

Vellore Institute of Technology

Instruments	Amounts (Rs. Crore ¹)	Rating action (December 2016)
Long-term - Term loan facilities	174.36 (revised from 248.66)	[ICRA]AA- (Stable) / reaffirmed
Long-term - Proposed facilities	145.64 (revised from 71.34)	

ICRA has reaffirmed the long-term rating of [ICRA]AA- (pronounced ICRA double A minus) outstanding on the Rs. 174.36 crore (revised from Rs. 248.66 crore) term loan facilities and the Rs. 145.64 crore (revised from Rs. 71.34 crore) proposed facilities of Vellore Institute of Technology (VIT / the university)². The outlook on the long-term rating is stable.

The rating reaffirmation takes into account healthy revenue growth of ~26% (adjusted for income related to mess) witnessed during FY2016 supported by increase in enrollments and annual fee hike; and VIT's robust financial profile characterized by comfortable capital structure, strong credit metrics and steady margins. The rating also consider the established presence of the institute for more than three decades, experience of the promoter and the reputed brand name of "VIT" resulting in satisfactory enrollments. Also, the flexible curriculum coupled with international accreditation for the same, helps in drawing students from diverse geographies, including international locations. The university has tie-ups with large number of foreign universities which facilitates student and faculty exchange programs besides providing ample opportunities for collaborative research. Further, ICRA takes note of the favorable outlook for higher education in India.

The group is currently in the midst of sizeable debt funded capital expenditure (Rs. 940.0 crore during FY2017-19) to support the ramp up of capacities in the existing campuses and the proposed campuses (to be set up under new trusts given the statutory requirement for operation as State Private Universities) in view of growing student base. The capital needs for the expansion plans and loss funding requirements for the proposed campuses at Andhra Pradesh and Madhya Pradesh (State Private Universities) are expected to be met through the funds in the form of donations from VIT. During the early years of the new campus, these facilities would need support from VIT to cover the repayments and operations.

The rating also consider the course concentration risk with B. Tech and M. Tech accounting for more than 65% of the intake in the university in AY 2015-16, intense competition faced in the higher education sector from other reputed public and private institutes and continuing weak placement trend in post graduate courses in last fiscal. Impact of the hike in faculty salary to match the Seventh pay commission recommendations will have a detrimental impact on VIT's margins during current fiscal; however, fee hikes and increase in occupancies are expected to support margins. While the revenue growth and accruals are exposed to any adverse government regulations, deemed university status provides some operational flexibility for the university.

Entity Profile

Vellore Institute of Technology, established in 1984 by Dr. G. Viswanathan, is one of the established self-financed educational institutions in India offering higher education. The university offers courses in various branches of undergraduate, postgraduate and doctoral programs in engineering, science, business administration, hotel management, law and architecture. VIT was founded as Vellore Engineering College (VEC) in Vellore (Tamil Nadu), affiliated to University of Madras. In June 2001, VEC got the deemed university status from Government of India and was rechristened as VIT University. The Chennai off-campus of the university became operational from AY 2010-11. VIT conducts its own entrance examinations for undergraduate (VIT Engineering Entrance Examination, VITEEE) and postgraduate (VIT Masters Entrance Examination, VITMEE) programs and the admission is done on merit basis. For the AY 2015-16 the total student strength stood at 31,002.

Expansion in Amaravati (Andhra Pradesh, AP) and Bhopal (Madhya Pradesh, MP)

VIT has received an invitation from the AP and MP state governments for setting up of campuses in their state. VIT proposes to commence classes at these two new campuses from AY 2017-18. The statutory requirement

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, refer ICRA's website (www.icra.in) or other ICRA rating publications



of State Private Universities calls for operation of each of these campuses under separate trusts; AP campus would be operated under the trust 'Vellore Institute of Technology, Andhra Pradesh' and the MP campus would be operated under the trust 'VIT Trust'. While 'Vellore Institute of Technology, Andhra Pradesh' has purchased adequate land from the state government for setting up of the campus, the 'VIT Trust' is currently in the process of purchasing adequate land from private parties.

Recent Results

VIT reported net profit of Rs. 280.3 crore on an operating income of Rs. 770.0 crore during FY2016 as against net profit of Rs. 227.9 crore on an operating income of Rs. 560.5 crore during FY2015.

December 2016

For further details, please contact:

Analyst Contact:

Mr. Subrata Ray, (Tel. No. +91-22-2433 1086)
subrata@icraindia.com

Mr. Vinodh Selvaraju, (Tel. No. +91-44-4596 4307)
vinodh.selvaraju@icraindia.com

Ms. Pavethra Ponniah, (Tel. No. +91-44-4596 4314)
pavethrap@icraindia.com

Relationship Contact:

Mr. Jayanta Chatterjee, (Tel. No. +91-80-4332 6401)
jayantac@icraindia.com

© Copyright, 2016, 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 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.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500