

## T A Pai Management Institute

Instrument	Amount	Rating Action
	Rs Crore	July 2016
Term Loans	29.46	[ICRA]BBB+ (Stable); upgraded from [ICRA]BBB (Stable)

ICRA has upgraded the long term rating assigned to the Rs. 29.46 crore term loan facilities of T A Pai Management Institute (TAPMI) from [ICRA]BBB (pronounced as ICRA triple B) to [ICRA]BBB+ (pronounced as ICRA triple B plus). The outlook on the long-term rating is 'Stable'.

The rating upgrade takes into account the improvement in capital structure and leverage ratios of TAPMI, aided by stable cash accruals, scheduled repayment of existing term loans and limited capex incurred during FY2016. TAPMI's cash accruals are supported by consistently high occupancy in the flagship PGDM<sup>1</sup> course and moderate fee revisions. While the favourable long term demand prospects for TAPMI's flagship course supports stable cash flow generation ability, improvement in occupancy in new courses like PGDM - BKFS<sup>2</sup> can further bolster the revenues and cash accruals of TAPMI. The rating continues to derive comfort from long track record of TAPMI's management in the education sector, TAPMI's experienced faculty, its good infrastructure facilities as well as its established brand equity in providing management education.

The rating is, however, constrained by the competitive pressures and regulatory challenges involved in the private education sector and the significant capex investments to be made by the institute in the medium term for upgradation of infrastructure at the campus, which can constrain free cash flows. Nonetheless, the institute's internal cash accruals can support the planned capex to a large extent and the dependence on external borrowing going forward would be minimal. While assigning the rating, ICRA also notes that with increased student intake, attracting and retaining high quality faculty remains a challenge for the institute.

Going forward, ability to maintain the high occupancy levels in the flagship course and absorb increases in employee costs would be the key rating monitorables.

### Entity Profile

Incorporated in the year 1980, T A Pai Management Institute, has been providing management education for over two decades. The institute is governed by T A Pai Management Institute Trust (TAPMI Trust) and the Governing Council appointed by the Trust. The institute runs management courses including PGDM, PGDM - Health Care and PGDM - BKFS. The institute moved its operations to a new residential campus spread over 42 acres of land, and currently conducts these courses in the new campus in Manipal.

### Recent Results

In financial year 2015-16, TAPMI reported a net surplus of Rs. 20.1 crore on revenue receipts of Rs. 61.3 crore (based on provisional numbers). During the financial year 2014-15, TAPMI reported a net surplus of Rs. 20.7 crore on revenue receipts of Rs. 58.1 crore.

**July 2016**

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<sup>1</sup> PGDM – Post Graduate Diploma in Management

<sup>22</sup> PGDM - BKFS – Banking and Financial Services Management



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