



## Rating Rationale

### Adesh Foundation - Muktsar

24 October, 2017

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs.49.65 Cr of Adesh Foundation - Muktsar.

#### Particulars

Facility Rated	Amount (Rs. Cr)		Tenure	Rating *	
	Previous	Present		Previous	Present
<b>Fund based</b>					
Term Loan	15.42	44.75	Long Term	<b>BWR BBB</b> (Pronounced as BWR Triple B)	<b>BWR BBB</b> (Pronounced as BWR Triple B) <b>(Re-affirmed)</b>
Cash credit	2.00	2.00			
<b>Non-Fund Based</b>					
BG	1.70	2.90			
<b>Total</b>	<b>19.12</b>	<b>49.65</b>	<b>INR Forty Nine Crores and Sixty Five Lakhs Only.</b>		

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

#### Rating Reaffirmed

##### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY17, projections for FY18 and FY19, publicly available information and information/clarifications provided by the Adesh Foundation (AF).

The rating has factored in, inter alia, the past track record of the Adesh Foundation, its diversified course program offerings, experience of the management, improved financial profile during FY17, marked by low gearing levels with strong debt protection metrics, strong tangible net worth and healthy profit margins. However, the rating is constrained by AF's limited geographical diversity, regulatory risks associated with the education sector and the continuous need for capital expenditure for investment in infrastructure facilities.. Going forward, ability to execute the planned expenditure in time and promoting for good occupancy levels, providing quality healthcare, ability to retain good consultants, increase enrolment ratio, would be the key rating sensitivities.

#### Key Rating Drivers

##### Rating Strengths:

**Track record of college and experienced governing body:** AF has a long operational track record of over 22 years in the field of running educational institutions. The Society is established



by Dr. Harinder Singh Gill and his family members who are well qualified and have experience in the field of medicine and management.

**Diversified revenue stream with consistent growth and satisfactory enrolment ratio:** AF offers academic courses at Under-Graduate and Post-graduate levels in various fields. of which medicine courses contribute a significant portion of the total receipts during FY17. The Receipts increased from Rs. 106.20 Cr in FY15 to Rs. 113.57 Cr in FY16 and further increased to Rs. 115.17 Cr during FY17. Despite being present in the highly competitive education sector, the enrollment ratios of AF are at satisfactory levels.

**Comfortable capital structure:** The overall gearing of the society has remained comfortable at 0.12 times during FY17.

**Long track record of the group in medical stream:** The Adesh group has long standing experience in running medical college and hospitals along with other education institutions. AF's medical college has commenced operation in 2005 after receiving approvals from Medical Council of India and Ministry of Health and Family welfare.

#### **Key Rating Weaknesses**

**Volatile profitability margins** during the period FY15-17: During FY16, the society's SBIDT margin declined to 62.67% in FY16 as against 64.16% in FY15 on account of increase in operating expenditure. Further the SBIDT margin has declined to 59.11 % in FY17

**Limited outreach:** The entire operations of AF are concentrated in the state of Punjab and hence, the entire receipts of the university is dependent upon the business/ education potential from the state.

**Risks involved in the highly regulated educational sector:** Despite the increasing trend of privatization of education sector in India, the sector continues to operate under stringent regulatory purview. The operating flexibility of the education sector are limited, as regulations governs almost all aspects of operations, including fee structure, number of seats, changes in curriculum and infrastructure requirements.

**Competition from other institutions:** Increased number of educational institutions in the state/country has resulted in severe competition for education institutions.

#### **Rating Outlook: Stable**

BWR believes that **Adesh Foundation'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 revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

#### **About the Company:**

Adesh Foundation, Muktsar (AF) was established in 1995 under the Societies Registration Act, 1860. The main promoters of the AF are Dr. Harinder Singh Gill, Chairman, Mr. Jeet Mohinder



Sidhu, President and Ms. Kamaldeep Kaur Gill, General Secretary of the Society. Under the aegis of AF, they have established various institutions which offer courses in management, computer applications, engineering, pharmacy, nursing, physio therapy, dental and medical sciences. The Adesh Group established a self-financed private university in the name of ‘Adesh University’ in July 2012. All the institutions of AF are well equipped with modern facilities, laboratories, library, computer centres, canteen and hostels.

### Diversity of course offerings

Adesh Foundation, Muktsar, has 3 educational institutions under its umbrella beside a University started which is running ten programmes. Its two engineering colleges – Adesh Institute of Engineering & Technology and Bhai Maha Singh College of Engineering - offer under-graduate and post graduate courses in engineering along with management courses, and are affiliated to Maraja Ranjeet Singh, University Of Technical Education. Punjab

AF has been recognized as university in July 2012 and received other statutory approvals in Oct 2015, since then AF offering medicine courses. Other courses are nursing, physiotherapy and para-medical sciences which share hospital & other infrastructure etc

### Company Financial Performance

	ABS FY16	ABS FY17
<b>Total Receipts Rs Cr</b>	<b>113.57</b>	<b>115.17</b>
<b>SBIDTA Rs Cr</b>	<b>71.17</b>	<b>68.08</b>
<b>Net Surplus Rs Cr</b>	<b>35.58</b>	<b>35.76</b>
<b>Tangible Net Worth Rs Cr</b>	<b>279.72</b>	<b>315.48</b>
<b>Total Debt : TNW</b>	<b>0.16</b>	<b>0.12</b>
<b>Current Ratio ( Times)</b>	<b>5.28</b>	<b>7.09</b>

### Rating History for the last three years:

Sl. No.	Facility	Current Rating (October 2017)			Rating History		
		Type	Amount (Rs Cr)	Rating	Rating Assigned in 2016	Rating Assigned in 2015	Rating Assigned in 2014
1	Cash Credit	Long Term	2.00	<b>BWR BBB</b> Outlook: Stable <b>(Re-affirmed)</b>	<b>BWR BBB</b> Outlook: Stable	<b>BWR BBB</b> Outlook: Stable	<b>BWR BBB</b> Outlook: Stable
2	Term Loan		44.75				
3	BG		2.90				
<b>TOTAL</b>			<b>49.65</b>	<b>INR Forty Nine Crores and Sixty Five Lakhs Only.</b>			



**Any other information: NA**

**Status of non-cooperation with previous CRA: NA**

**Hyperlink/Reference to applicable Criteria:**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Service Sector](#)

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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**

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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.



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