

Press Release

Edutech India Private Limited

August 23, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 5.25 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs.5.25 crore bank facilities of Edutech India Private Limited (EIPL). The outlook is '**Stable**'.

Incorporated in 2000, EIPL is a part of Dubai based Edutech Group. The main promoters of the group are Ms. Shameema Parveen, Mr. Said Faisal and Mr. Samsul Asahab who began Edutech with a view to cater to the demand for the learning software in the education sector. EIPL imports various software and technologies which are used in e-learning systems. These are sold to schools i.e. the K12 sector, colleges, educational institutions in the higher education sector and corporate institutions. EIPL operates mainly from Chennai and has its sales offices located in Mumbai, Chennai, Bangalore, New Delhi, Kolkata, Hyderabad and Ahmedabad.

Analytical Approach

For arriving at the rating, Acuite has considered the standalone business and financial risk profile of EIPL.

Key Rating Drivers

Strengths

- Established track record and experienced management:**

EIPL is promoted by Ms. Shameema Parveen, who has over two and half decades of experience in the said industry. Edutech group was first established in Dubai with a view to cater to the growing demand for e-learning systems. The group's operations are now spread over 17 cities across the globe. EIPL has long term healthy relationships with its suppliers such as TecQuipment Ltd, UK; Quanser Inc, Canada; Black board Inc, USA; Biblotheca Library RFID, Switzerland; LEGO Education, Denmark, amongst others. Acuite believes that EIPL's business risk profile will continue to benefit from the long standing track record and experienced promoters of the group.

- Reputed and diversified client base:**

EIPL caters to reputed clients such as IIM, NIIT, Wipro, IIT to mention a few. The company has long term relations of more than a decade with the above mentioned institutions. Acuite believes that EIPL will continue to benefit from its longstanding relations with the clients.

Weaknesses

- Working capital intensive business**

EIPL's operations are working capital intensive marked by high Gross Current Assets (GCA) of 189 days in FY2018 (Provisional) compared to 156 days in FY2017. The GCA days are mainly dominated by high debtors of 111 days in FY2018 (Provisional) as compared to 85 days in FY2017. The supplier days improved at 66 in FY2018 (Provisional) as against 139 days in FY2017. The six months bank utilisation limit stood at approximately 88 percent. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• **Tender based nature of business:**

EIPL maintained its operating levels marked by operating income of Rs.18.33 crore in FY2018 (Provisional) as against Rs.18.15 crore in FY2017. Major part of its revenue is derived from tender-based orders, hence susceptible to competition from other players in the industry.

Outlook: Stable

Acuite believes that EIPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to the extensive experience of the promoters and established track record of operations. The outlook may be revised to 'Positive', if the group achieves significant growth in revenue while achieving sustained improvement in operating margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins and significant deterioration in the working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	18.33	18.15	12.41
EBITDA	Rs. Cr.	2.02	1.70	0.18
PAT	Rs. Cr.	0.80	0.66	0.02
EBITDA Margin	(%)	11.05	9.38	1.45
PAT Margin	(%)	4.37	3.66	0.13
ROCE	(%)	9.75	9.52	-0.11
Total Debt/Tangible Net Worth	Times	0.60	0.56	0.62
PBDIT/Interest	Times	2.74	2.82	1.66
Total Debt/PBDIT	Times	3.38	3.14	5.92
Gross Current Assets (Days)	Days	189	156	180

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE A4+

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About Acuité Ratings & Research:

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