

## Shri Vile Parle Kelavani Mandal

April 05, 2021

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	1,159.60 (reduced from 1,239.60)	<b>CARE A+; Stable (Single A Plus; Outlook: Stable)</b>	<b>Reaffirmed</b>
Short Term Bank Facilities	15.00	<b>CARE A1 (A One)</b>	
<b>Total Facilities</b>	<b>1,174.60 (Rs. One Thousand One Hundred Seventy-Four Crore and Sixty Lakhs only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Shri Vile Parle Kelavani Mandal (SVKM) continue to factor in the long track record and established operations of SVKM, established brand image of Narsee Monjee Institute of Management Studies (NMIMS) (Deemed-to-be University) as well as diversified revenue stream on account of large number of institutes offering diverse range of courses with befitting infrastructure facilities coupled with steady increase in student intake. The ratings are further strengthened by consistent growth in revenue, healthy operating margins and comfortable overall gearing.

The ratings are, however, constrained by ongoing debt funded capex (although reduced when compared to earlier years) for up-gradation and expansion of facilities resulting in low return ratios, moderate debt coverage indicators and highly regulated framework for educational sector in India.

### Rating Sensitivities

#### Positive factors

- Substantial increase in total income by increasing its intake capacity across various courses along with improvement in operating surplus margins to and above 40% on a sustained basis.
- Improvement in overall gearing below 0.50x on a sustained basis.

#### Negative factors

- Significant decline in enrolment levels across courses especially in flagship institutes resulting in deterioration of operating margin below 15% on a sustained basis.
- Deterioration in capital structure with company incurring capex through higher borrowings affecting the overall gearing to beyond unity.

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### Long track record and established operations managed by experienced members of SVKM

SVKM was established in 1934 by prominent personalities from the Gujarati community from the Juhu-Vile Parle area in Mumbai, and its managing committee is currently presided over by Mr. Amrish R. Patel, Member of Legislative Assembly, Shirpur (Maharashtra). The trust currently manages around 50 institutes and 8 other facilities which consist of gathering halls, auditoriums and pavilions. The trust in FY20 had a student base of more than 97,000, with courses offered in nursery to secondary, Junior College which are affiliated to ICSE or IB, IGCSE curriculum and CBSE curriculum. The flagship institute of trust is NMIMS which is a deemed-to-be University and had a student base of 64,528 students in FY20 (PY: 42,921).

##### Steady increase in enrolment despite high competition

SVKM's institutes being reputed brand names in the education sector have been able to maintain high enrollment ratio despite stiff competition in the sector.

SVKM reported student strength of over 97,000 in FY20 vis-à-vis around 73,000 in FY19. This was due to adding of new programs in the new campuses opened during past three years on account of completion of building the institutes leading to higher strength.

Student strength of NMIMS stood at 64,528 students in FY20, a sharp increase from 42,921 students in FY20. The spike in student strength was due to higher intake in NMIMS Global Access School for Continuing Education (NGASCE), which offers distance learning programs. NGASCE reported student base of 47,366 students vis-à-vis 29,356 students in FY19. NMIMS is the major contributor to tuition fees. It contributes more than 85% to total tuition fees. The institutes offer diverse range of courses

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

in the sectors of Management, Engineering, Arts, Commerce, Economics, Pharmacy, architecture, Law, Polytechnic, etc. It offers various other diploma courses, PhD Programs, certificate programs and also runs various schools.

**Consistent increase in revenue and healthy operating margins**

SVKM's Total Operating Income (TOI), since past three years (FY18 to FY20), has grown at a CAGR of 15%. SVKM during FY20, registered growth of 16% in Total Operating Income i.e. TOI increased from Rs.796 crore in FY19 to Rs.921 crore in FY20 on account of increase in number of total students as well as increase in fees. Income from tuition fees contributed around 93% whereas income in form of government grants contributed around 6% and remaining is contributed from interest income on fixed deposits. Steady increase in the student intake on account of addition of new courses being offered by various institutes and reputed brand name leads to increase in income from tuition fees. High enrollment and increase in fees have led to increased TOI, which combined with improved operational efficiency, has led to better profitability margins. The SBID (Surplus before Interest and Depreciation) margin slightly declined to 29.56% in FY20 from 32.87% in FY19 on account of higher employee costs as well as higher administration and other expenses.

During 6MFY21, trust has achieved total operating income of Rs.872 crore.

**Comfortable overall gearing albeit moderate debt coverage indicators**

SVKM has a comfortable capital structure. The trust incurs heavy debt funded capex to expand and upgrade its infrastructure to accommodate increasing student intake. Majority of debt is term debt only. Debt-equity ratio improved to 0.64x as on March 31, 2020 as against 0.74x as on March 31, 2019 owing to healthy network and slightly lower term debt as on March 31, 2020. Overall gearing slightly improved to 0.77x as on March 31, 2020 from 0.80x as on March 31, 2019, on account of increase in Network due to accretion of profit as well as development fund. Interest coverage also improved to 3.40x in FY20 from 3.18x in FY19, owing to higher absolute PBILDT generated during the year and lower interest and finance charges incurred during the year. Total debt to gross cash accruals moderated to 4.66 years on account of higher working capital borrowings as on March 31, 2020.

**Key Rating Weaknesses**

**Ongoing debt funded capital expenditure for upgradation and expansion of infrastructure** SVKM's intake of students has increased steadily through the years on the back of reputed brand name of its institutions. Simultaneously, SVKM has been continuously upgrading its facilities to accommodate the increase in student intake and to comply with requirements of statutory bodies. SVKM since past three to four years has undertaken developments of various campuses of NMIMS and other colleges. The project locations include Bengaluru, Jadcherla, Indore, Shirpur and Navi Mumbai campuses. The projects are funded through a combination of debt and equity of 75% and 25% respectively of the total project cost. The capex during this financial year has been moderated and is expected to be lower in FY22 as compared to past two years where it has been around Rs.400-450 crore each year. Any aggressive debt funded capital expenditure may lead to moderation in gearing level and is a key rating sensitivity.

**Regulatory framework for educational sector in India**

Education sector is one of the highly regulated sectors with both State and Central Governments regulating the industry directly and/or indirectly through various bodies including UGC (University Grants Commission), AICTE (All India Council for Technical Education) etc. Accordingly, the players, at times, find it difficult to realize their plans or cope up with the framework resulting in failure of the institution. Further, all courses run by non-Government organizations are termed self-financed, where fees are governed by a statutory body. The operating and financial flexibility of the education sector are limited, as regulations govern almost all aspects of operations, including fee structure, number of seats, changes in curriculum and infrastructure requirements. These factors have significant impact on the revenue and profitability of the institutions.

**Prospects**

SVKM has been able to utilize its asset base in an effective manner as reflected in the consistently high enrolment levels due to the good brand image enjoyed by its flagship institute NMIMS. Credit risk profile of SVKM is characterized by stable operating income, SBID margin and comfortable capital structure. Going forward, the ability of the trust to maintain comfortable capital structure, maintain good enrolment levels, improve cash surplus position while adapting to changes in the government policies would be critical to its prospects.

**Impact of COVID-19**

The trust did not have major impact of COVID-19 as admissions into various flagship institutes such as School of Business management and other institutes had taken place before March 15, 2020, the time of outbreak of covid. The total revenue in FY21 would be lower by around Rs.25 crore on account of closure of hostels owing to outbreak of covid. However, the same is partly mitigated by saving in electricity and hostel maintenance cost. The trust has proper IT infrastructure in place and all the exams as well as classes for the institutes are being conducted online. The trust had availed moratorium Tranche-I on interest payment which was regularized in June 2020. Also, it had repaid term loan of Rs.141.5 crore on its due date i.e. in July 2020.

**Liquidity: Adequate** - Liquidity is marked by adequate and steady accruals against higher debt repayments. The trust has debt repayments every year in July. CARE expects SVKM to generate adequate total accruals of around Rs.800 crore in FY22 and FY23 which would be enough to service total debt repayments of Rs.400 crore in FY22 & FY23. The trust incurs heavy capex every year to expand and upgrade its facilities which is mostly debt funded. The trust collects around 80% fees between June-August. The trust also utilises working capital borrowings and average utilisation for past 12 months ended December 31, 2020 stood more than 60%. Cash flow from operating activities stood at Rs.287 crore in FY20.

**Analytical approach:** Standalone

#### Applicable criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology – Education sector](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

#### About the Trust

Shri Vile Parle Kelavani Mandal (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 operates 50 educational institutes at every level starting from pre-primary up to post-graduation with Narsee Monjee Institute of Management Studies (NMIMS) (Deemed-to-be University) being the flagship institution. The trust also operates 8 other facilities which consist of gathering halls, auditoriums and pavilions.

SVKM, headed by Mr Amrish R. Patel, is a leading educational trust which has more than 97,000 students studying in various institutes. Apart from Mumbai (including Navi Mumbai), SVKM has institutes/ schools in Shirpur, Bangalore, Hyderabad, Indore, Dhule and Chandigarh. It also has in its family, schools from Nursery to Secondary, Junior College providing Indian Certificate of Secondary Education (ICSE), International Baccalaureate (IB), International General Certificate of Secondary Education (IGCSE) curriculum or Central Board of Secondary Education (CBSE), State Boards curriculum.

Brief Financials (Rs. Crore)	FY19 (A)	FY20 (A)
Total operating income	795.76	921.20
PBILDT	261.58	272.35
PAT	40.68	42.33
Overall gearing (times)	0.80	0.77
Interest coverage (times)	3.18	3.40

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

#### Annexure-1: Details of Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	July 2029	945.00	CARE A+; Stable
Fund-based - LT-Bank Overdraft	-	-	-	174.60	CARE A+; Stable
Non-fund-based - ST-Letter of credit	-	-	-	15.00	CARE A1
Fund-based - LT-Cash Credit	-	-	-	40.00	CARE A+; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	945.00	CARE A+; Stable	1)CARE A+; Stable (07-Apr-20)	1)CARE A+; Stable (05-Apr-19)	1)CARE A+; Stable (06-Apr-18)	1)CARE A+; Stable (31-Jul-17)
2.	Fund-based - LT-Bank Overdraft	LT	174.60	CARE A+; Stable	1)CARE A+; Stable (07-Apr-20)	1)CARE A+; Stable (05-Apr-19)	1)CARE A+; Stable (06-Apr-18)	1)CARE A+; Stable (31-Jul-17)
3.	Non-fund-based - ST-Letter of credit	ST	15.00	CARE A1	1)CARE A1 (07-Apr-20)	1)CARE A1 (05-Apr-19)	1)CARE A1 (06-Apr-18)	1)CARE A1 (31-Jul-17)
4.	Fund-based - LT-Cash Credit	LT	40.00	CARE A+; Stable	1)CARE A+; Stable (07-Apr-20)	-	-	-

**Annexure-3: Detailed explanation of covenants of the rated facilities**

Name of the Instrument	Detailed explanation
<b>A. Financial covenants</b>	
DSCR>1.20x Debt/ Equity<1.00x Total Debt/EBITDA<=4x for FY21 and 3.50x thereafter FACR>1.25X	
<b>B. Non-financial covenants</b>	NA

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Facilities	Complexity Level
1.	Fund-based - LT-Bank Overdraft	Simple
2.	Fund-based - LT-Cash Credit	Simple
3.	Fund-based - LT-Term Loan	Simple
4.	Non-fund-based - ST-Letter of credit	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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