



Press Release

IIT-ians Pace Education Private Limited (PACE IIT & Medical)

February 02, 2021

Ratings:

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Fund Based Bank Facilities – Term Loans	17.76	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
Long Term Fund Based Bank Facilities – Dropline Overdraft	20.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
Proposed Long Term Fund Based Bank Facilities	12.24	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
Total	50.00		

Details of Facilities are in Annexure 1

Detailed Rationale:

The aforesaid ratings assigned to the bank facilities of IIT-ians Pace Education Private Limited derives strength from professionally qualified and experienced management, Well established market presence coupled with strong brand recognition and Modern infrastructure with latest available technology. The rating however is constrained by modest debt protection parameters, presence in fragmented & competitive industry and challenges involved retaining high quality faculty.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in revenue and profitability leading to TOL/TNW below 4.5x on a sustained basis will be a rating positive.

Downward Factors



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- None achievements of projections as expected from 2021 & beyond will be a rating negative.

Key Rating Drivers with detailed description

Key Rating Strengths:

Professionally qualified and experienced management:

The company is being managed by experienced promoter Mr. Praveen Tyagi, Managing director and Mr. Kuldeep Tyagi, Director. Mr. Praveen has completed his B.Tech from Indian Institutes of Technology Delhi having more than 20 years of experience in the field of teaching. Mr. Kuldeep Tyagi looks after the planning and execution of strategies for the expansion and management of the institute. The promoters are assisted by the team of qualified & experienced professionals.

Well established market presence and strong brand recognition:

PACE IIT & Medical is in the business since last 22 years and has Pan-India presence through 46 centres across India. Out of the total Forty-Six centres, twenty-one centres are managed by the company and the remaining twenty-five are managed by the franchise. PACE have 2 international centres at Dubai. It enjoys strong brand recognition in Maharashtra. The management contends that majority of the selection from Maharashtra are from PACE. Presently the company had an intake capacity of 10,000 students.

Modern infrastructure with latest available technology:

PACE IIT & Medical provides world class facilities. Company's farsightedness of creating learning and testing platforms like PAC E-OLAA (Online Learning & Adaptive Assessment) and PANACEA - digital library for reference books, study materials and pre-recorded video lectures is completely in sync with the needs of the new online environment. Additionally PACE IIT & Medical and Eduisfun Technologies Private Limited are jointly launching "Step Prep"- a complete online coaching program for competitive exams.

Key Rating Weaknesses:



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Modest debt protection parameters:

The financial risk profile of the Company is modest marked by modest debt protection metrics and debt coverage indicators. Total Debt outstanding as on 31st March 2020 has reduced to Rs.48.34 Cr compared to Rs.50.59 Cr previous year. Total Debt / GCA ratio was at 10.60 times in FY2020 and Long term Debt to EBITDA stood at 4.18 times in FY2020 as against 4.29 times in FY2019. The company has recently invested around Rs.10.00 Crs in Eduisfun Technologies Private Limited (Eduisfun) for acts as a technology partner and sourcing channel. Pace will use digital solutions provided by Eduisfun. So, Pace in association with Eduisfun will be able to provide an effective solution through online platform.

The incremental benefits of this will be visible from FY 22 which will lead to moderation of debt protection metrics.

Presence in fragmented & competitive industry:

PACE IIT & Medical operates in a highly competitive & fragmented industry with relatively low entry barriers and thereby faces competition from many organized and unorganized players across the globe and puts pressure on profitability. Furthermore, with increasing growth opportunities for education and training sector due to government support/incentives, more players are entering the industry thereby facing intense competition from the market. With the recent introduction online education, additional pressure of competition is been added.

Challenges involved retaining high quality faculty:

Faculty is important for an education institute because at times it's not just about the tips and a trick of a subject, but the approach towards the subject. For PACE IIT & Medical to operate, it requires professionally qualified and experienced faculties. If interviewed and selected, retaining high quality faculty is a challenge. However, PACE IIT & Medical has retained some of its core faculties who have been working with them for more than 15 years.

Analytical Approach: Standalone

Applicable Criteria:



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Rating Methodology for Service sector companies.

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity - Stretched

The Company has stretched liquidity marked by tightly matched cash accruals to its maturing debt obligations. The average Annual Utilisation for the last 12 months ended Oct 2020 stood at 93.22%. The current ratio stood at 1.00 times as on 31 March, 2020.

About the Company:

IIT-ians Pace Education Private Limited (Pace IIT & medical) established in 1999 is in the business of coaching for competitive exams like IITJEE, BITSAT, NEET, AIIMS, JIPMER, Olympiads, TOEFL, SAT and other national and international-level competitive examinations. As the name suggest the company has its expertise in Engineering and Medical Coaching for IIT competitive exams. Company has state-of-the-art infrastructure, fully-loaded library, best pool of IITians and doctorates as faculty members, quality study material and testing methodology.

PACE IIT & Medical has pan-India presence through 46 centres across India. Pace has 2 international centres at Dubai.

Financials: Standalone

(Rs. Crore)

For the year ended/ As On	31-03-2019	31-03-2020
	(Audited)	(Provisional)
Total Operating Income	90.13	89.62
EBITDA	11.57	11.52
PAT	0.78	2.05
Total Debt	50.59	48.34
Tangible Net-worth	5.21	(2.28)



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<u>Ratios</u>		
EBITDA Margin (%)	12.84	12.86
PAT Margin (%)	0.86	2.29
Overall Gearing Ratio (x)	9.71	NM*

*Not Meaningful

Status of non-cooperation with previous CRA: Nil

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Bank Facilities – Term Loans	Long Term	17.76	IVR BB+/ Stable	--	--	--
2.	Long Term Fund Based Bank Facilities – Dropline Overdraft	Long Term	20.00	IVR BB+/ Stable	--	--	--
3.	Proposed Long Term Fund Based Bank Facilities	Long Term	12.24	IVR BB+/ Stable	--	--	--



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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Team:

Name: Rushabh Shah

Tel.: (022) 62396023

[Email: rps Shah@infomerics.com](mailto:rps Shah@infomerics.com)

Mr. Amit Bhuwania

Tel.: (022) 62396023

[Email: abhuwania@infomerics.com](mailto:abhuwania@infomerics.com)

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Term Loans	--	--	Upto Aug - 2029	17.76	IVR BB+/Stable
Long Term Fund Based Bank Facilities – Dropline Overdraft	--	--	--	20.00	IVR BB+/Stable
Proposed Long Term Fund Based Bank Facilities	--	--	--	12.24	IVR BB+/Stable