



Press Release

Sree Vidyanikethan Educational Trust

February 14, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	135.32	IVR BB/ Stable (IVR double B with Stable Outlook)	Assigned	Simple
Long Term/ Short Term Bank Facilities	14.68	IVR BB/ Stable/ IVR A4 (IVR double B with Stable Outlook and IVR A four)	Assigned	Simple
Total	150.00 (One hundred and fifty crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Sree Vidyanikethan Educational Trust (SVET) derives strength from reputed and experienced board of the trust, improvement in profitability in FY21 and a positive demand outlook for education sector in India. The ratings are, however, constrained by susceptibility to regulatory risks, delay in timely reimbursement of fees from Government of Andhra Pradesh, revenue concentration in two institutes and high competition.

Key Rating Sensitivities:

Upward Factors

- Improvement in enrolment ratio and hostel occupancy ratio coupled with increase in no. of seat intake for various courses leading to improvement in the operating income and profitability on a sustained basis
- Improvement in the capital structure with reduction in debt level and/or improvement in debt protection metrics

Downward Factors



Press Release

- Dip in operating income and/or profitability due to decline in enrolment ratio impacting the debt protection metrics.
- Deterioration in the capital structure and/or debt protection metrics and liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Reputed and experienced board of the trust**

Mr. M. Mohan Babu, Trustee and Founder of Sree Vidyanikethan Educational Trust, has more than three decades of experience in the education industry. In the year 2007, he received the Padma Shri for his contribution to the field of Arts and education. Over the years, SVET has added colleges and schools and now encompasses eight institutions with interests in engineering, management, nursing, degree college, pharmacy college and three schools. He is assisted by his son Mr. Vishnu Manchu and a team of skilled professionals in running of the trust.

- **Improvement in profitability in FY21**

Operating Income declined by 5.38% in FY21 due to lower tuition, admission, hostel and mess fee. In FY21 enrolment declined due to lower admission in its degree college, management college and school at Tirupati. However, the trust reported a surplus of Rs.7.43 crore compared with Rs. 1.30 crore in FY20, driven by a reduction in operating expenses of the institutes due to closure of facilities on account of Covid-19. Yearly fees hike along with likely increase in admissions on account of new courses introduced in its engineering college will drive topline growth.

- **Positive demand outlook for education in India**

The long-term demand outlook of the education industry remains favourable on the back of a significant demand-supply gap in the higher education space augurs well for the group. Further, demand for higher education is likely to improve in India on the back of rising awareness, increasing population and better affordability.



Press Release

Key Rating Weaknesses

- **Susceptibility to regulatory risks**

The education sector is highly regulated and compliance with specific operational and infrastructure norms set by regulatory bodies are important. Thus, regular investment in the workforce and infrastructure is needed to conduct the operations efficiency.

- **Delay in timely reimbursement of fees from Government of Andhra Pradesh**

Delay in receipt of fee reimbursements from Government of Andhra Pradesh (GoAP) may negatively impact the liquidity profile of the trust. The current pending receivables stood at Rs. 48.64 crore as of March 31, 2021. The trust had to face delays in receipt of reimbursement of fees in FY20, which led to delayed debt servicing obligations. However, the fee reimbursement by the GoAP is now timely and consequently debt servicing by the trust is also regular.

- **Revenue concentration in two institutes**

The trust continues to be highly dependent on revenue from engineering college named Sree Vidyanikethan Engineering College (SVEC) and international school at Tirupati named SVIS, Tirupati, together contributing to ~70-75%% of the total gross fee receipts over the last few years. Moreover, the enrolment at SVEC has been declining over the past two years from 83% in FY19 to 70% in FY21. Decline in admission has also been witnessed at SVIS, Tirupati over the past two years.

- **High competition**

The Trust faces intense competition from reputed public and private institutes in the nearby states of Karnataka and Tamil Nadu which may impact the occupancy levels and thus may limit the trust's capability to increase fee.

Analytical Approach: Standalone

Applicable Criteria:



Press Release

[Rating Methodology for Services Sector](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

Liquidity – Adequate

The liquidity position of the Sree Vidyanikethan Educational Trust is adequate marked by its expected gross cash accruals as against debt obligations from FY22 to FY24. During last 12 months ending in January 2022, average utilisation of bank borrowing was around ~72% indicating a liquidity buffer

About the Entity

SVET was established in 1992 by Dr. M. Mohan Babu, a popular movie artist and film producer in Andhra Pradesh and former Member of Parliament (Rajya Sabha). The trust currently operates eight institutions. The main campus of the trust is situated about 14 KMs away from Tirupati and has engineering, degree, pharmacy, nursing and management institutes along with three schools. In January 2022, The 'Mohan Babu University'(MBU) was launched in Tirupati. Its engineering, degree, pharmacy, nursing and management institutes that are already functioning under the SVET, will now be part of MBU.

Financials (Standalone):

For the year ended* / As on	31-March-20 (Audited)	31-March-21 (Audited)
Total Operating Income	110.12	104.33
EBITDA	23.37	35.61
PAT	1.30	7.43
Total Debt	150.58	140.62
Tangible Net-worth	65.62	72.36
EBITDA Margin (%)	21.22	34.14
PAT Margin (%)	1.17	7.06
Overall Gearing Ratio (x)	2.31	1.94

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Not Applicable



Press Release

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loans	Long Term	120.32	IVR BB/Stable	-	-	-
2.	SOD	Long Term	15.00	IVR BB/Stable	-	-	-
3	Unallocated Limits	Long/Short Term	14.68	IVR BB/Stable/IVR A4	-	-	-

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Press Release

of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan-1	-	-	March 2030	92.66	IVR BB/ Stable
Term Loan-2	-	-	July 2022	7.66	IVR BB/ Stable
Proposed Term Loan	-	-	-	20.00	IVR BB/ Stable
SOD	-	-	-	15.00	IVR BB/ Stable
Unallocated Limits	-	-	-	14.68	IVR BB/ Stable/ IVR A4

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Sree-Vidyanikethan-lenders-feb22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.