

ICFAI University Sikkim

April 30, 2019

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Working Capital Demand Loan	15.00	15.00	Rating upgraded from [ICRA]A(SO) (Stable) to [ICRA]A+(SO)(stable) and withdrawn
Term Loans	1.28	1.28	[ICRA]B+(Stable); rating withdrawn
Unallocated Limits	9.72	9.72	[ICRA]B+(Stable); rating withdrawn
Total limits	26.00	26.00	

Rationale

ICRA has upgraded the long-term rating for the Rs 15.00 crore working capital demand loan facility of ICFAI University Sikkim from [ICRA]A(SO)(Stable) to [ICRA]A+(SO)(Stable). Also, the ratings assigned to the Rs 26.00 crore bank facilities of ICFAI University, Sikkim have been withdrawn in accordance with ICRA's policy on withdrawal and suspension, as the facilities have been repaid and based on the no due certificates provided by its bankers.

Outlook: Not applicable

Key rating drivers

Guarantee and undertaking from the ICFAI Society – The guaranteed rating derived comfort from the irrevocable and unconditional corporate guarantee extended by The ICFAI Society and undertaking provided by the guarantor that it would ensure that the related debt obligations are serviced on or prior to the due date, irrespective of the invocation of the guarantee by the beneficiary.

For key rating drivers of the guarantor, kindly refer the below link

[Rating Rationale of The ICFAI Society](#)

Liquidity position

At the standalone level, liquidity remains tight owing to losses from operations. The liquidity of the entity was expected to be driven by the liquidity profile of the guarantor.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Higher Education Sector ICRA Policy on Withdrawal and Suspension of Credit Ratings
Parent/Group Support	Group Company/Guarantor: The ICFAI Society [ICRA]A+(Stable)/[ICRA]A1+; The rating for the guaranteed facility was based on an unconditional, irrevocable corporate guarantee extended by The ICFAI Society. The standalone rating was based on continued support from the ICFAI Society, given the strong linkages and importance of ICFAI University Sikkim to it.
Consolidation / Standalone	For arriving at the ratings, ICRA has considered the consolidated financial profile of the ICFAI group with the details of the consolidated entities given in Annexure-2

About the company:

The ICFAI University, Sikkim was established under Section 4 (2) of the Institute of Chartered Financial Analysts of India University, Sikkim Act 2004 (Act 9 of 2004) passed by Legislative Assembly of Sikkim. The university offers BBA, MBA and BHTM (Bachelor of Hospitality and Tourism Management) under the Faculty of Management; BCA under the Faculty of Science and Technology and 5-year integrated law program under the Faculty of Law from its own premises at Sichey, Sikkim.

About the Guarantor (The ICFAI Society)

The ICFAI Society (erstwhile The Institute of Chartered Financial Analysts of India) was established as a not-for-profit society in 1984. It commenced operations with the launch of the Chartered Financial Analyst (CFA) programme in 1985. Over the years, The ICFAI Society has sponsored and introduced several courses under different institutions and universities. Initially, three key not-for-profit entities were established - ICFAIAN Foundation, ICFAI Academy and ICFAI Foundation for Higher Education (IFHE), offering various courses at undergraduate and post-graduate levels. ICFAI Academy ceased operations from FY2011. Subsequently, it also established various state private universities under the respective state legislature acts across different locations in India.

The IFHE governs the IBSH campus. After getting the deemed-to-be-university status in December 2008, the university confers its own degree for various courses. The ICFAIAN Foundation covers operations of five IBS centres located across India. Additionally, the ICFAI Group has ten state private universities, offering various courses. The ICFAI state universities are in Dehradun, Tripura, Sikkim, Meghalaya, Mizoram, Nagaland, Jharkhand, Jaipur, Raipur and Himachal Pradesh. Some of these universities that are self-sufficient in funding their own operating expenses, receive financial support from The ICFAI Society towards infrastructure/campus development. The ICFAI Society supports funding shortfall to meet both operating expenses and capital expenditure requirements in case of newly-established universities.

ICFAI Group's financial profile is healthy, characterised by conservative capital structure, robust credit metrics and strong liquidity position on the back of healthy earnings generated over the years. Further, the Group enjoys financial flexibility on the back of sizeable unencumbered liquid cash balances and investments of Rs. 736-crore held as on March 31, 2018, as against consolidated debt of only Rs. 106.6 crore.

Key financial indicators (audited)

	Standalone		Consolidated	
	FY2017	FY2018	FY2017	FY2018
Operating Income (Rs. crore)	36.3	13.5	416.2	481.4
PAT (Rs. crore)	-2.4	-4.4	158.3	199.7
OPBDIT/OI (%)	0.9%	-23.9%	41.3%	41.3%
RoCE (%)	-4.1%	-23.3%	15.7%	16.5%
Total Debt/TNW (times)	158.4	-4.7	0.1	0.1
Total Debt/OPBDIT (times)	52.6	-6.3	0.3	0.5
Interest coverage (times)	0.2	-5.3	19.4	37.3

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Current Rating (FY2020)					Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
				Apr 2019	Feb 2018	Dec 2016	Dec 2015
1 WCDL	Long Term	15.00	-	[ICRA]A+(SO)(Stable); withdrawn	[ICRA]A(SO) (Stable)	[ICRA]A-(SO) (Stable)	[ICRA]BBB+(SO)(Stable)
2 Term Loan	Long Term	1.28	-	[ICRA]B+ (Stable); withdrawn	[ICRA]B+ (Stable)	[ICRA]B+	[ICRA]B+
3 Unallocated Limits	Long Term	9.72	-	[ICRA]B+ (Stable); withdrawn	[ICRA]B+ (Stable)	[ICRA]B+	[ICRA]B+

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	WCDL	-	-	-	15.00	[ICRA]A+(SO)(Stable); withdrawn
NA	Term Loan	FY2012	-	FY2019	1.28	[ICRA]B+(Stable); withdrawn
NA	Unallocated Limits	-	-	-	9.72	[ICRA]B+(Stable); withdrawn

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
The ICFAI Society	-	Full Consolidation
ICFAI Foundation for Higher Education	-	Full Consolidation
ICFAIAIN Foundation	-	Full Consolidation
ICFAI University Sikkim	-	Full Consolidation
The ICFAI University Dehradun	-	Full Consolidation
The ICFAI University Jharkhand	-	Full Consolidation
The ICFAI University Mizoram	-	Full Consolidation
The ICFAI University Nagaland	-	Full Consolidation
The ICFAI University Meghalaya	-	Full Consolidation
The ICFAI University Raipur	-	Full Consolidation
The ICFAI University Tripura	-	Full Consolidation
The ICFAI University Jaipur	-	Full Consolidation
The ICFAI University Himachal Pradesh	-	Full Consolidation

Note: The financial statements have been consolidated with all other operating entities in The ICFAI Group, as The ICFAI Society has extended unconditional, irrevocable corporate guarantee to all the entities, apart from extending regular financial support to them.

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