December 31, 2024

MS Ramaiah University Of Applied Sciences: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term- Fund based - Cash credit	32.00	32.00	[ICRA]A+ (Stable); Reaffirmed
Long term- Term loans	18.00	0.00	-
Long term-unallocated-fund based	0.00	18.00	[ICRA]A+ (Stable); Reaffirmed
Total	**50.0**	**50.0**	

**Instrument details are provided in Annexure-I*

Rationale

ICRA has taken a consolidated view of Gokula Education Foundation (Medical) (GEFM) and MS Ramaiah University of Applied Sciences (MSRUAS), commonly referred to as the Group, while assigning the rating, given the managerial linkages, cash flow fungibility and a common trustee profile.

The rating reaffirmation factors in the expected increase in the revenues, backed by incremental revenue from new services (cardiology, oncology and laboratory services) introduced in hospitals and strong debt protection metrics in FY2025, supported by moderate debt levels due to limited reliance on external debt to fund capex .The Group has a long track record in the education and healthcare sector, which has supported good brand image and healthy enrolments/occupancy in the medical courses and hospitals, respectively. The university's dental and medical courses have been consistently ranked among the top 50 in the National Institutional Ranking Framework (NIRF), released by the Ministry of Education (MoE), the Government of India. In FY2024, the Group's revenue grew by 20% to Rs. 766.2 crore, along with improvement in operating margins by 520 bps to ~19.4%. ICRA expects the revenue to grow by 12% in FY2025, while sustaining the operating margins in the range of 16-18%. While the trust has capital expenditure plans of Rs. 250-270 crore during FY2025-FY2026, the debt reliance is expected to be limited. The capex is likely to be funded primarily through internal accruals and the balance through the existing on-balance sheet liquidity. The gross debt levels increased to Rs. 88.6 crore as of March 2024 (PY: Rs. 14.9 crore) due to debt-funded capex majorly towards the new cancer centre and equipment for medical college. However, the same remains moderate and are projected to be around Rs. 90-92 crore as of March 2025 and Rs. 84-85 crore as of March 2026. This, along with expected sustenance of operating surplus in FY2025 and FY2026 largely similar to FY2024, is likely to result in strong debt protection metrics.

The rating, however, remains constrained by the significant regulatory risks in the education and healthcare sectors. The Group is heavily dependent on the medical college for its revenue, wherein the student intake and fee fixation are regulated. The Group is exposed to regulatory risks in the form of restrictive pricing regulations from the Central and state governments in the hospital segment. Moreover, restrictions on the upfront fee collection for the entire course from management/NRI seats, receivables from scheme patients in hospitals and income tax authorities have resulted in high working capital intensity with NWC/OI of ~22% in FY2024 and is likely to remain at similar levels in FY2025-FY2026. Further, the Group faces execution risk related to capex plans in the medium term. Nevertheless, this risk is mitigated to an extent considering its long track record.

The Stable outlook on the long-term rating reflects ICRA's expectations that the enrolments at the Group's educational institutions and occupancy levels in the hospitals will remain healthy and the external debt reliance will remain low to fund the capex in FY2025-FY2026, supporting the strong debt protection metrics.

Key rating drivers and their description

Credit strengths

Diversified operations with healthy enrolment levels across educational institutions backed by strong reputation and brand name – The Group has operations in the higher education and healthcare segments. Besides teaching hospitals, the Group operates a super-speciality hospital, MS Ramaiah Memorial Hospital, which enjoys healthy demand and contributes significantly to its revenue receipts and operating surplus, thereby lending diversification to its business profile. The flagship medical college operated by MSRUAS, MS Ramaiah Medical College, enjoys a high reputation in medical education in India. It has been consistently recognised among the top-50 medical colleges in the country as per NIRF released by MoE, the Government of India (#46 in medical education as per the NIRF-2024). It has a strong brand name and demand in Karnataka (among top 5-10 medical colleges). Its dental and pharmacy courses have ranked 16th and 68th, respectively, in the NIRF-2024. The university is expected to benefit from the strong linkages with the Ramaiah Group of Institutions, which has a strong brand name in Karnataka.

Strong debt protection metrics – The Group maintains a conservative capital structure, characterised by a Total Debt/Operating surplus of 0.60 times (PY:0.16 times) and Total Outside Liabilities/Tangible Net Worth of 0.12 times as on March 31, 2024 (PY: 0.02 times). The gross debt levels increased to Rs. 88.6 crore as of March 2024 (PY: Rs. 14.9 crore) due to debt-funded capex majorly towards new cancer centre and equipment for medical college. However, the same remains moderate and are projected to be around Rs. 90-92 crore as of March 2025 and Rs. 84-85 crore as of March 2026. This, along with expected sustenance of operating surplus in FY2025 and FY2026 largely similar to FY2024, is likely to result in strong debt protection metrics.

Long track record in education sector – The Group was established by the Late Dr. M.S. Ramaiah in 1979. The long track record and experience of the board of trustees in the Indian education and healthcare sectors are expected to benefit the Group's institutions in cementing their reputation for quality, thus enabling it to attract and retain meritorious students and faculty members over the medium term.

Credit challenges

Exposed to intense competition and changing regulations – Higher education in India, especially medical education, is highly regulated by multiple bodies including the University Grants Commission and the National Medical Council and is subject to stringent compliance with operational and infrastructural requirements. The Group is highly dependent on medical colleges, wherein the student intake and fee fixation are regulated by the Government. The Group is exposed to significant regulatory risks associated with unanticipated changes in regulations, including restrictions on fees, state quota in admissions, etc, which could adversely impact its operating and financial profile. Further, the Group faces significant competition from other universities in the region, which puts pressure on attracting meritorious students and faculty. This is, however, mitigated to an extent by the established brand and healthy reputation of the Group.

High working capital intensity of operations – The collection cycle of the Group's hospital is elongated on account of increase in the number of state/Central Government scheme patients. Additionally, restrictions on upfront fee collection from the management /NRI quota students post the implementation of NEET and sizeable build-up of income tax receivables have resulted in a high working capital intensity with NWC/OI of ~22% in FY2024.

Exposed to execution risk – The trust has capex plans of ~Rs. 250-270 crore during FY2025-FY2026, which is proposed to be funded primarily through its internal accruals and the balance through the existing on-balance sheet liquidity, thus exposing the Group to execution risk. Nonetheless, the Group's strong track record for capex execution mitigates the risk to an extent.

Liquidity position: Adequate

On a consolidated basis, the Group's liquidity profile is adequate. The Group has scheduled debt repayments of Rs. 6 crore each year in FY2025 and FY2026, which will be comfortably met from its cash flow from operations. It has undertaken debt-funded capex in FY2024. The Group's capital expenditure plans of Rs. 250-270 crore during FY2025-FY2026 are likely to be funded primarily through internal accruals and balance through the existing on-balance sheet liquidity. It has free cash and cash equivalents of ~Rs. 225 crore as on March 31, 2024.

Rating sensitivities

Positive factors – ICRA may upgrade the rating of GEFM and MSRUAS, if on a consolidated basis, there is a sustained improvement in enrolment at the Group's educational institutions and occupancy in the hospitals, which translates into higher operating surplus and significant improvement in liquidity position. Specific credit metrics, which could lead to a rating upgrade, include return on capital employed (RoCE) above 20% on a sustained basis.

Negative factors – Pressure on the rating of GEFM and MSRUAS could arise if there is a substantial decline in the enrolment level or a delay in collection of fees, adversely impacting the liquidity profile. Any significant debt-funded capex and/or regulatory development, adversely impacting the operating and financial profiles, could also result in a rating downgrade. Specific credit metrics, which could lead to a rating downgrade, include Total Debt/Operating Surplus of more than 1.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	- Corporate Credit Rating Methodology - Higher Education - Rating Methodology- Hospitals
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated view of GEFM and MSRUAS (as specified in Annexure II). GEFM is the sponsoring body of MSRUAS and has provided corporate guarantee for the bank facilities of MSRUAS.

About the company

MS Ramaiah University of Applied Sciences (MSRUAS) was established in 2013 as a state private university in Karnataka. It offers undergraduate, postgraduate and doctoral courses in engineering, medical, dental science, pharmacy, social science and management, among others. MSRUAS is sponsored by GEFM. Dr. M.R. Jayaram, son of Late Dr. M.S. Ramaiah, is the Chairman of GEFM and Chancellor of MSRUAS. MS Ramaiah Medical College is the flagship medical college of the university.

Gokula Education Foundation (Medical) is a public charitable trust established in 1979 by Late Dr. M.S. Ramaiah. The trust runs one medical college and two hospitals in Bengaluru, Karnataka. MS Ramaiah Memorial Hospital is the flagship super specialty hospital operated by GEFM.

Key financial indicators (audited)

MSRUAS Consolidated	FY2023	FY2024
Operating income	640.6	766.2
PAT	69.5	97.0
OPBDIT/OI	14.2%	19.4%
PAT/OI	10.9%	12.7%
Total outside liabilities/Tangible net worth (times)	0.2	0.3
Total debt/OPBDIT (times)	0.2	0.6
Interest coverage (times)	20.8	38.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Dec 31,2024	Date	Rating	Date	Rating	Date	Rating
Long term-Cash credit-Fund based	Long Term	32.00	[ICRA]A+ (Stable)	21-SEP-2023	[ICRA]A+ (Stable)	10-JUN-2022	[ICRA]A+ (Stable)	-	-
Long term-Term loan-Fund based	Long Term	0.00	-	21-SEP-2023	[ICRA]A+ (Stable)	10-JUN-2022	[ICRA]A+ (Stable)	-	-
Long term-Unallocated-Fund based	Long Term	18.00	[ICRA]A+ (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term- Fund based/Cash credit	Simple
Long term- Unallocated	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Working capital facilities	NA	NA	NA	32.00	[ICRA]A+(Stable)
NA	Unallocated	NA	NA	NA	18.00	[ICRA]A+(Stable)

Source: MSRUAS

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Gokula Education Foundation (Medical)	-	Full Consolidation
MS Ramaiah University of Applied Sciences	-	Full Consolidation

Note: *Gokula Education Foundation (Medical) is the sponsoring body of MS Ramaiah University of Applied Sciences*

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