

November 27, 2023

Manipal Global Education Services Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Working Capital Limits	78.00	78.00	[ICRA]BBB+(Stable); reaffirmed
Long-term Fund-based – Term loan	30.00	30.00	[ICRA]BBB+(Stable); reaffirmed
Long Term – Non-Fund based SBLC	680.00	-	-
Long Term – Unallocated Limits	90.00	-	-
Total	878.00	108.00	

*Instrument details are provided in Annexure-I

Rationale

ICRA notes that Manipal Global Education Services Private Limited (MAGE) has fully divested its investments in its wholly owned subsidiary, Manipal Education (Mauritius) Private Limited and step-down subsidiaries in Nepal, Malaysia and Dubai. Its subsidiary, Manipal Education (Mauritius) Private Limited has been transferred to its holding company, Manipal Academic Services International (MASI). Hence, the rating approach has been revised to standalone from consolidated.

The rating reaffirmation takes into consideration the successful track record and well recognised brand of MAGE in the professional executive skill training and education support services. MAGE's operating income rose ~34% to Rs. 252.9 crore with a healthy operating margin of 28.3% in FY2023. However, lower non-operating income resulted in PAT of Rs. 29.5 crore in FY2023 against Rs. 44.6 crore in FY2022. The company is also expected to report a healthy growth in revenues in the current fiscal (FY2024) as it has already reported revenues of Rs. 151.8 crore in the first half of the year. The liquidity position of the company is also comfortable with adequate cushion in the overdraft limits. The company is generating revenue from three segments – BFSI, MGSA (Manipal Global Skills Academy) and MedAce. In BFSI and MGSA segments, the company provides corporate training and executive education and training programs to various entities in BFSI and technology sectors. MedAce is a newly launched product for medical students to aid in their Competency Based Medical Education (CBME) curriculum and PG NEET/INICET exam preparation. ICRA also notes the ongoing implementation of an internal restructuring plan, whereby training business comprising of BFSI and MGSA segments along with investments held in the securities of companies engaged in allied business in India, will be demerged to another Group company, Unext Learning Private Limited. The same is pending with National Company Law Tribunal (NCLT) for final approval.

The rating, however, is constrained by the high investments in Group companies in the standalone balance sheet. The rating is also constrained by the moderate coverage indicators, reflected by an interest coverage of 2.6 times in FY2023. ICRA also considers the intense competition in the education sector and inherent regulatory risks which the industry is exposed to.

The Stable outlook reflects ICRA's expectations that restructuring of business operations along with the track record of the promoter group will support the credit profile of MAGE.

Key rating drivers and their description

Credit strengths

Track record of promoters and financial flexibility of the Group – MAGE belongs to the Manipal Education and Medical Group (MEMG), which has an established track record and reputation in the field of education and healthcare services. MAGE enjoys

financial flexibility for being a part of MEMG. ICRA expects the Group to continue to extend financial support, as and when required.

Comfortable financial profile – MAGE’s standalone operations include providing corporate training solutions to the entities in the banking and financial services industries. The company’s operating income rose ~34% to Rs. 252.9 crore in FY2023. The capital structure of the company is comfortable with a gearing of 0.1 times and TOL/TNW of 0.2 times, with a major part of the debt being lease liabilities (as per Ind AS 116). It is likely to remain comfortable with the company’s healthy profitability and limited reliance on external debt.

Credit challenges

High investment in Group companies – As a part of its strategy, the company has huge investments in its Group companies. These have been invested at nominal returns, which affect the return on capital employed (ROCE) of the company. As on September 30, 2023, the total investments of the company amounted to Rs. 2,835.4 crore. Any further significant cash outflow towards investment in other Group companies shall be a key monitorable.

Earnings exposed to regulatory and reputation related risks – Amid favourable demand prospects, earnings of the players (including MAGE) remain exposed to industry-related risks (like change in regulations). As MAGE is present in the corporate training segment, it is also impacted by the loss of key clients, which may affect its revenue and profitability.

Liquidity position: Adequate

The company’s liquidity profile is adequate, backed by undrawn working capital lines of credit and expected improvement in the operational cash flows in the coming years. The company has overdraft limits of Rs. 78 crore, the average utilisation of which stood at 65% in the last 12 months. ICRA notes that the company’s cash flow from operations would be sufficient to meet its debt repayment obligations and modest capex plans. The company has long-term debt of Rs. 12.5 crore, which would be repaid by Q2 FY2025.

Rating sensitivities

Positive factors – ICRA could upgrade MAGE’s rating if there is a sustained improvement in its revenues and profitability, along with a notable improvement in its liquidity profile. Specific credit metric that could lead to a rating upgrade include an interest coverage ratio of more than 4.0 times on a sustained basis.

Negative factors – MAGE’s rating could be downgraded if there is sustained pressure on the revenues and profitability, adversely impacting its coverage metrics and liquidity position. Any significant outflow of funds towards Group entities would be a key monitorable. Specific credit metric that could lead to a rating downgrade include Total Debt/OPBITDA of more than 3.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the Standalone financials of Manipal Global Education Services Private Limited

About the company

Earlier known as Manipal Universal Learning Private Limited, MAGE was established in 2001 to provide education services, including support services for distance education and corporate training. MAGE is promoted by Manipal Academic Services International, Mauritius (MASI), the holding company for the educational vertical of the Manipal Educational and Medical

Group (MEMG). MASI holds an 94.3% stake in MAGE at present, with the remaining held by other promoter companies. The overseas operations of the company were being managed by its subsidiaries, Manipal Education (Mauritius) Private Limited (MEMPL) and Manipal Education Malaysia Sdb BHD (MEM). While MEM has been sold off to a third party, MEMPL has been transferred to its holding company, Manipal Academic Services International (MASI). Hence as on date, MAGE has no subsidiaries. In India, it is involved in providing education assessment services and corporate training services in the banking and insurance sector. Some of these segments are expected to be transferred to another Group entity called Unext Learning Private Limited by the end of Q3 FY2024.

Key financial indicators (audited)

Manipal Global Education Services Private Limited	FY2022	FY2023
Operating income	188.1	252.9
PAT	44.6	29.5
OPBDIT/OI	29.55%	28.33%
PAT/OI	23.72%	11.68%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	3.2	3.1
Interest coverage (times)	2.4	2.6

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years			
	Type	Amount rated (Rs. crore)	Amount outstanding as of March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
				Nov 27, 2023	Aug 30, 2022	May 21, 2021	July 24, 2020	
1 Cash Credit	Long term	78.00	--	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Negative)	
2 Term Loan	Long term	30.00	17.50	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	[ICRA]BBB+ (Stable)	
3 SBLC	Long term	-	--	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	
4 Unallocated	Long term	-	--	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based – Cash Credit	Simple
Term Loan	Simple

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	Cash Credit	NA	NA	NA	78.00	[ICRA]BBB+(Stable)
NA	Term Loan	FY2022	11.25%	FY2025	30.00	[ICRA]BBB+(Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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