

Adesh Welfare Society

Brickwork Ratings reaffirms the rating for the Bank Loan facilities of Rs. 131.91 crores of Adesh Welfare Society.

Particulars

Facility*	Amount (Rs. Cr)		Tenure	Rating#	
	Previous	Present		Previous (Mar, 2020)	Present*
Fund Based	106.99	103.91	Long Term	BWR BBB+ (Stable) Reaffirmation	BWR BBB+ (Stable) Reaffirmation
Non-fund Based	14.50	28.00			
Total	121.49	131.91	Rupees One hundred thirty one crore and ninety one lakhs		

Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

* Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork Ratings has reaffirmed the rating for the long term bank loan facilities of Adesh Welfare Society (AWS or the society). The rating draws strength from a comfortable financial risk profile, indicated by moderate debt coverage metrics, comfortable gearing and steady operating and net surplus generated by its operations. The rating continues to derive strength from long experience of the management in running educational institutions for more than 25 years, with diversified course offerings, strong student demand in the MBBS courses and sustained popularity of its hospital leading to assured cash flows for the society. The rating, however, remains constrained by consistent need for investment and upgradation in running a large educational setup especially in the medical college where the institute has to comply with a number of stringent regulations laid down by the governing bodies.

OUTLOOK: STABLE

BWR believes that the business risk profile of Adesh Welfare Society 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 receipts and surplus show sustained improvement. The rating outlook may be revised to 'Negative' if the receipts decrease and margins remain lower than expected.

KEY RATING DRIVERS

Credit Strengths:

- **Robust Financial Risk Profile:** Operating margins (OPM) and surplus margins (NPM) stood at 58.53% and 13.03 % respectively in FY21, as compared to 57.75 % and 9.75% respectively in FY20. Debt/Equity and TOL/TNW ratios stood at 0.95x and 1.26x in FY21, with ISCR at 3.95x in FY21 and 4.93x in 9MFY22. Net cash accruals (PAT+Dep.) for FY22 (Proj) at Rs. 47.32 Crs and Rs. 56.29 Cr in FY23 (Proj) are adequate to meet the maturing debt obligation for FY22 and FY23. Net cash accruals/Total debt ratio stood at 0.28x in FY21.
- **Moderate growth in receipts :** The student headcount in the Adesh Medical College & Hospital, which contributes to over 80% of the society's overall receipts, has increased in FY21 and FY22. The number of seats have been increased to 600 from 450 in FY22 in the MBBS course which is likely to aid the revenue growth in FY22 and FY23 . The society has booked an income of Rs. 74.20 Crs in 9MFY22 as compared to Rs. 86.68 Cr in FY21. The society is also in the process of getting approvals for PG courses in various streams.
- **Long track record of Adesh group of institutions:** AWS is a part of Adesh group, which also runs Adesh University, Bhatinda under Adesh Foundation, Muktsar. AWS benefits from the financial flexibility of Adesh group and its brand recognition among students. The management has over 25 years of experience in running different institutes. Besides the established engineering college, college of nursing & Adesh college of paramedical sciences, AWS has started Adesh Medical College & Hospital at Kurukshetra, Haryana in 2016 which contributes over 80% of the society's overall revenues. Adesh group on the whole runs 12 different institutes in Punjab & Haryana states.
- **Healthy demand in healthcare services:** The receipts from hospital operations of Adesh Medical College & Hospital have contributed ~ Rs 18.68 Crs in FY21 and Rs. 12.35 Cr in 9MFY22. Further, the student headcount has increased in FY21 as the new batch of MBBS students have been inducted. The society has also got permissions for increase in the student fee and induction of PG courses which is likely to aid revenue growth. The society has booked income of ~ Rs 74.20 Crs in 9MFY22.

Credit Risks:

- **Regulatory Risks:** The educational institutes and hospitals have to comply with a number of guidelines/rules such as fee structure, complying with infrastructural standards, minimum number of resident doctors and faculty members and minimum bed occupancy at the hospital. As a result, the colleges under the society run with a risk of not getting permissions for student admissions, imposition of financial & other penalties, risk of downgrade by accrediting agencies etc.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

The rating of AWS is arrived at on a standalone basis after independent evaluation of its financial risk profile. For arriving at its ratings, BWR has applied its rating methodology as detailed in the rating criteria detailed below (hyperlinks provided at the end of this rationale)

RATING SENSITIVITIES

Going forward, the ability of the society to improve its scale of operations, surplus margins, overall credit risk profile and efficiently manage its working capital obligations would be the key rating sensitivities.



Positive: The ratings may be revised upwards if the society's receipts, surplus and debt protection metrics show substantial improvement, besides other factors favoring an upgrade.

Negative: The ratings may be downgraded if there is an adverse movement in the financial risk profile such as deterioration in gearing, fall in the income and moderation of net surplus.

Liquidity Position- Adequate

Adequate liquidity indicated by moderate cash accruals vis-a-vis debt repayments, comfortable ISCR and DSCR, besides financial flexibility of the society in raising funds and donations in times of need. The society had unencumbered cash and cash equivalents of Rs. 7.80 Cr in FY21. The Current Ratio of the society stood comfortable at 6.69 x in FY21. Debt protection metrics stood moderate, with ISCR at 3.95 x and DSCR stood at 1.66 x in FY21. Net Cash accruals (PAT+Dep.) for FY22 (Proj) and FY23 (Proj) are Rs. 47.32 Crs and 56.29 crs respectively, are adequate to meet the maturing debt obligations of Rs. 12.20 Crs and Rs. 12.13 Crs respectively in FY22 (Proj) and FY23(Proj). In 9MFY22, the net cash accruals stood at Rs. 33.54 Crores. The average credit utilization of its bank limits for the last 6 months was approximately 70 %. Gearing ratio stood at 0.95x for FY21 and 0.66x in 9MFY22. The overall liquidity position is considered adequate

PROFILE

Adesh Welfare Society (Regd.), Muktsar (AWS), is a society registered on 22.02.1993 with Registrar of Firms & Societies, Punjab, under Societies Registration Act, 1860 having its registered office at Kotkapura Road, Muktsar, Punjab. The Society has a primary membership of 5 Members. The main promoters of the AWS are Dr. Harinder Singh Gill, Chairman and Mrs. Kamaldeep Kaur Gill, General Secretary. The Society also has colleges in the field of Nursing, Physiotherapy, Para-Medical Sciences, Institute of Technology, Hospital and Medical college. However the primary focus of the society is on Adesh Medical College & Hospital which started its operations in 2016, as this contributes to the maximum revenue.

KEY FINANCIAL INDICATORS (in (Rs. Cr) [AS AVAILABLE WITH BWR])

Key Parameters	Units	FY 21	FY 20
Result Type		Audited	Audited
Total Receipts	Cr	86.68	77.22
Operating Surplus	Cr	50.74	44.60
Net Surplus	Cr	11.30	7.53
Corpus Fund	Cr	145.74	134.44
Total Debt/Corpus Fund	times	0.95	0.95
Current Ratio	times	6.69	3.65

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NONE

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY for last three years (including suspension and withdrawals)

Instrument / Facilities		Current Rating (2022)		Rating History		
Facility	Tenure (Long Term/ Short Term)	Amount (Rs. Cr)	Rating	29/01/2021	2020	16/12/2019
Fund Based Term Loan Overdraft	Long Term	98.91 5.00	BWR BBB+ (Stable) Reaffirmation	BWR BBB+ (Stable) Reaffirmation	NA	BWR BBB+ (Stable) Reaffirmation
Non Fund Based Bank Guarantee		28.00				
Total		131.91	Rupees One hundred thirty one crore and ninety one lakhs			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Education Sector**

Analytical Contacts	
Nisha Nagar Primary Analyst B :+91 11 2341 2232 Ext :116 nisha.n@brickworkratings.com	Ashwini Mital Director - Ratings B :+91 172 5032295 ashwini.m@brickworkratings.com
1-860-425-2742	I media@brickworkratings.com

ANNEXURE I
Adesh Welfare Society
Details of Bank Facilities rated by BWR

S.No.	Name of the Bank	Type of Facilities	Long Term [Rs. Cr]	Short Term [₹ Cr]	Total [Rs. Cr]
1	HDFC Bank	Fund Based Term Loan Overdraft	98.91 5.00	\ -	103.91
		Non Fund Based Bank Guarantee	28.00	-	28.00
		TOTAL			131.91

Rupees One hundred and thirty one crore and ninety one lakhs

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER : Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.



The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, "BWR Party") guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.