

Press Release

Edutech India Private Limited

November 08, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed 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 Rs. 5.25 Crore bank facilities of Edutech India Private Limited (EIPL). The outlook is '**Stable**'.

Incorporated in 2000, Edutech India Pvt. Ltd. (EIPL) is 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 of the learning software's in the education sector. EIPL imports various softwares 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, Ahmedabad.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of EIPL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record and experienced management:

EIPL is promoted by Ms. Shameema Parveen, who has over two and half decades 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 is now spread over 17 cities across the globe. EIPL has long term healthy relationships with its suppliers such as Black board, USA; Question mark, USA; LEGO, USA, amongst others.

Acuité believes that EIPL's business risk profile will continue to benefit from the long standing track record and experienced promoters.

Reputed and diverse client base:

EIPL is engaged in import of various software's and technologies which find its applications in e-learning systems, schools in the K12 sector, colleges, educational institutions in the higher education sector and corporate institutions amongst others. Over the years EIPL has implemented these services and technologies for reputed institutes/corporates such as IIM, NIIT, Wipro, IIT, etc. to mention a few, and has also been able to secure repeat orders from them.

Acuité believes that EIPL will continue to benefit from its association with a reputed and diverse client base.

Weaknesses

Decline in operating margins; tender based business model:

EIPL's registered revenue of Rs.24.26 Crore in FY2019 (Provisional) as against Rs. 18.41 Crore in FY2018 and Rs. 18.15 Crore in FY 2017. While the company's operating margins have declined Y-o-Y, EBITDA margins stood at 6.47 percent for FY2019 (Provisional) as against 6.76 percent in FY2018 and 9.38 percent in FY2017. Major part of its EIPL's revenues are derived from tender-based orders, limiting its bargaining power, resulting in lower levels of margins. While the company has a sizeable pipeline of orders it is susceptible to intense competition from other players in the industry which may impact the flow of orders and the margins in future.

Acuite believes that the ability of the company to register healthy growth in revenues while improving its margins will be a key rating monitorable.

Working capital intensive operations:

EIPL's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 176 days as on March 31, 2019 (provisional). It allows a credit period of 60-90 days to its customers / allows an extended period to government and semi-government clients. The debtor days stood at 98 days for FY2019 (Provisional) as compared to 116 days for FY2018. Further, EIPL's working capital limits was over ~80 percent utilized.

Acuite expects the operations of the company to remain working capital intensive on account of the high debtor levels, the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Rating Sensitivities

- Decline in operating revenues
- Deterioration in operating margins
- Deterioration in financial risk profile

Material Covenants

None

Liquidity Position: Adequate

The company has an adequate liquidity position, the company registered cash accruals totalling to Rs. 2.20 Crore as against debt obligations of ~Rs. 1.30 Crore during (FY2017-2019). The net cash accruals to total debt ratio stood at 0.09 times for FY2019 (Provisional), the same is expected to be maintained in absence of any debt funded capex plans of the company over the near to medium term. EIPL's current ratio stood at 1.34 times for FY2019 (Provisional).

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 management.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov)	FY18	FY17
Operating Income	Rs. Cr.	24.26	18.41	18.15
EBITDA	Rs. Cr.	1.57	1.24	1.70
PAT	Rs. Cr.	0.43	0.24	0.66
EBITDA Margin	(%)	6.47	6.76	9.38
PAT Margin	(%)	1.76	1.30	3.66
ROCE	(%)	7.02	5.69	9.68
Total Debt/Tangible Net Worth	Times	0.69	0.62	0.56
PBDIT/Interest	Times	2.05	1.98	2.82
Total Debt/PBDIT	Times	1.29	1.22	1.75
Gross Current Assets (Days)	Days	176	201	156

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Entities in service sector - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
20-August-2018	Cash Credit	Long Term	3.50	ACUITE BB/Stable (Assigned)
	Letter Of Credit	Short Term	0.50	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	1.25	ACUITE A4+ (Assigned)

*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 (Reaffirmed)
Letter Of Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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