

## Manipal University Jaipur

October 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	334.24 (Reduced from 336.66)	CARE A+; Stable	Upgraded from CARE A; Stable
Long-term / Short-term bank facilities	40.00	CARE A+; Stable/ CARE A1+	Upgraded from CARE A; Stable/ CARE A1

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Revision in the ratings assigned to the bank facilities of Manipal University Jaipur (MUJ) takes into account sustained growth in its scale of operations over past few years with increase in number of student enrolments under both its campus programmes and online courses, which are expected to further improve going forward while maintaining healthy SBILDT (surplus before interest, lease, depreciation and tax) margin. Revision in ratings also factors improvement in its capital structure and debt coverage indicators backed by accretion of profits to corpus fund, and significant increase in SBILDT and cash accruals.

Ratings continue to derive strength from experienced promoter group with a long track record of operations in the education sector through Manipal Academy of Higher Education (MAHE; flagship entity of the group in the education vertical), the recognised brand name of 'Manipal' in India, and the 'Private University' status, thereby providing more autonomy. While CARE Ratings Limited (CARE Ratings) takes note of the significant debt-funded capex planned by MUJ in the next two years, the same is expected to be absorbed quickly post its completion with the envisaged increase in student count, considering the synergies MUJ has with MAHE in terms of similar course curriculum, faculty exchange, common entrance test and student placements. Nevertheless, CARE Ratings will continue to monitor the progress of envisaged capex and completion of the same without significant cost and time over runs will remain key monitorable.

However, above rating strengths are tempered by the leveraged capital structure due to relatively moderate corpus fund on account of losses incurred by MUJ prior to the stabilisation of its operations. Long term rating is also constrained by high level of regulation by the Government (central and state) in the education sector and intense competition from established players in the education sector.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Significant increase in its scale of operations and corpus fund while maintaining SBILDT margin over 35% and total debt/ SBILDT of around 2x on a sustained basis.

#### Negative factors

- Decline in its scale of operations below ₹500 crore with SBILDT margin lower than 35% due to decline in student enrolments and increased costs.
- Total debt/ SBILDT above 3x on a sustained basis.

**Analytical approach:** Standalone.

#### Outlook: Stable

The stable outlook reflects CARE Ratings' expectation on improvement in student enrolments in the medium to long term supported by its strong brand presence.

### Detailed description of key rating drivers:

#### Key strengths

##### Sustained growth in fees income with improvement in profitability, which remained better than envisaged

MUJ's total operating income (TOI) grew at a compounded annual growth rate (CAGR) of around 36% in past four years ended FY24 (FY refers to period April 01 to March 31) and grew by over 50% in FY24 to ₹537 crore (FY23: ₹359 crore) aided by an increase in student enrolments, increase in average fees and increase in revenues from its online courses. The number of students increased from 9,772 in AY2022 (AY refers to academic year – June to May) to 16,564 in AY2025 providing healthy revenue visibility in the medium term. Enrolment ratio which stood ~89% for AY2024 increased to around 100% for AY2025. MUJ had also started online education in FY22 in association with one of the group entities, from which MUJ earned ₹183 crore in FY24 (FY23: ₹85 crore) on account of significant increase in the enrolments for the online courses. MUJ consistently reported SBILDT margin over past four years ended FY24, depicting its competitive edge and synergies from Manipal group. With higher than

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

envisaged revenue with continued healthy profitability, cash accruals in FY24 stood at ₹210 crore (FY: ₹132 crore); better than earlier envisaged.

The debt coverage indicators marked by total debt/ SBILDT improved to 1.47x in FY24 (1.89x as on Mar 31, 2024); better than earlier envisaged mainly due to lower than envisaged debt level and higher than envisaged SBILDT. The SBILDT interest coverage ratio also stood comfortable at 8.40x in FY24 (FY23: 6.47x).

MUJ currently has academic blocks capacity for close to 16,000 students, hostel facility to accommodate around 6,000 students. The university is in the process of constructing a new academic block with student capacity of around 4,000 students, and hostel capacity of around 7,000 students, which are expected to propel its growth for the next three years. With continuous demand for its courses, CARE Ratings expects that MUJ's scale will continue to grow while maintaining healthy SBILDT margin and satisfactory debt coverage indicators.

### **Experienced promoter group with long track record of operations and qualified board**

The Manipal group was started by the late Dr Tonse Madhava Ananth Pai (T.M.A Pai), to establish its presence in the education and healthcare sectors. Currently, the group is headed by Dr Ramdas Pai (honoured with Padma Bhushan in 2011), the son of Dr T.M.A Pai. Dr Ramdas Pai has an experience of more than five decades in the education and healthcare services industries. He is assisted by his son, Dr Ranjan Pai, who also has extensive experience of around three decades in running and managing the healthcare and education businesses. Some of the Manipal group companies includes the MAHE, the Sikkim Manipal University (runs a private university in Sikkim; rated CARE A-; Stable/ CARE A2+), the Manipal Global Education Services Private Limited (group's education service business), and the Manipal Health Enterprise Private Limited (operates hospital chain). MUJ receives financial/treasury/management advisory from the group as well as derives synergy from MAHE in terms of course curriculum, faculty exchange, student admissions, and student placements.

The university is professionally managed by the experienced board members which include Dr Ramdas M. Pai, Chairperson Emeritus and S. Vaitheeswaran, Chairperson, MUJ. S. Vaitheeswaran has more than three decades of experience in the corporate world under various roles. Other prominent members include, Dr Ranjan Pai, Chairman-MEMG, Dr Niti Nipun Sharma (President), Dr Jawahar Mal Jangir (Pro-President), etc.

### **Private university status with diversified curriculum and established brand presence**

The private university status of MUJ (recognised by the University Grants Commission [UGC]) provides more autonomy and results in fewer regulatory hurdles in deciding the fee to be charged and other institutional facilities, like technology, faculty, etc. MUJ is equipped with the latest infrastructure facilities, technologies, and learning resources. The campus facilities include well-equipped laboratories, computer centres, the latest software, and other recreation facilities. MUJ offers undergraduate and post-graduate courses across diverse disciplines, including Engineering, Management, Arts and Humanities, Computer Applications, Law, Hospitality and Tourism, Journalism and Communication, and Planning and Design among others. Engineering courses remain the largest contributor with around 60% of the student strength belongs to the engineering stream.

Manipal group has a significant brand presence across India, especially for the engineering and medical courses, as reflected by the year-on-year increase in student enrolments over the past few years, signifying strong brand presence.

### **Favourable industry outlook**

India, being the world's most populous nation, has a significant advantage characterized by a dynamic youth population. The long-term outlook for the sector is favourable considering the increasing population, increase in per capita income, rising enrolment ratios, variety of courses being offered, growth in vocational courses, government support in terms of fee reimbursement schemes, various government initiatives for modernization of the sector, flexibility in curriculum, etc. However, in contingencies such as COVID-19 and other unprecedented times, managing the finances and working capital requirement is crucial for educational institutions. Hence, availability of additional liquidity either in the form of unencumbered liquid investments, financial support from resourceful promoters or unutilised bank limits would provide some cushion during such times.

### **Liquidity: Strong**

MUJ's liquidity is strong with cash flow from operations of around ₹300 crore in FY24 (FY23: ₹181 crore) which are expected to further improve in medium term with expected increase in student enrolments. Strong liquidity is further characterised by sufficient cushion with expected healthy cash accruals against debt repayment obligations of ₹10-25 crore per annum over next three years. MUJ had liquid cash and investments of ₹475 crore as on September 30, 2024 (₹205 crore as on March 31, 2024). CARE ratings notes that the university receives fee at the beginning of the academic courses, thus leading to high cash and bank balances during July – October which will be used throughout the year. MUJ also has ₹40 crore of unutilised overdraft limits which provides additional buffer in case of any cash flow mismatches.

## Key weaknesses

### Improved albeit leveraged capital structure due to moderate corpus fund

Due to the previous years' losses, MUJ had a negative corpus fund/ net worth till FY22 and turned positive to ₹84 crore as on March 31, 2023. MUJ has availed significant bank debt in the past to build the required infrastructure of the university, which resulted in leveraged capital structure. However, MUJ's net worth base strengthen to ₹237 crore as on March 31, 2024 on the back of increased scale of operations and healthy surplus margin leading to healthy surplus. Overall gearing ratio improved significantly from 3.29x as on March 31, 2023 to 1.25x as on March 31, 2024 backed by accretion of profit to corpus fund.

The university is in the process of building a new academic block and hostel campus to meet growing demands of its courses among the students. MUJ has incurred capex of around ₹250 crore in FY24 and expected to incur aggregate capex of around ₹900 crore in FY25 and FY26 which is expected to be funded through around ₹525 crore of debt and balance through internal accruals. MUJ is expected to commence academic block and phase-I of hostel in FY25 and phase-II of hostel in FY26. Despite ongoing debt funded capex plan, CARE Ratings expects overall gearing of MUJ to remain below 1.40x by FY26 and the capital structure is expected to improve in medium term with accretions and benefits from the capex. CARE Ratings also notes that due to productive nature of the capex, the risk associated with large size debt funded capex is reduced to the large extent. However, timely completion of the said capex without significant cost and time over runs will be crucial from the credit perspective. Moreover, MUJ has a history of prepayment of term debt from surplus liquidity, in which case the capital structure may improve further.

### Presence in a regulated industry and competition from established and upcoming educational institutes

The higher education sector in India is in the concurrent list of the constitution, and thus, comes under the purview of both, the central and state governments. Although the private university status of MUJ results in more autonomy and fewer regulatory hurdles, any policy changes by the government or regulatory bodies may have an impact on the operating and financial flexibilities of the university.

The growth in universities providing higher education has been significant over the recent years and has reached to around 1,265 universities in FY24 from around 760 in FY15. The education sector is highly fragmented with the presence of large number of small and big players due to high growth opportunities and government's thrust on education for all. Therefore, the players in this industry are exposed to competition induced pressures from existing established as well as upcoming public and private players on student enrolments and overall student strength.

## Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Education](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Other consumer services	Education

MUJ was established in 2011 by Dr Ramdas Madhav Pai (Chairman Emeritus, MUJ) through an Act (No. 21 of 2011) of State Legislature of Rajasthan as a State Private University as specified by the UGC under Section 22 of the UGC Act 1956. MUJ is a multi-disciplinary university offering a variety of courses at all levels, i.e., undergraduate, postgraduate, and doctoral, across diverse streams, including engineering, architecture, design, science, management, law, commerce and humanities, etc. In terms of infrastructure, the university has a large campus spread across 122 acres, with facilities including a library, auditorium, media lab, hostel, amphitheatre, artificial intelligence (AI) and virtual reality (VR) lab, cancer lab, among others. MUJ has received accreditations from the National Board of Accreditation (NBA) and National Assessment and Accreditation Council (NAAC).

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)
Total operating income	354	537
SBILDT	147	201
Net Surplus	94	155
Appropriation of profits to designated funds*	-	58
Reported net Surplus *	94	97
Overall gearing (times)	3.29	1.25
Interest coverage (times)	6.47	8.40

A: Audited; Note: these are latest available financial results

\*MUJ allocated part of its profits aggregating to ₹58 crore to its designated funds which was debit from profit and loss account and as per the audited financials and was also part of net worth. CARE Ratings has considered it as part of surplus as it is appropriation and there is no specified time period for use of the same.

**Status of non-cooperation with previous CRA:** Not applicable.

**Any other information:** Not applicable.

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2039	334.24	CARE A+; Stable
Fund-based - LT/ ST-Bank Overdraft	-	-	-	-	40.00	CARE A+; Stable/ CARE A1+

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	334.24	CARE A+; Stable	-	1)CARE A; Stable (29-Sep-23)	1)CARE A-; Stable (19-Jul-22)	1)CARE A-; Stable (31-Mar-22)
2	Fund-based - LT/ ST-Bank Overdraft	LT/ ST	40.00	CARE A+; Stable / CARE A1+	-	1)CARE A; Stable / CARE A1 (29-Sep-23)	1)CARE A-; Stable / CARE A2+ (19-Jul-22)	-

LT: Long term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable.

#### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Bank Overdraft	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Annexure-6: List of entities consolidated:** Not applicable.

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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