

Manipal Academy of Higher Education

Instrument	Amount	Rating Action
	Rs Crore	December 2016
LT Scale – Fund Based Term Loan	275.90	[ICRA]AA (Stable) reaffirmed
ST Scale – Non Fund based	55.00	[ICRA]A1+ reaffirmed

ICRA has reaffirmed the long term rating assigned to the Rs 275.90 crore term loans of Manipal Academy of Higher Education (MAHE) at [ICRA]AA (pronounced as ICRA double A). ICRA has also reaffirmed the short-term rating assigned to the Rs 55.00 crore non-fund based facilities of MAHE at [ICRA]A1+. The long term rating carries a 'Stable' outlook.

The rating reaffirmation continues to draw comfort from the established track record of MAHE, spanning over 50 years, in the Indian education sector and strong reputation of its two key colleges Kasturba Medical College (KMC) and Manipal Institute of Technology (MIT) which ensures healthy occupancy levels. The rating also derives comfort from the strong financial profile of the trust with strong capital structure (as reflected by gearing of 0.22x as on March 31, 2016) and robust debt coverage indicators. The rating is also supported by the stable cash flows derived from MAHE's flagship institutions and the inherent predictability of revenues associated with educational institutions. These apart, the rating also factors in the strong liquidity profile of the trust supported by substantial cash and liquid investments of Rs 363 crore as on March 31, 2016.

The rating is, however, constrained by the large debt-funded project capex that the trust is planning to undertake over the medium term; being a long-gestation project, cash flow deficits are expected in the initial years of the project. However, ICRA also notes that the expected deficits are small in relation to the scale of cash accruals from existing operations; moreover, the proposed debt has long tenor and back-ended repayment structure, thereby moderating the impact of the capex on MAHE's debt coverage metrics. The ratings are tempered by the high reliance on MAHE's two key colleges, KMC and MIT, which accounted for close to 40% of the revenues and around 77% of the operating surplus in FY2016. ICRA also notes that the education sector being highly regulated in India will continue to pose regulatory risk for MAHE.

Going forward, ability to maintain stable admission levels at its flagship colleges and achieve the targeted operational parameters in the new project will be the key rating sensitivities.

Entity Profile

Manipal Academy of Higher Education (MAHE), one of the pioneers of self-financed education in India, owns and operates nineteen colleges in Karnataka, most of them located in the town of Manipal. The first institute under the group, Kasturba Medical College, was started in 1953. In 1993, the group's operations were restructured into the trust, MAHE, which was granted "Deemed University" status by the Government of India under the UGC Act. Although the name of the legal entity is MAHE, the university operates under the brand of "Manipal University". Currently, MAHE has close to 22,000 students for AY2016-17 and offers close to 330 courses through its constituent colleges. MAHE includes in its portfolio, Kasturba Medical College and Manipal Institute of Technology, which are ranked amongst some of the best in their respective fields.

Recent Results

For FY2016, MAHE reported a net surplus of Rs 10.7 crore on revenue receipts of Rs 1317.6 crore. During FY2015, MAHE reported a net surplus of Rs 23.3 crore on revenue receipts of Rs 1172.2 crore.

December 2016



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