

ICA Edu Skills Private Limited
February 02, 2021

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	20.00 (Reduced from 22.00)	CARE BB+; Stable (Double B Plus ; Outlook: Stable)	Reaffirmed
Short term Bank Facilities	21.50	CARE A4+ (A Four Plus)	Reaffirmed
Total Bank Facilities	41.50 (Rs. Forty-One Crore and Fifty Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of ICA Edu Skills Private Limited (ICA) are constrained by moderate financial performance in FY20 (refers to the period from April 01 to March 31) with deterioration in H1FY21 due to significant decline in enrolment on account of COVID-19 induced nationwide lockdown, moderate capital structure albeit improvement in debt protection metrics in FY20 vis-à-vis FY19 and elongated collection period. The ratings also factors in the uncertainty regarding the timing of Covid-19 pandemic clearing out, which impacted the H1FY21 operational performance of the institute. The ratings, however, derive strength from the long operational track record of ICA with established brand name, diversity in nature of courses offered, government backed programmes and satisfactory placement track record.

Key Rating Sensitivities

Positive factors- Factors that could lead to positive rating action/upgrade:

- Sustained increase in PBILDT margin above 25%
- Improvement in gearing ratio below 1.22x and TDGCA below 3.71x on a sustained basis.

Negative factors- Factors that could lead to negative rating action/downgrade:

- Deterioration in debt protection metrics.
- Further stretching of working capital cycle.

Detailed description of the key rating drivers**Key Rating Weaknesses****Moderate financial performance in FY20 with weakness in H1FY21 due to lockdown on account of COVID-19**

The total operating income of the institute in FY20 de-grew by 7.32% from FY19 due to lower enrolments for Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), where the average student fee is higher. Moreover, due to lockdown, the examination of the students enrolled under Pradhan Mantri Kaushal Kendra (PMKK) programme got postponed, deferring the part income recognition to FY21. The PBILDT margin deteriorated due to write off of bad debt of Rs. 5.40 crore in FY20. However, with lower capital charge and profit on sale of asset, the PAT margin improved.

ICA incurred an operating loss of Rs.3.66 crore on total operating revenue of Rs.20.28 crore in H1FY21. The institute has taken various measures to reduce rent and employee cost.

Decline in enrolments in H1FY21 albeit improving trend till FY20

ICA's business model is such that approximately 10% of its revenue is generated from fees collected from coaching at own and franchise centres and remaining 90% of its revenue is generated form royalty collected from government education programmes (namely DDU-GKY and PMKK). The total number of students at ICA has grown at a CAGR of ~57% over FY17-FY20 from 22,968 students in FY17 to 89,571 students in FY20. Despite fall in number of students under CIA Own Centres and Franchise Centres, the total student strength has improved in FY20 due to enrolment under PMKK programme which began from FY18 onwards.

In 9MFY21 the total number of students enrolled stood at 27,409. The company has been able to restart its operations to the extent of more than 80% by the end of October 2020.

Moderate capital structure albeit improvement in debt protection metrics in FY20 vis-à-vis FY19

ICA's total debt has decreased from Rs.94.74 crore as on March 31, 2020 to Rs.66.89 crore as on March 31, 2020 due to repayment of unsecured loan from other parties, scheduled debt repayment and prepayment of loan from Yes Bank which was met out of healthy Cash Flow from Operations (CFO) during FY20. The debt equity ratio and the overall gearing ratio though at moderate level, improved from 1.54x and 1.96x as on March 31, 2019 respectively to 1.05x and 1.26x respectively as on March 31, 2020. Interest coverage ratio also improved to 3.15x as on March 31, 2020 vis-à-vis 3.47x as on March 31, 2019.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Elongated collection period

The collection period of ICA remained high at 157 days in FY20 as against 120 days in FY19. A large part of the total receivables comprises of receivables from the government (approx. 88-89%) which creates a cash flow mismatch. However, the overall debtor balance has reduced from Rs.80 crore as on March 31, 2019 to Rs.51 crore as on March 31, 2020 and further to Rs.30 crore as on January 15, 2021.

Key Rating Strengths**Long operational track record with experienced promoters and established brand name**

Dr. Narendra Kumar Shyamsukha started his career as a Practicing Chartered Accountant for 10 years in his own firm. Dr. Shyamsukha has also completed Doctorate from Mumbai University. In 1999, Dr. Shyamsukha ventured into vocational education industry. ICA has been in operation for the last 20 years under the leadership of Dr. Shyamsukha.

Diversity in the nature of courses offered with high share of Government backed programmes

ICA's business model consists of two programmes- 1. Retail (including coaching at own and franchise centres) and 2. Government programmes (DDU-GKY, PMKK, NSQF and Aspire). Under retail, ICA imparts coaching for Basic Accounts, Taxation (Direct and Indirect- including GST) coupled with three certifications from SAP, Microsoft and QuickBooks/Tally. ICA's Flagship course on Accounts & Taxation is CIA and CIA+. ICA also has a Degree Program with two major courses- BBA-Financial Services and B.Com- Banking & Finance.

ICA is a training and coaching institute and is a part of unorganised sector in education industry. Hence, it is not bound by regulatory risk in particular. It is an approved funded training partner of National Skill Development Corporation (NSDC) and provides training under DDU-GKY and PMKK programmes. These are government initiatives and are projected towards skill development of unskilled population of the country. Hence, these are funded by government.

Successful placement track record

ICA provides both job guarantee and non-job guarantee courses. ICA certified students under Job guarantee courses are entitled for an ATJ card (Any time Job). Under job guarantee courses, almost 100% of the willing individuals are placed.

Industry prospects

As a preventive measure to curb the further spread of the COVID-19 pandemic, schools universities, training centres and other educational institutions were closed across India since mid-March 2020. In such unprecedented times, managing the finances and working capital requirement will be crucial for educational institutions. 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.

The long-term outlook for the sector is favourable on expectation of 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 Scheme, flexibility in curriculum, innovation fund for secondary education, etc.

Liquidity analysis: Adequate

Liquidity is characterised by GCA of Rs.16.30 crore in FY20 vis-à-vis debt repayment obligation of Rs.15.94 crore. However, cashflow from operation was high at Rs.34 crore in FY20 providing liquidity comfort towards debt repayment. Furthermore, ICA had free cash and cash equivalents to the tune of Rs.4 crore to Rs.5 crore apart from project specific cash balance of Rs.20 crore-Rs.22 crore (for DDU-GKY projects). However, in H1FY21, the Company incurred cash loss of Rs.6 crore due to the lockdown situation impacting the operations. Further, the comfort is also drawn from realization of debtors, which reduced from Rs.51 crore as on March 31, 2020 to Rs.30 crore as on January 15, 2021. The utilisation of fund based facility stood at an average of ~76% supported by above unity current ratio (1.36x as on March 31, 2020). ICA has availed a moratorium from Standard Chartered bank and NSDC on its term loans.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's criteria on Educational sector](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's criteria on Short term instruments](#)

[Liquidity Analysis of Non-Financial Sector](#)

About the Company

ICA Edu Skills Private Limited (ICA), incorporated in 1999, is promoted by Kolkata based Mr. Narendra Kumar Shyamsukha. ICA is a training institute, specializing in training of job oriented accounts, finance and taxation. It has equal emphasis on domain and soft skills training. It has National Placement Network with over 30 placement offices and conducts periodic campus interviews

and job fairs. The company began its operations in Kolkata and it gradually expanded its operations to rest of India. Currently, ICA has 131 own and franchisee centres in retail vertical, 50 PMKK centres and 40 DDU-GKY centres in skills vertical. ICA has its presence all across the country in 23 states and over 100 cities. It is an ISO 9001:2015 certified institute. It is also an affiliated training partner with NSDC.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	162.78	150.89
PBILDT	27.32	22.71
PAT	1.16	4.67
Overall gearing (times)	1.96	1.26
Interest coverage (times)	3.47	3.15

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based – LT-Term Loan	-	-	December-2025	10.00	CARE BB+ ; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	21.50	CARE A4+
Fund-based- LT-Cash Credit	-	-	-	10.00	CARE BB+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Ratings	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund based- LT-Term Loan	LT	10.00	CARE BB+; Stable	-	1)CARE BB+; Stable (09-Mar-20)	-	-
2.	Non-fund-based- ST-Bank Guarantees	ST	21.50	CARE A4+	-	1)CARE A4+ (09-Mar-20)	-	-
3.	Fund-based-LT-Cash Credit	LT	10.00	CARE BB+; Stable	-	1) CARE BB+; Stable (09-Mar-20)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based – LT-Cash Credit	Simple
2.	Fund-based- LT- Term Loan	Simple
3.	Non-fund-based - ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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