

**Aviral Education Welfare and Cultural Society** (Revised)

January 9, 2020

**Rating**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long term Bank Facilities	27.72	CARE B; Stable (Single B; Outlook: Stable)	Assigned
Total facilities	27.72 (Rs. Twenty-Seven Crore and Seventy-Two Lakhs only)		

*Details of facilities in Annexure-1*

**Detailed Rationale and key rating drivers**

The rating assigned to the bank facilities of Aviral Education Welfare and Cultural Society is constrained by 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, regulatory risk associated with the education sector and stretched liquidity position. The ratings, however, draw comfort from experienced and well qualified members of the society, well established infrastructure coupled with qualified teaching staff and favorable demographic & socio- economic factors.

**Rating Sensitivities****Positive Factors**

- Increase in the scale of operations as marked by total operating income to around Rs. 5 crore on sustained basis.
- Improvement in profitability margins marked by PBILDT and PAT margins to around 12% and 4% respectively on sustained basis

**Negative Factors**

- Any incremental debt leads to deterioration in the capital structure which in turn further deteriorate the gearing to above 2 times.

**Detailed description of the key rating drivers****Key Rating Weakness****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 crores.

**Liquidity analysis: Stretched**

Liquidity is stretched on account of low cash and bank balance of Rs.0.73 crore as on March 31, 2019. The current and quick ratio stood 0.09x and 0.09x as on 31 March, 2019 as against 0.07x and 0.07x in 31 March, 2018 respectively.

**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.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

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 center 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.

**Favorable demographic & socio- economic factors**

In terms of demographic profile, India remains one of the youngest nations in the world with 37.9% of its population in the 5-24 years age bracket 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:**

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

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

[Rating methodology for Education 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 campus of the society is well equipped with modern classrooms, auditorium, library, computer centres, and resource centre etc. The school is affiliated to Central Board of Secondary Education (CBSE). 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.

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, Prov.: Provisional

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**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	-	-	June 2026	27.72	CARE B; Stable

**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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	27.72	CARE B; Stable	-	-	-	-

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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