

## Rating Rationale

### Ambience Education Society

March 16, 2018

**Brickwork Ratings reaffirms rating for the Bank Loan Facilities amounting to Rs. 39.02 Crs of Ambience Education Society**

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#### Particulars:

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based	44.44	39.02	Long Term	BWR B (Pronounced BWR B) Outlook: Stable	BWR B (Pronounced BWR Single B) Outlook: Stable (Reaffirmed)
<b>Total</b>	<b>44.44</b>	<b>39.02</b>	<b>INR 39.02 Crores (INR Thirty Nine Crores and Two Lakhs Only)</b>		

\* Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

#### Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of the company up to FY17, projected financial statements, publicly available information and information/clarifications provided by the company.

The rating continues to factor positively, the financial and managerial support of the promoters of the society, quality infrastructure and facilities at the school and maintenance of an escrow account with the Bank. The rating, however, is constrained by lower than expected growth in the enrollment, significant accumulated losses leading to negative networth, stiff competition in the education sector and reliance on promoters' funds to service its debt obligations.

Going forward the ability of the society to increase enrollments and improve its capital structure as well as profitability along with continued support from the promoters shall remain key rating sensitivities.

#### Key Rating Drivers:

Quality Infrastructure and Facilities in the School: The school infrastructure includes smart classes with most advanced Digital Teaching System (DTS), technology laboratories, science labs and an Auditorium which has a seating capacity of 300 people. Other facilities in the school include Library, Conference room, Teaching Learning Center, Art Room, Music room, Medical Clinic and Cafeteria.

High dependence on the promoter's financial support to meet debt obligation: The school currently is not self-reliant and is not generating sufficient cash flows to meet its debt obligations. Additional support from the promoters is required to ensure timely debt servicing. Unsecured loans from promoters & related parties increased to Rs. 36.03 Crs in FY17 from Rs. 27 Crs in FY16.

**Analytical Approach:** BWR has assessed the society on a standalone basis. Please refer to the applicable criteria at the end.

**Rating Outlook: Stable**

BWR believes that Ambience Education Society's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the society shows significant improvement in the profitability. The rating outlook may be revised to 'Negative' if profitability deteriorates any further.

**About the Company:**

Ambience Education Society (erstwhile Hillgrove Education Society) belongs to the New Delhi based Ambience Group and was started in 1971. It is running and operating a school in the name of Ambience Public School (erstwhile Hillgrove Public School) at Safdarjung Enclave, New Delhi. Ambience Education Society is registered under Section 25 of the Company Act, 1956.

Ambience Education School is a senior secondary school and have classes from Nursery to 12<sup>th</sup> Standard. The School is recognized by Directorate of Education: Delhi and is affiliated to Central Board of Secondary Education (C.B.S.E). The affiliation was renewed in April 2014 and is valid till 31<sup>st</sup> March 2019. The school presently has 1175 students.

**Company's Financial Performance:**

The society continues to report net losses on account of high staff & employee expense and interest & finance cost. During FY17, salaries & employee cost amounted to Rs. 8.17 Crs and interest cost was Rs. 6.99 Crs

*Key financial highlights are given in the table below:*

Key Financial Figures			
Particulars	Unit	FY16 (A)	FY17 (A)
Operating Income	Rs. Crores	10.95	10.75
EBITDA	Rs. Crores	1.64	-0.30
Net Profit	Rs. Crores	-5.73	-9.48
Adjusted Corpus Fund <sup>#</sup>	Rs. Crores	2.85	-0.05
Total Debt <sup>#</sup>	Rs. Crores	56.54	58.11
Total Debt : Equity <sup>#</sup>	Times	19.86	-ve

<sup>#</sup> After adjusting for unsecured loans from promoters and related parties

**Rating History for the last three years:**

Sl. No.	Facility	Current Rating (March 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017	2016	2015
1.	Term Loan	Long Term	39.02	BWR B <i>Reaffirmation</i>	No Rating Change	BWR B	BWR B
<b>Total</b>			<b>39.02</b>	<b>INR Thirty Nine Crores and Two Lakhs Only</b>			

**Status of Non-Cooperation with Previous CRA: NA**

**Any Other Information: NA**

**Hyperlink/Reference to Applicable Criteria:**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)

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**For print and digital media**

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the



Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

#### **DISCLAIMER**

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