Silverline Investment and Finance Private Limited

March 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non-convertible debentures	1,125.00 (Reduced from 1,250.00)	CARE A (CE) (RWD)	Continues to be on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

^ The rating is based on the credit enhancement in the form of a joint and several guarantee stipulating proper payment mechanism and other mandatory clauses, extended by Narayana Education Society (NES), Nspira Management Services Private limited (Nspira), Greater Than Educational Technologies private limited (GTET), Highest common factor private limited (HCF) and Inuganti business ventures pvt ltd. (IBV) referred to as the 'Narayana Group'.
The limits are reduced as the company has repaid 10% of principal as of 12th March 2025.

Unsupported rating	**CARE BBB- (Rating Watch with Developing Implications) [Continues to be on Rating Watch with Developing Implications]**

Note: Unsupported rating does not factor in the explicit credit enhancement.

Reason for continuing the rating on watch with developing implications:

The reason for maintaining the rating on watch with developing implications is owing to the impending merger with its group entity, Nspira. The scheme of merger between Silverline Investment and Finance Private Limited (SIFPL, Silverline) and Nspira has been approved by SEBI and the BSE. NCLT approval is pending and the merger is expected to be completed by Q1FY26. The entire transaction will happen through share swap and there will be no cash consideration involved. Once completed, the listed NCD will be transferred to Nspira. CARE Ratings will continue pursuing updates from the management and will monitor major updates of the transaction.

Rationale and key rating drivers for credit enhanced debt

Ratings assigned to the NCD issued by SIFPL is based on the credit enhancement in the form of unconditional and irrevocable guarantee extended by Narayana group entities.

Rationale and key rating drivers of Narayana Group:

Narayana group draws strength from its sizeable market share with an optimal student to teacher ratio and demonstrated track record along with experienced management. The group offers integrated curriculum design along with proprietary and comprehensive suite of services to its students. The rating is also driven by the strong brand recall and significant market share in Andhra Pradesh and Telangana region for the K12 segment especially focusing on the IIT and other entrance exam coaching. It has also over the years expanded its footprint to other regions in India such as Chennai, Bangalore and Mumbai among others. In FY22 to FY24, the group has exhibited healthy growth in total operating income (TOI) at compound annual growth rate (CAGR) of 37% while maintaining profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins in 17-20% range.
However, these strengths are partially offset by the concentrated revenue stream in terms of geography (Andhra Pradesh and Telangana region) and business segments (majorly derives revenue from educational services). The credit risk profile i.e. overall gearing and debt coverage indicators of Narayana Group although has wreaked owing to guaranteed NCD. Further, inherent exposure to regulatory risks, high levels of intra group transactions and utilisation of OD limits for NCD repayment impact ratings negatively.

Key rating drivers of SIFPL:

The unsupported rating assigned to SIFPL's instruments considers the existence of experienced, resourceful and reputed management with over four decades of established track record and implicit support extended by group entities.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

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

- Consistent growth in TOI by 15% to 20% while maintaining profitability over 20%.
- Improvement in credit risk profile of the Narayana Group with overall gearing below 1.0x post factoring NCD to which the group has extended the guarantee.

Negative factors

- Deterioration in PBILDT% below 15% and increase in overall gearing over 1.8x post factoring NCD to which the group has extended guarantee.
- Weakening of linkages, or lack of adequate support from the Narayana group

Analytical approach:

For Credit Enhanced rating: The analytical approach is aligned with the entities extending corporate guarantee. Considering the common management, similar business and extension of corporate guarantee, CARE Ratings has combined the financials of NES, NSPIRA, GTET (GTET is a subsidiary of Nspira and is consolidated), HCF and IBV.

For unsupported Rating: Standalone while factoring linkages with group entities - NES and NSPIRA based on the following:
• These companies have strong financial linkages with each other.
• The management for these entities is common and they have centralised Accounting, Treasury functions to manage its investments and debt finance requirements.
• The NCD was issued to repay Nspira's investors and the NCD repayments are being made utilising OD backed by FD extended by Nspira.

Outlook: not applicable

Detailed description of key rating drivers:

Key strengths

Existence of experienced and reputed management with significant market share:
SIFPL is owned and governed by Narayana group's management and there are close operational linkages between the services offered by SIFPL and the other educational institutions operating within the group. The group has been in existence for over 40 years and has gained decent market share during the period. The group has a proven track record in the education segment. In terms of number of students and number of centres Narayana group is among the top five schools in the K12 segment. As on September 2024, the group has 891 centres comprising of coaching centres, academic centres with over 4.5 lakh students.

Strong brand recall with integrated curriculum design:
The group has garnered significant market share and has a strong brand recall among the people in Andhra Pradesh and Telangana region. It has also over the years expanded its footprint to other regions in the south including Karnataka and Tamil Nadu. The group is into schools which operate from kindergarten to 12th standard. The major portion of fee is collected from the 11th and 12th standards as the institution is mainly known for its success rates in professional entrance exam courses such as JEE and NEET among others. They offer integrated curriculum, where the students are trained from class VIII focused on their respective entrance exam courses.

Steady scale up of operations and optimal student to teacher ratio:
The first coaching class was formed in 1979 with less than 20 students. The educational institution has, since then, expanded considerably in the years which followed with the number of students growing at a CAGR of 6% (FY16-FY24) and consequently the number of centres has also grown to 831 in FY24 (CAGR of 8% from FY16-FY24). The revenue has grown at a CAGR (FY22 to FY24) of 37%. Majority of the revenue (over 40%) is derived from the class 11 and 12 due to the higher number of enrolments. Narayana group of institutions are known for their effective coaching and higher passing rates and more number of students acing premier institution entrance exams like JEE, NEET, Olympiad, EAMCET, NTSE among others compared to peers. The institute has optimal student to teacher ratio of 1:21.
The revenue grew by 24% from ₹3453 crore to ₹4279 crore in FY24 owing to increase in enrolments and fees. PBILDT margins have largely remained in line with FY23 levels at ~17%. CARE Ratings expects the overall revenue to increase by over 15% with similar margins.

Key weaknesses

High debt exposure towards replacement of capital:
The entity has raised ₹1250 crores through NCDs in November 2023 and January 2024. The funds raised have been utilised primarily towards investment in OCDs within minimal return.
This has a two-fold negative impact on the liquidity and credit profile of the group.

(i) Distorts debt to equity ratio: The company is providing exit opportunity for the equity investors by going for external borrowing. This will distort the debt-to-equity ratio of the entire group and increase the debt repayment obligations and interest payments. Including the guaranteed NCD (₹1250 crores), the overall gearing is at 1.7x in FY24 (vs 0.88x without factoring the CG debt).

(ii) No significant additional inflow expected: Since majority of the additional debt is towards replacing existing capital and not towards increasing current capacity, there will be no significant additional inflows for repaying additional interest and principal obligations.

Given that SIFPL does not have any business, it relies on OD from external banks to repay the principal and interest obligations, increasing the total debt further.

Inherent exposure to regulatory risk

The Narayana group is operating in one of the highly regulated sectors in India. The operating and financial flexibility of the education sector are limited, as regulations governs 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. However, there has been significant improvement in recent times. More accommodative policies by most states to propel growth and reduce operational interference towards private K-12 players.

Geography concentration risk, despite the same reducing in recent years

The group is still very much dependent on the revenues derived from Andhra Pradesh and Telangana region's K12 education segment. Almost 100% of revenue is derived from fee collected for educational services provided in the form of tuition fees or other ancillary services provided to the students such as transportation, hostel, printing etc. Geographically, the management has taken certain steps to reduce the high concentration and diversify to other states like Tamil Nadu, Karnataka & New Delhi among others. In the past 10 years, the management has established over 53 centres in Karnataka, 37 in Tamil Nadu, 12 in New Delhi and has observed strong growth and increasing enrolments in these regions. The revenue contribution from Andhra Pradesh & Telangana has come down from 82% in FY16 to 70% in FY24. The CAGR of the other region has been over 15% from FY16 to FY24 in students, centres and incidentally revenue. The management further expects that the growth in Andhra Pradesh and Telangana in the coming years will stem from fee increases. CARE Ratings expects the same to improve going forward.

High levels of intra group transactions, though the same is at arms-length basis

The Narayana group has multiple institutions through its Narayana Group entitles all of them have significant related party transactions among them. Narayana Educational Society (NES) contributes large pie (~60% to 65%) of TOI to Narayana Group entities. Nspira charges fees to NES for services provided like admission, exam support services, catering services, housekeeping and infrastructure management and transport facilities. To ensure that these transactions happen at an arms-length manner, the management engages with consulting firms for periodical benchmarking, who ensures the rates charged by Nspira are per industry standard.

Utilisation of short term borrowings to repay NCD obligations

Since Silverline does not have any operations on standalone level, the cashflows are not sufficient to repay the NCD. It has availed FD backed OD from external Bank, inturn increasing the debt further as the interest portion is also part of borrowing. The FD is surplus funds of Nspira. As of March 31, 2024 the FD was ₹250 crores, of which SIFPL has availed ₹195 crore (As of February 28, 2025, the limit is ₹465 crores). Weakening of the relationship between the group companies which will significantly impact the implicit support extended to Silverline will be a key monitorable.

Liquidity: Adequate

Narayana group: Adequate

The debt profile of the Narayana group comprises primarily finance leases amounting to ₹953 crores and working capital facilities (₹184 crores) as of March 31, 2024. In terms of working capital, there are only fund-based limits in NES and Nspira. In SIFPL there is OD backed by 100% FD from external bank, which is 90-98% utilised (limit is ~₹465 crores as on February 25). NES has ₹120 crs and in Nspira there is a limit of ~₹16 crores. As per the management, in Q4 the utilization will be 90-100%, other months it will be lesser, in line with the fee collection cycle. As a strategy the management opts to conserve cash which can be utilised for capex requirements and in case of any distress situation. The group operates in an asset light model and hence finance lease forms a major portion of the debt. The combined cash and current investments of the group is ~ ₹180 crores as of March 2024 (~₹400 crs as on Sept 30, 2024). Along with the guaranteed debt, the total debt comes to ₹2648 crores as on March 31, 2024 and overall gearing of 1.67x. The debt repayment obligations include ₹350-400 crores towards the finance leases and ₹280-360 crores towards repayment for guaranteed NCD. The estimated gross cash accruals of about ₹600-800 crores in the near term. With the additional debt repayments, the average DSCR for the next five years is expected to be 1.2x. The group has capex plans of ~ ₹400-500 crores in the next two years and is expected to be majorly funded by debt (finance leases). The interest payments for the NCD have already begun and have been met by the Narayana group entities (Nspira) in the form of FD backed OD.

SIFPL: Adequate

SIFPL was incorporated in March 2023 and does not have major liquid assets or business activities. Considering these any immediate payment obligations of the company are expected to be supported by the group entities. 100% of the NCD issue was utilised to pay the PE investors of Nspira. SIFPL does not have any major capex planned for the near future. The group entities are expected to support in day-to-day operations, meeting its NCD obligations and in any adverse conditions. The impending merger with Nspira is also expected to improve the company's liquidity profile.

Environment, social, and governance (ESG) risks - not applicable

Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[Factoring Linkages Parent Sub JV Group](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Credit Enhanced Debt](#)
[Rating Outlook and Rating Watch](#)
[Education](#)
[Financial Ratios – Non financial Sector](#)

Adequacy of credit enhancement structure:

The guarantee provided by Narayana group is unconditional, enforceable, irrevocable and covers the entire rated amount of ₹1250 crores for the entire tenure of the NCD. Guarantor is primary obligor and payment will happen in the event of insolvency. The deed also has an explicit payment mechanism with timelines for invocation of guarantee as follows:

In case the Debenture Trustee observes any shortfall in the Issuer Designated Account eight days prior the Coupon Payment Date and/or Redemption Date, then the Debenture Trustee shall inform the Guarantors to transfer the shortfall fund in the Issuer Designated Account by seven days prior to the Coupon Payment Date and/or Redemption Date, as the case may be. Further, if the Guarantor fails to arrange requisite shortfall fund in the Issuer Designated Account by seven days prior to the Coupon Payment Date and/or Redemption Date, then the Debenture Trustee shall invoke the guarantee by issuing Demand Certificate to the Guarantor and upon issuance of the said Demand Certificate by Debenture Trustee, the Guarantor guarantee to pay to the Debenture Trustee, all shortfall amount equal to unpaid amount of the Debt payable as stated in the Demand Certificate, not later than one day before the relevant Due Date.

About Credit Enhancement Provider - Narayana Group:

The Narayana group of educational institutions is a 45-year-old educational conglomerate which was initially formed as Narayana Coaching centre comprising of less than 20 students, founded by Porguru Narayana. As on March 2024, Narayana group encompasses over 831 centres including, schools and colleges and coaching centres, and professional colleges across 23 Indian states. It employs a team of over 50,000 highly experienced teachers and staff to support over four lakh student every year. They also offer comprehensive academic programs to help students achieve their career aspirations in civil service. The group is in schools which operate from kindergarten to 12th standard. The major portion of fee is collected from the 11th and 12th standards as the institution is mainly known for its success rates in professional entrance exam courses such as JEE, and NEET among others. The group has multiple trusts and societies providing educational services and also has a few entities incorporates as companies which provide ancillary services to the students and the trusts and societies belonging to the Narayana group. For our analysis, CARE Ratings has combined the financials of the five entities including NES, Nspira, HCF, GTET and IBV as they have extended a guarantee to the NCD issue.

Brief Financials of guarantee providers:

Brief Financials (₹ crore) – Combined	March 31, 2023 (C)	March 31, 2024 (C)	H1FY25 (UA)
Total operating income	3453.18	4279.45	2426
PBILDT	600.79	727.33	NA
PAT	172.99	348.09	
Overall gearing (times)	1.15	0.88	
Interest coverage (times)	5.24	6.38	

C: Combined* UA: Unaudited NA: Not available; Note: these are latest available financial results
*Since the five entities which have provided guarantee to the NCD issue, CARE Ratings has combined the audited financials of these entities after removing related party transactions for analysis;

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Other consumer services	Education

Silverline Investment & Finance Private Limited is a educational support services company belonging to the Narayana group of educational institutions. The company was incorporated on March 22, 2023 and is based out of Hyderabad. The company does not have any major operations on a standalone basis, derived ~₹5 crores of revenue by providing education allied services in FY24. The group has plans to merger SIFPL with Nspira and currently the same is pending NCLT approval. The transaction is expected to be completed by Q1FY26.

Financials of Silverline are not meaningful as it does not have any business operations.

Status of non-cooperation with previous CRA: not applicable

Any other information: not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

List of entities combined: Annexure-6

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 and Rating Outlook
Debentures-Non-Convertible Debentures	INE0PFA07014	12-Nov-2023	12.95	02-11-2028	1025.00	CARE A (CE) (RWD)
Debentures-Non-Convertible Debentures	INE0PFA07014	19-Jan-2024	12.95	02-11-2028	100.00	CARE A (CE) (RWD)
Un Supported Rating		-	-	-	0.00	CARE BBB- (RWD)

Annexure-2: Rating history for 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 2024-2025	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
1	Debentures-Non-Convertible Debentures	LT	-	-	-	1)Withdrawn (30-Jan-24) 2)Provisional CARE A (CE); Stable (12-Jun-23)	-	-
2	Un Supported Rating	LT	0.00	CARE BBB- (RWD)	-	1)CARE BBB- (RWD) (22-Mar-24) 2)CARE BBB- (30-Jan-24) 3)CARE BBB- (12-Jun-23)	-	-
3	Debentures-Non-Convertible Debentures	LT	1125.00	CARE A (CE) (RWD)	-	1)CARE A (CE) (RWD) (22-Mar-24) 2)CARE A (CE); Stable (30-Jan-24)	-	-

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Name of the Instrument	Detailed Explanation
Non convertible debentures	
A. Financial covenants	**Net leverage ratio** The issuer shall ensure that net leverage ratio for the issuer group (SIFPL, HCF, IBV, Nspira, GTET) in respect of each relevant period ending on each testing date as set out in clause (a) below, does not exceed the ratios for each of those dates set out in clause (a) below: (a) The net leverage ratio to be: o Up to FY24 – less than 3.5x o For FY25 – less than 3.0x o FY26 and thereafter– less than 2.5x
	Material counterparty gross debt The issuer shall ensure and procure that the issuer group shall ensure that the aggregate total gross debt of each material counterparty shall be less than or equal to their respective existing financial indebtedness.
	Free cash coverage ratio The issuer shall ensure and procure that the issuer group shall ensure that, on each testing date, the free cash coverage ratio of the issuer group is equal to or more than 1.15x.

<table>
<tr><td rowspan="4"></td><td>Capital Expenditure
The issuer shall ensure that the capital expenditure incurred by the group (other than any business acquisitions) does not in respect of each relevant period ending on each testing dates set out in the first column below, exceed the amounts for each of those relevant periods set out in the second column below:
<table>
<tr><th>Date</th><th>Total capital expenditures (₹ crores)</th></tr>
<tr><td>FY24</td><td>450</td></tr>
<tr><td>FY25</td><td>300</td></tr>
<tr><td>FY26</td><td>300</td></tr>
<tr><td>FY27</td><td>300</td></tr>
<tr><td>FY28</td><td>300</td></tr>
</table>
For any financial year (the original financial year), the issuer group can utilise up to 25% of capital expenditure (carry back amount) for the immediately following financial year (the carry back year) such that amount of the total capital expenditure in the carry back year is reduced by an amount equal to 100% of the carry back amount.</td></tr>
<tr><td>Direct B2C revenue ratio:
The issuer shall ensure that, in respect of each relevant period ending on each testing date, the ratio of issuer groups consolidated B2C revenue to the consolidated revenue shall not be less than 35% of the issuer group’s consolidated total revenue at all times during the tenor of the debentures.</td></tr>
<tr><td>Trade receivables days
The issuer shall ensure that the trade receivable days – material counterparties does not in respect of each relevant period ending on each testing date exceed 60 days. The issuer shall ensure that trade receivable days – issuer group does not in respect of each relevant period ending on each testing date exceed 150 days.</td></tr>
<tr><td>MC’s Professional Colleges EBITDA
The issuer shall ensure and procure that the issuer group shall ensure that the EBITDA of material counterparty’s professional colleges shall be at least Rs 30 crores for each financial year until the final settlement date.</td></tr>
<tr><td rowspan="3">B Non-financial covenants</td><td>The Issuer shall notify the Debenture Trustee of any proposed Corporate Action in respect of the Issuer prior to such Corporate Action being effected. The Issuer shall notify or cause the relevant Obligors to notify the Debenture Trustee of any proposed Corporate Action in respect of the relevant Obligors prior to such Corporate Action being effected</td></tr>
<tr><td>The DTD Parties have mutually agreed that NSPIRA, shall appoint either Grant Thornton (including their Indian Affiliates) or BDO (including their Indian Affiliates) as its statutory auditor. Accordingly, NSPIRA has, in accordance with the provisions of the Debenture Trust Deed, appointed BDO (including their Indian Affiliates) as their statutory auditor.</td></tr>
<tr><td>Promptly, and in any case within 2 (two) Business Days of becoming aware, of the classification of the Issuer as SMA 1 or SMA 2 by any lender of the Issuer, Obligors or any member of the Issuer Group/Promoter Group.</td></tr>
</table>

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-Convertible Debentures	Complex
2	Un Supported Rating	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities combined

<table>
<tr><th>Sr No</th><th>Name of the entity</th><th>Extent of consolidation</th><th>Rationale for consolidation</th></tr>
<tr><td>1</td><td>Narayana Education Society</td><td>Full</td><td rowspan="3">Joint and several guarantee extended to the rated NCD; operational and financial linkages</td></tr>
<tr><td>2</td><td>Nspira Management Services Private limited</td><td>Full</td></tr>
<tr><td>3</td><td>Greater Than Educational Technologies private limited</td><td>Full</td></tr>
<tr><td>4</td><td>Highest common factor private limited</td><td>Full</td><td rowspan="2">Joint and several guarantee extended to the rated NCD</td></tr>
<tr><td>5</td><td>Inuganti business ventures pvt ltd.</td><td>Full</td></tr>
</table>

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