

Rating Advisory

July 30, 2018 | Mumbai

Bombay Education Society

Advisory as on July 30, 2018

This rating advisory is provided in relation to the rating of Bombay Education Society

The key rating sensitivity factors for the rating include:

- Capital expenditure (capex) plans and their funding
- Ability to attract and retain professional talent
- Government regulations, with respect to free education quota

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Bombay Education Society (BES) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If BES continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About The Society

BES was established in 1815, by Arch Deacon George Barnes; Sir Evan Nepean, governor of Mumbai, was its first president. The society operates two schools: Christ Church School at Byculla in Mumbai and Barnes School at Deolali, Maharashtra.

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Rating Rationale

June 01, 2017 | Mumbai

Bombay Education Society

Rating Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.12 Crore
Long Term Rating	CRISIL A-/Stable (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed the '**CRISIL A-/Stable**' rating on the long-term bank loan facility of Bombay Education Society (BES).

The rating reflects the society's established track record of about 200 years in the education segment, and its strong capital structure and absence of external debt. These rating strengths are partially offset by susceptibility to regulatory changes related to educational institutions, and exposure to risks related to delays in obtaining regulatory approvals for increasing student intake capacity.

Key Rating Drivers & Detailed Description

Strengths

* Established track record in operating educational institutions:

BES, established in 1815, has a history of close to 200 years in the welfare and upbringing of children. The two schools under its management, Christ Church School at Byculla, Mumbai, (started in 1825), and Barnes School at Deolali, Nashik, (1925) feature among leading schools in Maharashtra. The society provides quality education to around 5,820 students through these two schools.

* Strong financial risk profile:

Financial risk profile is healthy, marked by a large networth and absence of debt. Networth is estimated at around Rs 64 crore as on March 31, 2017. Outstanding capital expenditure (capex) of Rs 10 crore, towards expansion of the Byculla complex to increase the number of classes, will be funded entirely via internal accrual, and thus, keep the society debt-free in the medium term.

Weakness

* Susceptibility to adverse regulatory changes related to educational institutions

The society requires approvals from the Indian Certificate of Secondary Examination (ICSE) board, and international bodies for conducting all its courses. The ICSE board regularly inspects facilities and infrastructure provided by schools, and any mismanagement or shortfall in mandated requisites, can initiate action against the society, which may directly affect the number of students/fee income.

* Exposure to risks related to delays in obtaining regulatory approvals for increasing student intake capacity

BES is registered under the Indian Companies Act, 1956, and is also governed by the relevant provisions of Societies Registration Act and Bombay Public Trusts Act, 1950. The trust does not have the option to raise funds through equity, and hence, will be mainly dependent on bank debt. Any secured borrowing also requires an approval from the Charity Commissioner, under the Bombay Public Trusts Act, 1950.

Outlook: Stable

CRISIL believes BES will maintain its strong financial risk profile, and continue to achieve moderate growth in operating income in the medium term, supported by increase in student capacity and commencement of the International Baccalaureate programme. The outlook may be revised to 'Positive' if the society reports a material and sustained growth in operating income, and a stable operating margin. The outlook may be revised to 'Negative' if any large, debt-funded capex, weakens the financial risk profile, or if any regulatory change adverse impacts operations.

About the Company

BES was established in 1815, by Arch Deacon George Barnes; Sir Evan Nepean, governor of Mumbai, was its first president. The society operates two schools: Christ Church School at Byculla in Mumbai and Barnes School at Deolali, Maharashtra.

For fiscal 2017, estimated profit after tax is Rs 9.93 crore on an operating income of Rs 35.66 crore, vis-a-vis Rs 9.35 crore and Rs 32.54 crore, respectively, for the previous fiscal.

Any other information: Not applicable

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate	Maturity date	Issue size (Rs crore)	Rating assigned with outlook
NA	Proposed long-term bank loan facility	NA	NA	NA	12.0	CRISIL A-/Stable

Annexure - Rating History for last 3 Years

Current				2017 (History)		2016		2015		2014		Start of 2014
Instrument	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	12	CRISIL A-/Stable		No Rating Change	16-05-16	CRISIL A-/Stable		No Rating Change		No Rating Change	CRISIL BBB+/Stable

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Proposed Long Term Bank Loan Facility	12	CRISIL A-/Stable	Proposed Long Term Bank Loan Facility	12	CRISIL A-/Stable
Total	12	--	Total	12	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs criteria for rating Education institutions](#)

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