



Press Release

Sree Vidyanikethan Educational Trust

March 20, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	147.23 (enhanced from 103.05)	IVR BBB/ Stable (IVR triple B with Stable Outlook)	IVR BB+/ Negative ISSUER NOT COOPERATING* (IVR Double B Plus with Negative Outlook Issuer Not Cooperating)	Rating upgraded and removed from Issuer Not Cooperating category; Outlook revised	Simple
Total	147.23 (INR one hundred forty seven crore and twenty three lakh only)				

**Issuer did not cooperate; based on best available information*

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Earlier Infomerics had moved the long-term rating of Sree Vidyanikethan Educational Trust (SVET) into Issuer Not Cooperating category vide its press release dated January 7, 2025, due to non-submission of information required for detailed review of the company. However, the company has started cooperating and submitted required information. Consequently, Infomerics has removed the rating from 'ISSUER NOT COOPERATING' category and upgraded the rating.

The upgrade of the long-term rating assigned to the bank facilities of (SVET) takes into account the increase in topline and profit during FY24 (refers to period April 1st, 2023, to March 31st, 2024) and 11MFY25 (provisional) (refers to period April 1st, 2024, to February 28th, 2025). Further, the rating continues to derive strength from the recognition of brownfield university status, improvement in receivable position, experienced management, moderate capital structure and adequate debt protection metrics and a positive demand outlook for



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education in India marked by significant demand for higher education. However, these rating strengths are partially constrained due to exposure to associate entity in the form of corporate guarantee, susceptibility to regulatory risks, capital intensive nature of operation and intense competition and geographical concentration risk.

The long-term rating outlook has been revised from 'Negative' to 'Stable' on the back of steady business performance marked by satisfactory student enrolment coupled with sustenance of the financial risk profile.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in scale of operations, resulting from higher intake of students.
- Improvement in financial performance with improvement in capital structure and debt protection metrics.
- Improvement in liquidity position coupled with reduction in utilisation in working capital limits.

Downward Factors

- Significant decline in scale of operations and profitability impacting the debt protection metrics.
- Deterioration in the capital structure with deterioration in overall gearing.
- Moderation in liquidity position.
- Any liability arising out of corporate guarantee extended to the group entity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Increase in topline and profit in FY24 and 11MFY25 (provisional)**

Total operating income increased by ~43% to Rs. 171.92 crore in FY24 led by an increase in students' admission at SVET. The number of students at SVET increased in FY24 from FY23 (refers to period April 1st, 2022, to March 31st, 2023) and FY22 (refers to period April 1st, 2021, to March 31st, 2022). Also, the fees charged to the engineering students increased in



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FY24 as the admission under management-controlled seats increased for which the course fees is charged is higher in comparison to that of Government sourced students for which fees is subsidised. During 11MFY25 (provisional), the entity reported revenue of Rs. 181 crore up 16% year on year. In FY24, EBITDA was Rs. 63.07 crore up 111.25% y-o-y. Further, in 11MFY25, the entity has reported EBITDA of Rs. 68.26 crore up 21% y-o-y. Consequently, PAT increased by ~213% y-o-y to Rs. 34.99 crore in FY24 and by 23% y-o-y to Rs. 40.38 crore in 11MFY25.

- **Recognition of brownfield university status**

SVET got the recognition of brownfield university in December 2021 and FY23 was the first full year of its operations as a brownfield university. The company now gets 65% of admission from management-controlled seats and 35% from Government controlled seats, compared with the earlier situation when 70% of the admissions were from Government quota and 30% was from under management-controlled seats. Since FY23 was the first full year as a brownfield university, every year with the churning of students by FY2026 the university will have ~65% of students from admission under management-controlled seats and ~35% of students from Government quotas. The university collects advance fees from students under management-controlled seats and also charges them a higher fee than those charged from students admitted under Government quota. Thus, these admissions carry higher profit. Infomerics notes that a change in admission pattern is expected to fuel topline as well as bottom line growth going forward.

- **Improvement in receivable position**

SVET has in past faced huge outstanding debtors as 70% of total admissions came from Government controlled seats, which faced reimbursement delays. However, post the accreditation of brownfield university status in December 2021, the share of admissions under Government quota has come down to 35%. Also, the reimbursement from the Government has improved and are largely on time. This has led to an improvement in outstanding debtors, which was Rs. 28.83 crore as on March 31, 2024, compared with Rs. 40.12 crore as on March 31, 2022. Infomerics believes that going forward the outstanding debtors will remain at low levels.

- **Experienced management**

SVET was promoted in 1992 by Dr. M Mohan Babu, a noted educationalist, and a former Member of Parliament (Rajya Sabha). In the year 2007, he received the Padma Shri for his



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contribution to the field of Arts and education. He is actively involved in the management of the trust. The day-to-day activities of the educational institutions are managed by respective principals under the guidance of trustees. Owing to the reputation and resourcefulness of the promoters, trust has grown rapidly since 1992 and has established academic institutions in Tirupati and Hyderabad.

- **Moderate capital structure and adequate debt protection metrics**

Total debt decreased to Rs. 119.01 crore as on March 31, 2024, from Rs. 117.65 crore as on March 31, 2023, due to increase in unsecured loans. As on March 31, 2024, adjusted total debt (including corporate guarantee of Rs. 33.80 crore given to its group entity Valmar Projects LLP) was Rs. 152.81 crore which increased from total adjusted debt (including corporate guarantee of Rs. 21.73 crore given to its group entity Valmar Projects LLP) of Rs. 139.38 crore as on March 31, 2023. The net worth of the entity was Rs.123.12 crore as on March 31, 2024, up from Rs. 88.14 crore as on March 31, 2023, due to accretion of profit to reserves. The leverage ratios were moderate with long term debt equity of 0.84 times as on March 31, 2024, compared with 1.13 times as on March 31, 2023. Adjusted overall gearing ratio was 1.24 times as on March 31, 2024, from 1.58 times as on March 31, 2023.

- **Positive demand outlook for education in India marked by significant demand for higher education**

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

Key Rating Weaknesses

- **Exposure to associate entity in the form of corporate guarantee**

SVET has extended corporate guarantee on the term loan and working capital facility availed by its associate entity named Valmar Projects LLP. This exposure was Rs. 33.80 crore as on March 31, 2024. The crystallisation of such liability may impact the entity's liquidity profile to some extent.

- **Susceptibility to regulatory risks**

The education sector is highly regulated and compliance with specific operational and infrastructure norms set by regulatory bodies are important. Any regulatory changes that



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impact the flexibility of the trust to fix fees for the management quota seats may adversely impact the revenue profile and cash accruals.

- **Capital intensive nature of operation**

Education sector needs regular investment in the workforce and infrastructure to upgrade its facilities and to conduct the operations efficiently. SVET has been renovating its colleges and constructing new buildings and classrooms in order to cater to the expected increase in admissions. The entity is currently undergoing a capital expenditure of ~Rs.77 crore which is at an advanced stage. The entity estimates to incur regular capex going forward, for expansion of buildings, classrooms and other related facilities as it is on an expansion mode.

- **Intense competition and geographical concentration risk**

The colleges under SVET faces intense competition from other colleges in attracting students and faculties. Further, it is also exposed to high geographical concentration risk due to presence of its institutes only in Andhra Pradesh. However, this risk is partly mitigated by the brand position enjoyed by the SVET, as it has been operating since 1992.

Analytical Approach: Standalone

Earlier, Infomerics had combined the business and financial risk profiles of Sree Vidyanikethan Educational Trust and Valmar projects LLP. However, it has revised the analytical approach to standalone since Sree Vidyanikethan Educational Trust is a trust and Valmar Projects LLP is a limited liability partnership entity and there could be restrictions in relation to the intergroup transactions, which may restrict cash flow fungibility.

Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

[Policy on Default Recognition](#)

[Criteria of assigning Rating outlook](#)

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

[Complexity Level of Rated Instruments/Facilities](#)

About the Company

Sree Vidyanikethan Educational Trust (SVET), registered under Indian Trust Act, 1882, was established in 1992 by Dr. M. Mohan Babu. SVET got the status of brownfield university in December 2021, post which Mohan Babu University was formed. MBU offers Engineering and



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Technology, Arts and Science, Agriculture, Horticulture etc. undergraduate, postgraduate and doctoral programme. The university's flagship program is engineering which accounts for ~75% of total admission. SVET's engineering institute is approved by All India Council for Technical Education (AICTE) and has received Institutional Autonomy by University Grants Commission. Its institutes have quality accreditations by NAAC with Grade A. All the institutes under SVET have modern infrastructure, transport & canteen facilities and the latest tools & technologies. The campus features well-equipped classrooms, laboratories, computer centers, conference rooms, seminar hall, internet facility, well stocked library, playground, healthcare center and other resources.

Financials (Standalone):

(Rs. crore)

For the year ended / As on*	31.03.2023	31.03.2024
	Audited	Audited
Total Operating Income	119.86	171.92
EBITDA	29.85	63.07
PAT	11.18	34.99
Total Debt	139.38	152.81
Tangible Net Worth	88.14	123.12
EBITDA Margin (%)	24.90	36.68
PAT Margin (%)	8.64	20.21
Overall Gearing Ratio (x)	1.58	1.24
Interest Coverage Ratio (x)	2.49	4.85

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)				Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating		Date(s) & Rating(s) assigned in 2023-24		Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 (February 14, 2022)
					(January 7, 2025)	(November 2, 2023)	(April 26, 2023)		
1.	Term Loan	Long Term	124.23	IVR BBB/ Stable	IVR BB+/ Negative ISSUER NOT	IVR BBB-/ Stable	IVR BB-/ Negative ISSUER NOT	-	IVR BB/ Stable



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)				Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating		Date(s) & Rating(s) assigned in 2023-24		Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 (February 14, 2022)
					(January 7, 2025)	(November 2, 2023)	(April 26, 2023)		
					COOPERT AING*		COOPERT AING*		
2.	SOD	Long Term	23.00	IVR BBB/ Stable	IVR BB+/ Negative ISSUER NOT COOPERT AING*	IVR BBB-/ Stable	IVR BB-/ Negative ISSUER NOT COOPERT AING*	-	IVR BB/ Stable
3.	Unallocated Limits	Long/ Short Term	-	-	-	Withdrawn	IVR BB-/ Negative / IVR A4 ISSUER NOT COOPERT AING*	-	IVR BB/ Stable/ IVR A4

**Issuer did not cooperate; based on best available information*

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) (formerly Infomerics Valuation & Rating Pvt Ltd) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	-	March 2030	74.23	IVR BBB/ Stable
Term Loan 2	-	-	-	December 2032	50.00	IVR BBB/ Stable
SOD	-	-	-	-	23.00	IVR BBB/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SVET-mar25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.