

## Sai University

January 5, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	70.00	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1

### Rationale and key rating drivers

The rating assigned to the bank facilities of Sai University (SAI) factors in the status of the university as one of the first private universities in the state of Tamil Nadu offering inter-disciplinary courses in higher education, autonomy enjoyed as result of its private university status, strong management profile backed by resourceful promoters, eminent governing body members having vast experience in the field of education and experienced faculty members.

The rating is however constrained by the nascent stage of operations, profitability constrained by low enrolment levels, competition from established and upcoming universities and regulatory risk associated with the education sector.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustained scaling of operations with timely introduction of new courses and improved enrolments above-envisaged levels.

#### Negative factors

- Substantially lower-than-envisaged enrolments resulting in a deficit position exceeding next 3-4 years.
- Any large debt-funded capital expenditure leading to deterioration of financial profile and moderation in overall gearing above > 1.50x.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects that the university is expected to continue to draw strength from its strong promoters to gradually scale up its operations in the medium term.

### Detailed description of the key rating drivers

#### Key strengths

##### Strong management team and resourceful promoter

SAI is a multidisciplinary private university located in Chennai which has been established by the "Sai Education, Medical, Research and Charitable Trust" (SEMRC), which is the Promoting trust registered as per Indian Trust Act 1882. The founder and Chancellor of the university, K.V. Ramani is a software entrepreneur and philanthropist who was the co-founder of NASSCOM.

The governing body of the university comprises eminent personalities with expertise in various fields including – N.R. Narayana Murthy (Co-founder, Infosys), Ashank Desai (Co-founder, Mastek and NASSCOM), Prof. Dr. Jamshed Barucha (Vice chancellor), Justice (retd) M. Venkatachalliah, Dr. Anil Kakodkar (Former Chairperson, Atomic Energy commission of India) and Savita Mahajan (Former Deputy Dean, Indian School of Business) amongst others. SAI also has eminent international advisory board panel consisting of prominent personalities from across the world having extensive teaching and academic experience.

##### Autonomy arising out of the private university status

SAI is a non-profit university established under the Sai University Act, Tamil Nadu (TN) Act No.42 of 2018 and as per section 2(f) of University Grants Commission (UGC) Act, New Delhi. SAI was one of the first two universities in TN established as a private university. SAI campus is situated in Paiyanur, on the outskirts of Chennai City. The private university status results in less intervention from external agencies and gives the university higher academic, administrative, and financial autonomy.

##### Diversified curriculum with focus on liberal courses

SAI currently offers undergraduate programme in law, arts, science and engineering. It plans to further diversify its courses into management, medical and skill development in the coming years. Unlike traditional universities and colleges in India, which offer a fixed curriculum set by the UGC and AICTE, SAI offers flexibility to their students to choose the major and minor subjects of

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

their choice. University's liberal education model allows students to design their own degrees by choosing their main field of specialisation (majors) and ancillary fields of expertise (minors). The choice of major and minors can be multidisciplinary or interdisciplinary ranging across the subjects like economics, physics, politics, literature, psychology, communication, mathematics, history, data science, computer science, law, political science etc.

### **Eminent faculty**

SAI has highly qualified staff and faculty comprising both Indian nationals and guest teachers from reputed foreign universities. Approximately 70% of the teaching staff is Indian whereas 30% of the staff is foreign guest teachers. Approximately 90% of the total staff hold a PhD degree and have extensive experience in their respective fields. The foreign teachers come from reputed institutes like MIT, oxford, Harvard University, Imperial College, University of Michigan, Ohio state university, Stanford University etc. The international educational background and experience of its faculty members augurs well for its inter-disciplinary approach towards higher education.

### **Key weaknesses**

#### **Nascent stage of operations and infrastructure under construction**

The university started its first academic year in 2021-22 and is in nascent stage of operations. SAI operates out of 103-acre campus at Paiyanur on the outskirts of Chennai. The land was acquired by the Promoting trust, SMERC and SAI has leased the same from the Promoting trust. The acquisition of the land and the basic initial infrastructure has been funded out of the contribution from the Promoting trust. The students, faculty and staff function from the Academic Block 1 having a capacity of 250 students and newly constructed Academic Block 2 having a capacity of 800 students. While construction of new academic block was completed in April 2023, construction of the hostel block has been delayed due to operational constraints which has impacted the enrolments for the academic year 2023-24. CARE Ratings notes that the same is expected to be completed by January 2024 (earlier envisaged to be completed by June 2023), and there are no cost overruns expected.

#### **Lower than envisaged enrolments in Academic year 2023-24; however, expected to improve in the coming years:**

The University started its first academic year in undergraduate courses in FY22 with a total student strength of 54 students across the different courses. The total student count was expected to reach about 400 students by 2023-24 against which the university have reported total count of 237 students. The delay in construction of hostel block and cancellation of admissions by some of the students were the primary reasons behind lower enrolments in academic year 2023-24. Data science and computing course have reported highest enrolments of 71% in 2023-24. CARE Ratings expects the enrolment levels to improve from the next academic year as the infrastructure development will get completed by January 2024. Improvement in the enrolment levels and consequent scaling up would be a key monitorable from a rating perspective.

#### **Intense competition from established and upcoming universities**

The education industry is intensely competitive and is highly dependent on the quality of faculty, infrastructure, and course curriculum. The growth in the number of private universities providing higher education has been significant over the recent years, leading to high competition.

#### **Regulatory framework for educational sector in India**

The higher education sector in India is placed in the concurrent list of the Constitution and thus comes under the purview of both the central and state governments. The sector is regulated by the Ministry of Human Resources at the national level, by the education ministries in each state, as well as central bodies like UGC and other professional councils like All India Council for Technical Education (AICTE), National Medical Commission (NMC) and Bar Council of India (BCI).

#### **Liquidity: Adequate**

The liquidity stood adequate as university does not have any term loan repayments till FY24. The cash losses till FY24 are estimated to be met from the cash reserves and donations from the parent trust. During FY23, SAI received ₹32 crores in donations from the parent trust which was utilised towards infrastructure development and to bridge the operational losses. The repayment of the loan has been structured to commence in a ballooning schedule from FY25 by which the university is expected to turn cash positive and repayments are expected to be met from the cash accruals generated from the operations. The university had free cash and bank balances including liquid investments of ₹4.36 crore as on March 31, 2023.

## Applicable criteria

[Policy on default recognition](#)  
[Financial Ratios – Non financial Sector](#)  
[Liquidity Analysis of Non-financial sector entities](#)  
[Rating Outlook and Credit Watch](#)  
[Education](#)  
[Service Sector Companies](#)

## About the entity and industry

### Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Consumer services	Other consumer services	Education

SAI is a non-profit university under the Sai University Act, Tamil Nadu Act No.42 of 2018. K.V. Ramani founded the institution to promote high-quality higher education through the Promoting trust of the university, Sai Education, Medical, Research and Charitable Trust (SEMRC). SAI is a multi-disciplinary private university offering undergraduate liberal courses in Law, Engineering, Arts and Science.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	11.97	7.07	8.00
PBILDT	-3.36	-16.45	NA
PAT	0.58	-12.70	NA
Overall gearing (times)	0.00	0.45	NA
Interest coverage (times)	0.00	0.00	NA

A: Audited UA: Unaudited NA: Not available; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not applicable

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

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

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term loan		-	-	January 2031	70.00	CARE BBB-; Stable

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term loan	LT	70.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (06-Jan-23)	-	-

\*Long term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not applicable

**Annexure 4: Complexity level of various instruments rated**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term loan	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

## Contact us

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