Shri Vile Parle Kelavani Mandal

April 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	1,366.00 (Enhanced from 1,250.60)	CARE AA- (RWN)	Continues to be on Rating Watch with Negative Implications
Short-term bank facilities	15.00	CARE A1+ (RWN)	Continues to be on Rating Watch with Negative Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating of Shri Vile Parle Kelavani Mandal (SVKM or the Trust) continues to remain on "Rating Watch with Negative Implications" considering the notice dated April 01, 2023, by the University Grant Commission (UGC) to debar /withhold SVKM Higher Educational Institutions (HEI) managed, Narsee Monjee Institute of Management Studies (NMIMS), Maharashtra from offering any Open and Distance Learning (ODL) and Online Program for January-February 2023, July- August 2023, and January- February 2024 academic sessions. Earlier the trust challenged the UGC notice, with the Hon'ble High Court of Bombay, requesting for a stay order. However, CARE Ratings Limited (CARE Ratings) now understands, that after UGCs concerns and taking necessary steps towards resolving the same, the trust has requested the Bombay High Court for withdrawal of petition, which was subsequently accepted by the Hon'ble High court on March 01, 2024. According to the Trust management, UGC has now completed its inspection process and is likely to submit the final report. Only after getting all requisite approvals from UGC, SVKM will be able to resume its SDL/ODL courses, as a result of which CARE continues to maintain regular communication with the management and stakeholders and will closely monitor the progress.
Revenues from SDL/ODL programme comprised almost one-third of the total revenue of the trust in FY23, resultantly a noticeable impact was witnessed in 9MFY24 as well. However, significant improvement in offline programmes being run by SVKM, allowed the trust to partially mitigate impact on revenues.

The ratings continue to derive comfort from long track record and well-established presence of the trust (65 institutes under its umbrella) and strong brand image of its flagship institute, Narsee Monjee Institute of Management Studies (NMIMS) (Deemed-to-be University).

The cashflow generated through its offline educational programmes are strong enough, sufficiently covering repayment obligations, although this may result in a marginal slowdown in the trust's near term capex activity. CARE Ratings also derives comfort from the fact that majority capex activities undertaken by the trust are internally funded, with minimal reliance on outside debt fundings. The trust has sufficient project overdraft facilities amounting to around ₹268 crore to meet interim funding needs along with cash & cash equivalents amounting to ₹112.33 crore as on March 31, 2023. The rating also derives comfort from the deemed-to-be-university status granted to NMIMS which offers significant autonomy to the university.
However, ratings are, constrained by ongoing debt-funded capex, competition faced by the trust in newer geographies/campuses and dependency on NMIMS, which is major revenue contributor. The ratings are further constrained by the highly regulated framework for educational sector in India.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained increase in total income by increasing its intake capacity across various courses along with improvement in surplus of the trust on a sustained basis.

Negative factors

- Debt-funded capex leading to overall gearing above 0.70x.
- Surplus before interest, lease, depreciation, and tax (SBILDT) margins below 25% on a continuous basis.
- Any significant decline in enrolment levels impacting the revenue and surplus position of the trust

Analytical approach: Standalone
Outlook: Not applicable

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.

Detailed description of key rating drivers:

Key strengths

Status of Deemed-to-be-university for NMIMS

NMIMS is the flagship entity of the trust, which was granted deemed-to-be-university status in 2003, which allows it to elevate its academic stature, offering autonomy in curriculum design, research initiatives, and collaborations. This status brings flexibility in program offerings, allowing NMIMS to tailor courses to industry demands and student needs. This designation enhances credibility, attracting top faculty and students, fostering a dynamic learning environment. Deemed university status allows the Institutes access to government funding and international partnerships, fostering innovation and global exposure. With the New Educational Policy introduced by the Government of India, CARE Ratings expect NMIMS to provide bouquet of offerings under the NEP policy, which will further drive enrolments.

Long and established operational track record with a branding of prestigious HEI:

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 Amrish R. Patel. The trust currently manages around 65 institutes and had a student base of around 1,50,677 in FY23. The trust offers courses from nursery to post-graduation, which are affiliated to The Indian Certificate of Secondary Education (ICSE), International General Certificate of Secondary Education (IGCSE) curriculum and Central Board of Secondary Education (CBSE) curriculum. The flagship institute of the trust is NMIMS, which is a deemed-to-be-university and had a student base of 1,17,140 students in FY23.

NMIMS (Deemed-to-be-university), the flagship brand of SVKM is the major contributor to tuition fees. It contributes to more than 80% to total tuition fees. Under NMIMS, there are more than 42 colleges across India. Its flagship institute, School of Business Management and Mukesh Patel School of Technology Management & Engineering have higher placement record, especially School of Business management which has 100% placement record since the last few years.

Healthy student enrolment, strong operational performance and improved financial risk profile

In FY23, the student count rose by almost 23,000 landing to a total student enrolment of 1,50,677 students at year end. Most of the additions happened in the distance learning segment through which the trust offers courses in Management, Science and others under the NMIMS brand. The average fee per student rose from ₹1.06 lakhs per student in FY22 to ₹1.15 lakh per student. The surplus after tax also increased by 3.70% per student. Strong SBILDT level supported by lower interest expense resulted in surplus after tax (SAT) of ₹416.06 crore in FY23. The tangible net worth for FY23 stood strong at ₹2791.17 crore with significant decrease in term debt of 38.61% over FY20-FY23, resultant the overall gearing for FY23 was 0.22x against 0.77x in FY20. The company have a comfortable term debt to SBILDT ratio of below unity, while the DSCR at present debt levels stay strong at about 3x.

Key weaknesses

Revenue concentration and dependency with single flagship institute

NMIMS (Deemed-to-be-university), being the flagship brand of SVKM is the major contributor contributing more than 80% to the total tuition fees. Under NMIMS, there are more than 42 colleges across India. On enrolment basis, NMIMS accounts to 86.3% of the total students in SVKM. The school of distant learning alone constitutes to about 60% of the student strength. While the offline course of NMIMS accounts for 17.29% of the student strength in FY23. The offline mode of NMIMS is a major contributor to the revenue stream for the trust, a tuition fee of around ₹1,073 crore were reported for 9MFY24 with total tuition fee ₹1,470 received from all the courses.

Regulatory framework for educational sector

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

Debt-funded capex:

The trust is undertaking capex activity regularly either as new campuses or renovating existing campus to provide state-of-the-art facilities to its students. Earlier, the trust has started NMIMS institutes in Hyderabad, Chandigarh, Jadcherla, Indore and other metros. Currently, the trust is in the process of setting up hospital-cum-medical college with a capital outlay of around ₹400.00 crore. CARE Ratings expects that capex addition is a favourable factor to the trust as its helps to further expand the course offerings into new geographies. Although the capex and debt issue are made in phased manner, still persistent debt funded capex might stress the company’s debt repayments in times of exigencies in the long-term, considering the competitive environment and regulatory body guided industry of operations.

Liquidity: Strong

SVKM has strong liquidity position with sufficient accruals against debt repayment obligations The trust has a term-debt repayment obligation of about ₹200.00 crore (Principal and interest, factoring payment towards new loans to be availed) on an annual basis over the next three years, which can be sufficiently met through its internal accruals. Cashflows from new branches are expected to provide cushion towards funding of any large capex. Furthermore, the trust collects development fund from its students to fund its capex, which is earmarked for construction of new campus, which reduces external funding requirements.

As on March 31, 2023, the trust has a cash balance of ₹112 crore. The average fund-based working capital requirement is just 23% for the 12-months ending February 2024, which provides additional liquidity comfort. The DSCR remains very comfortable above 3x throughout.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Education
Financial Ratios – Non financial Sector
Service Sector Companies
Short Term Instruments

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Other Consumer Services	Education

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 65 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 its flagship institution. SVKM, headed by Amrish R. Patel, is a leading educational trust which has more than 1,50,677 students studying across institutes. Apart from Mumbai (including Navi Mumbai), SVKM has institutes/schools in Shirpur, Bangalore, Hyderabad, Indore, Dhule and Chandigarh. It also has under its umbrella, schools from Nursery to Secondary, Junior Colleges 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), and State Boards curriculum.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	1,374.12	1,818.43	1,532.44
SBILDT	572.16	672.96	855.21
SAT	334.34	416.06	-
Overall gearing (times)	0.37	0.22	-
Interest coverage (times)	10.21	13.01	21.34

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable
Any other information: Not applicable
Rating history for last three years: Please refer to Annexure-2
Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3
Complexity level of various instruments rated: Please refer to Annexure-4
Lender details: Please refer to 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-Bank Overdraft		-	-	-	229.07	CARE AA- (RWN)
Fund-based - LT-Cash Credit		-	-	-	40.00	CARE AA- (RWN)
Fund-based - LT-Term Loan		-	-	30-07-2029	1096.93	CARE AA- (RWN)
Non-fund-based - ST-Letter of credit		-	-	-	15.00	CARE A1+ (RWN)

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	1096.93	CARE AA- (RWN)	1)CARE AA- (RWN) (16-May-23) 2)CARE AA- (RWN) (16-May-23)	1)CARE AA-; Stable (31-Mar-23) 2)CARE AA-; Stable (16-May-22)	1)CARE AA-; Stable (23-Mar-22) 2)CARE A+; Stable (05-Apr-21)	1)CARE A+; Stable (07-Apr-20)
2	Fund-based - LT-Bank Overdraft	LT	229.07	CARE AA- (RWN)	1)CARE AA- (RWN) (17-May-23) 2)CARE AA- (RWN) (16-May-23)	1)CARE AA-; Stable (31-Mar-23) 2)CARE AA-; Stable (16-May-22)	1)CARE AA-; Stable (23-Mar-22) 2)CARE A+; Stable (05-Apr-21)	1)CARE A+; Stable (07-Apr-20)
3	Non-fund-based - ST-Letter of credit	ST	15.00	CARE A1+ (RWN)	1)CARE A1+ (RWN) (17-May-23)	1)CARE A1+ (31-Mar-23)	1)CARE A1+ (23-Mar-22)	1)CARE A1 (07-Apr-20)

					2)CARE A1+ (RWN) (16-May-23)	2)CARE A1+ (16-May-22)	2)CARE A1 (05-Apr-21)	
4	Fund-based - LT-Cash Credit	LT	40.00	CARE AA- (RWN)	1)CARE AA- (RWN) (17-May-23) 2)CARE AA- (RWN) (16-May-23)	1)CARE AA-; Stable (31-Mar-23) 2)CARE AA-; Stable (16-May-22)	1)CARE AA-; Stable (23-Mar-22) 2)CARE A+; Stable (05-Apr-21)	1)CARE A+; Stable (07-Apr-20)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	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

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of all the entities consolidated: Not applicable

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.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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