

Press Release

ICA Edu Skills Private Limited

February 14, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 72.00 Cr.
Long Term Rating	ACUITE BB+/Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned long term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to Rs 72.00 crore bank facilities of ICA Edu Skills Private Limited (ICA). The outlook is '**Stable**'.

Incorporated in 1999, ICA is a Kolkata based company promoted by Mr. Narendra Kumar Shyamsukha. The company is engaged in imparting vocational training specializing in accounts and finance. The company began its operations in Kolkata and currently has over 100 centres spread across India. The company majorly operates through franchise models and also has its own centers. In addition, the company is also a registered partner of National Skill Development Corporation and provides different courses under the schemes adopted by the central government.

Analytical Approach:

Acuité has taken a standalone view of the business and financial risk profile of ICA to arrive at the rating.

Key Rating Drivers:

Strength:

Experienced management and long track record of operations

Incorporated in 1999, ICA has a long track record of nearly two decades in providing vocational training to students. The company was promoted by Mr. Narendra Kumar Shyamsukha who is a Chartered Accountant by profession and a first generation entrepreneur. The company in the initial days with vocational education courses with a unique proposition in the market of offering 100 per cent job guaranteed courses. Under the leading of Mr. Shyamshukha, ICA has come a long way and currently, ICA trains approximately 12,000-15,000 candidates every year in the fields of accounts, banking, finance, taxation, textiles, logistics, hospitality, beauty & wellness and many more. Currently, the company has 97 retail centres imparting vocational courses for basic accounts, Taxation (Direct and Indirect & including GST), and has presence in 23 States and Union Territories. ICA is also one of the top 3 partners of the Indian Government, where ICA is working closely towards the Skill India mission, with a vision to empower the youth of India to have skills by executing government projects such as Din Dayal Udhayay Grameen Kaushalya Yojana (DDUGKY), Pradhan Mantri Kaushal Kendra (PMKK) and Sant Shri Ravi Das High Skill Training Program.

Healthy orders in hand

The company has healthy orders in hand of Rs. 705 crore under the Skill India mission. The orders are received from National Skill Development Corporation under 3 different schemes i.e. Din DDUGKY, PMKK and Sant Shri Ravi Das High Skill Training Program. The projects are for imparting trainings in different fields which includes mobile repairing, CCTV operator, beauty & wellness, solar PV installation, electrician and sewing machine operator, among other. The company has entered into a new agreement with NSDC in January 2017, where initially the infrastructure is to be constructed and then training is to be imparted. The training centers are spread across different states in India. The company has to execute the projects in the next 3-5 years which provides revenue visibility in the medium term.

Comfortable financial risk profile

The comfortable financial risk profile of the company is marked by its modest net worth, comfortable debt protection metrics and modest gearing. The net worth stood at Rs. 44.52 crore as on 31 March, 2018 as compared to Rs. 38.66 crore in the previous year. ICA reported a comfortable interest coverage ratio of 6.15 times as on 31 March, 2018 as against 11.59 times as on 31 March, 2017. DSCR stood at 3.36 times as on 31 March, 2018 as compared to 5.25 times in the previous year. The debt to equity ratio of the company stood at 1.58 times on 31 March, 2018 as against 0.41 times as on 31 March, 2017. The rise in debt-equity is on account of the significant capex undertaken by the company to build the infrastructure for executing courses under government schemes.

Going forward, Acuité believes that there will be moderation in the financial risk profile on account of the significant capex undertaken. The debt levels of ICA increased from Rs. 15.93 crore as on 31 March, 2017 to Rs. 70.24 crore as on 31 March, 2018, which in turn will increase the annual repayment obligation in the medium term. Maintenance of financial risk profile at current level will be a key rating sensitivity.

Weaknesses

Extended debtor days

ICA has high Gross Current Assets (GCA) which stood at 189 days in FY2018 as compared to 195 days in the previous year. The high GCA days are due to the extended debtor days which varied from 70-100 days in the last 3 financials (FY 2016-2018). The debtors are expected to remain high as 85-90 percent of the revenue is being derived from government projects where payments are delayed on account of procedural hazards. Going forward, timely realisation of funds from the government department is a key rating factor.

Dip in profitability margins

ICA has incurred significant capex to set up the infrastructure to undertake government projects. The capex has resulted in rise in fixed cost for hiring faculties which resulted in lower profitability margins in the current financial year. The operating profitability margins dipped to ~ 7 percent as on 30 September 2018 from 18.53 percent as on 31 March 2018. Going forward, timely completion of the project and realisation of funds to support the rise in fixed cost would be key rating sensitivity.

Liquidity Position:

ICA has comfortable liquidity profile marked by net cash accruals in the range of Rs.7 crore to Rs.15.85 crore (FY 2016-2018) against ~ Rs 10.00 crore debt obligations. Further, the unencumbered cash and bank balances of Rs.28.32 crore as on March 31, 2018 provides liquidity cushion to the company. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 189 in FY 2018.

Outlook: Stable

Acuité believes that the outlook on ICA rated facilities will remain 'Stable' over the medium term backed by its experienced management. The outlook may be revised to 'Positive' in case the company registers more than envisaged sales and profitability while improving its working capital cycle. The outlook may be revised to 'Negative' in case the company fails to achieve envisaged revenue and profitability and its working capital cycle gets stretched or its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	123.75	102.88	61.85
EBITDA	Rs. Cr.	22.94	13.16	7.72
PAT	Rs. Cr.	5.86	7.35	4.06
EBITDA Margin	(%)	18.53	12.79	12.49
PAT Margin	(%)	4.73	7.14	6.57
ROCE	(%)	16.71	27.59	33.19
Total Debt/Tangible Net Worth	Times	1.58	0.41	0.63
PBDIT/Interest	Times	6.15	11.59	5.43
Total Debt/PBDIT	Times	2.99	1.15	2.13
Gross Current Assets (Days)	Days	189	195	219

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Service Entities - <https://www.acuite.in/criteria-service.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.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. Crore)	Ratings/Outlook
Proposed long Term facilities	Not Applicable	Not Applicable	Not Applicable	50.50	ACUITE BB+/Stable (Assigned)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	21.50	ACUITE A4+ (Assigned)
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About Acuité Ratings & Research:

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