

Aviral Education Welfare and Cultural Society

January 19, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	27.72	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE B; Stable (Single B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	27.72 (Rs. Twenty-Seven Crore and Seventy- Two Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Aviral Education Welfare and Cultural Society (AEWCS) to monitor the ratings vide e-mails communications/letters dated January 08, 21, January 07, 21, January 06, 21, January 04, 21, December 10, 20, December 09, 20 and numerous phone calls. However, despite our repeated requests, the society has not provided the requisite information and No Default statement (NDS) for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

The rating on Aviral Education Welfare and Cultural Society's bank facilities will now be denoted as **CARE B-; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating has been revised on account of non-availability of information and non-submission of No Dues Statements due to non-cooperation by Aviral Education Welfare and Cultural Society (AEWCS) with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. The ratings takes into account the short track record with small scale of operations, weak financial risk profile, operations concentrated to a single geographical area with increasing competition from established and upcoming educational institutes and regulatory risk associated with the education sector. The ratings, however, draw comfort from experienced and well qualified members of the society, well established infrastructure coupled with qualified teaching staff and favourable demographic & socio-economic factors. Further, banker could not be contacted for due diligence exercise.

Detailed description of the key rating drivers

At the time of last rating on Jan 09, 2020, following were the rating strengths and weaknesses

Key Rating Weaknesses

Short track record with small scale of operations

As the operations were started in April 2017, the scale of operations of the society remained small marked by total operating income of Rs.1.25 crore during FY19 as against Rs.0.05 crore during FY18. The small scale limits the society's financial flexibility in times of stress and deprives it from scale benefits. Further, it has achieved TOI of Rs.1.45 crore in 9MFY20. AEWCS has a total strength of 186 students in school in the current academic session AS2019-20.

Weak financial risk profile

As the society is in initial stage of operations and high cost incurred leads to weak profitability margins of the society in FY19. The PBILDT margin stood weak at 9.44% in FY19. The deterioration in the PAT margin was on account of higher interest. As on March 31, 2019 the capital structure of the society comprises of vehicle loan, term loan and unsecured loans of Rs.0.42 crore, Rs.25.05 crore and Rs.10.86 crore respectively. The coverage indicators of the company stood weak as marked by interest coverage of 0.04x for FY19. However, the debt servicing is done through unsecured loans of Rs. 10.86 crore.

Operations concentrated to a single geographical area with increasing competition from established and upcoming educational institutes

AEWCS has its school within a single campus located in Ghaziabad, U.P which limits the reach penetration level for the society to tap opportunities. Further, due to increasing focus on education in India, a number of schools have been opened up in close proximity. This exposes the revenue of AEWCS to competition from other schools. The ability of AEWCS to enroll the projected number of students at a competitive fee structure depends on its capability to distinguish itself and leverage on its established brand name in the market.

Regulatory risk associated with the education sector

Despite the increasing trend of privatization of the education sector in India, regulatory challenges continue to pose a significant threat to the educational institutes. The regulatory authority for the schools, CBSE, functions under the supervision of the Controlling Authority, which is vested with the Secretary (Education), Government of India, and Ministry of Human Resource Development.

Key Rating Strengths***Experienced and qualified members of the society***

Mr. Ramandeep Singh is the current president of the society and has around one decade of experience in running education institution. Mr. Panchanan Mali (Manager Accounts) is a Post graduate by education and has an experience more than a decade in education industry. Further, they get support from other qualified members in the field of social work to carry out the day-to-day operations.

Well established infrastructure coupled with qualified teaching staff

The school has modern infrastructure featured with smart classrooms, computer laboratories, library, auditoriums, resource centre etc. This helps the school in offering all round development to the students. Further, AEWCS has employed experience teaching and administrative staff to support day to day operations.

Favourable demographic & socio- economic factors

In terms of demographic profile, India remains one of the youngest nations in the world with 34.33% of its population in the 15-24 years age bracket by 2020 i.e. the age group comprising the student population. In addition, other socio- economic factors such as growing personal disposable income of the Indian households, growing contribution of the services sector to India's GDP thereby requiring greater number of qualified youths has further provided an impetus to the growth of educational institutes in the country.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

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

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

[Rating Methodology – Educational Sector](#)

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

About the Society

Aviral Education Welfare and Cultural Society (AEWCS) was registered as an educational society in July, 2007 under Societies Registration Act, 1860 with an objective to provide education services by establishing and operating an educational institution and started its commercial operations in April, 2018. The society operates a school under the name of Delhi Public School (DPS) with a single campus spread over at 1.089 acre of land located at Ghaziabad, Uttar Pradesh. AEWCS located in Ghaziabad, Uttar Pradesh was established for providing primary and secondary education from Nursery to standard XII. The day to day management of the trust is carried by Mr. Jyoti Gupta (director), Mr. Adarsh Gupta (President) and Mr. Panchanan Mali (Manager Accounts). The society has employed experienced teaching and administrative staff to run the courses in efficient manner. The society has around 30 teaching staff and 30 administrative & supportive staff. AEWCS has a total strength of 186 students in school in the current academic session AS2019-20.

Key Financial Indicators

Rs. Cr.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	0.05	1.25
SBILDT	-0.15	0.12
Surplus	-0.36	-2.88
Overall gearing (times)	-49.92	-10.57
Interest coverage (times)	-0.71	0.04

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

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

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	-	-	-	27.72	CARE B-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	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	27.72	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable (09-Jan-20)	-	-

*Issuer did not cooperate; based on best available information

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-Term Loan	Simple

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

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades

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