-medium term.

The rating is constrained by the modest scale of operations and high concentration of SSAHE's revenues. The top two institutes contributed ~77% to the aggregate fee receipts. Revenue from medical education and allied activities accounted for ~85% of SSAHE's operating income over the last three years. ICRA also notes the past raids conducted by the Income-tax department on college premise, the outcome of which remains uncertain. Further, the rating considers the intense competition among self-funded educational institutions in the country along with high regulatory risks owing to stringent compliance requirements from different regulatory bodies. Any changes in the regulatory environment, including capping of fees, could have a material impact on the financial profile of the trust.

The Stable outlook on the long-term rating reflects ICRA's expectations that SSAHE will continue to benefit from its established position in the higher education sector in Karnataka while maintaining healthy operating and financial profiles with comfortable liquidity.

Key rating drivers and their description

Credit strengths

Established track record in higher education sector – SSAHE's flagship medical and engineering colleges were founded in 1979 and 1988, respectively. SSAHE operates four institutions in and around Tumkur, Karnataka offering courses across diverse disciplines including medical sciences, dental sciences, and engineering. The institutions enjoy high reputation among students, especially in the field of medical education due to its established track record and quality infrastructure. This benefits the institution in attracting students and retaining qualified faculties.

Healthy occupancy across key courses lends revenue visibility – The enrolment levels across various institutions operated by SSAHE have remained healthy at ~80% in AY2021-22. Its flagship colleges, Sri Siddhartha Medical College and Sri Siddhartha Institute of Medical Science and Research Centre, continue to garner 100% occupancy while the same for other courses at various institutes have also increased considerably in AY 2021-22. The healthy enrolment levels support SSAHE’s operating profile through stability and visibility of fee income over the near term.

Comfortable capital structure and healthy debt protection metrics – SSAHE continues to maintain a strong financial profile, as evident from a gearing of 0.2 times, Total Debt/OPBDITA of 0.7 times and TOL/TNW of 0.2 times as on March 31, 2022. Its coverage indicators continue to remain healthy with an interest cover and DSCR of 11.7 times each in FY2022. Going forward, ICRA expects SSAHE to continue to maintain a comfortable financial profile owing to healthy cash accruals and liquidity.

Credit challenges

High concentration of revenue – SSAHE’s revenue profile is characterised by high concentration in terms of geography, institutes, and stream of education. SSAHE’s all institutes are located in Karnataka, with most of these in and around Tumkur, which exposes it to the risk of disruption in operations from local events including natural calamities and social unrest. Further, two medical institutes and allied activities (hospital receipt) contributed around 70-80% to SSAHE’s operating income over the last three years. SSAHE’s dependence on certain institutes and medical education sector makes it vulnerable to adverse developments and reputational damages. However, this risk is mitigated to an extent by the overall favourable outlook of medical education in India.

Modest scale of operations owing to its regional footprint with operations limited to Karnataka – SSAHE runs four institutes in two campuses located in Tumkur and T Begur, Karnataka. The trust has reported revenue of ~Rs. 277 crore in FY2022 against ~Rs. 222 crore in FY2021. The operations of the trust continue to remain modest compared to other private universities in India, given the region-specific presence. The trust mainly attracts students from across Karnataka region. Going forward, with the expected increase in admission levels in all the institutions, the earnings are likely to improve.

Highly regulated sector; exposure to intense competition – The higher education sector in India is highly regulated by multiple regulatory bodies including the University Grants Commission, the National Medical Council, the All India Council for Technical Education, among others. The operations of SSAHE are vulnerable to changes in regulations, which can have material adverse implications to the functioning of its institutes. Any non-compliance with or violation of such regulations may put operational restrictions on the institutes beside loss of reputation, which could hamper its growth prospects.

Liquidity position: Adequate

The liquidity of SSAHE is adequate, characterised by cash and liquid investments of Rs. 150.4 crore as on March 31, 2022. The liquidity is further supported by the fact that the trust has not availed working capital limits and meets its working capital requirements from internal cash accruals. Term loans worth ~Rs.90 crore were outstanding as on March 31, 2023, with repayment of Rs.17-23 crore per annum over the medium term. Going forward, SSAHE has a sizeable capex plan of ~Rs. 100 crore per annum, which is expected to be funded through its internal accruals.

Rating sensitivities

Positive factors – ICRA may upgrade the rating if the trust’s revenues and cash accruals improve significantly without any sizeable increase in its debt level.

Negative factors – Pressure on SSAHE’s rating may arise if the cash flow from operations weakens on a sustained basis or if any large debt-funded capex leads to a deterioration in the capital structure and liquidity of the entity.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in Higher Education Sector
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Sri Siddhartha Academy of Higher Education (SSAHE) was established as a trust under a Deed of Trust dated May 9, 2007, at Agalakote, Tumkur, Karnataka and was recognised as a Deemed to be University u/s 3 of the UGC Act, 1956 on May 30, 2008. The university is registered u/s 12A (A) and 12AA of the Income Tax Act, 1961 as a Charitable Trust. The university has been accredited with 'A' grade status by the National Assessment and Accreditation Council (NAAC) as of November 16, 2015.

The sponsoring body, Sri Siddhartha Education Society (SSES) was founded by the Late H M Gangadharaiah. The constituent institutions are Sri Siddhartha Medical College, Sri Siddhartha Dental College, Sri Siddhartha Institute of Technology, Sri Siddhartha Institute of Medical Sciences & Research Centre (SSIMSRC) and Sri Siddhartha Paramedical College. They offer MBBS, MD, MS, BE, M.Tech, and Ph.D courses.

Key financial indicators

NMDC Steel Limited (Standalone)	FY2021	FY2022
Operating income	217.2	267.9
PAT	113.9	135.9
OPBDIT/OI	60.1%	57.4%
PAT/OI	52.4%	50.7%
Total outside liabilities/Tangible net worth (times)	0.3	0.2
Total debt/OPBDIT (times)	0.9	0.7
Interest coverage (times)	13.5	11.7

Source: Company; Project stage company; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. Crore

Status of non-cooperation with previous CRA: Brickwork Ratings, in its rationale published on Sri Siddhartha Academy of Higher Education on August 11, 2022, revised the ratings to BWR B/Stable and continued the rating in the 'Issuer Not Cooperating' category based on best available information as the issuer did not cooperate.

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount Rated (Rs. crore)	Amount Outstanding as of March 31, 2023 (Rs. crore)	Date & rating in FY2024 June 16, 2023	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
1 Term Loan	Long Term	93.10	93.10	[ICRA]BBB-(Stable)	-	-	-
2 Unallocated limits	Long Term	6.90	-	[ICRA]BBB-(Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loan	Simple
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	Term Loan	2015	11%	FY2028	93.10	[ICRA]BBB- (Stable)
NA	Unallocated limits	-	-	-	6.90	[ICRA]BBB- (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: Not applicable

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