

## RATING RATIONALE

31 Jan 2020

Adesh Foundation, Muktsar

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 27.55 Crores of Adesh Foundation Muktsar**

### Particulars

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous <sup>^</sup> (Sept 2018)	Present
Fund Based	40.47	25.50	Long Term	BWR BBB+ (Stable)	BWR BBB+ (Stable) <b>Reaffirmed</b>
Non-fund Based	2.05	2.05			
<b>Total</b>	42.52	27.55	INR Twenty Seven Crores & Fifty Five Lakhs Only		

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

\*\* Details of Bank facilities is provided in Annexure-I

<sup>^</sup>BWR issued Rating Not Reviewed Advisory on 19 Sept 19 for the Previous Rating

### RATING ACTION / OUTLOOK

The reaffirmation in the rating of Adesh Foundation, Muktsar (AFM or 'the society') has factored in the comfortable financial risk profile of the society indicated by its moderate debt coverage metrics, comfortable gearing because of steady accretion of corpus fund vis-a-vis low debt and strong operating & net surplus margins of the society. The rating continues to derive strength from the extensive experience of the management in running institutions with diversified course offerings for more than 25 years, strong student demand in the MBBS courses & sustained demand of the healthcare facilities leading to assured cash flows for the Adesh University, Bhatinda. The rating, however, remains constrained by high dependence on Adesh University, Bhatinda, for its revenues, besides falling student enrollments in other institutes running engineering & polytechnic courses, and consistent efforts required in complying with the stringent regulations laid down by the governing bodies such as UGC and Medical Council of India (MCI).

### OUTLOOK: STABLE

BWR believes that the business risk profile of **Adesh Foundation, Muktsar** 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 income and surplus of the society show

sustained improvement. The rating outlook may be revised to 'Negative' if the income goes down and the margins show lower than expected figures.

## KEY RATING DRIVERS

### Credit Strengths:

- **Healthy Financial Risk Profile:** AFM's financial risk profile improved in FY19 with its income growing at ~22% owing to increased fee receipts in Adesh University, Bhatinda, and operating & net surplus remaining strong at Rs 72.29 Crores & Rs 27.66 Crores. Corpus funds improved from Rs 351.29 Crores (FY18) to Rs 279.06 Crores (FY19) while the total debt almost remained flat at ~ Rs 39 Crore in FY19. ISCR & DSCR of the society also remained comfortable at 15.82x & 6.35x respectively in FY19. The society has generated receipts of ~ Rs 130 Crores in 9MFY20 against the projected revenue of ~ Rs 156 Crores for FY20.
- **Long track record of Adesh group of institutions:** Adesh Foundation, Muktsar, is a part of Adesh group, which also operates various colleges under Adesh Welfare Society, another trust functioning under the group. The management has over 25 years of experience in running five different institutes. Adesh group on a whole runs 12 different institutes in Punjab & Haryana state with MBBS being its flagship course. MBBS, MD & BDS courses along with other medical courses are run by Adesh University, Bhatinda. The student headcount in the university has increased from 4270 as on 31 Dec 2018 to 4789 as on 31 Dec 2019 as a result of rising student demand in some newly started courses. Moreover, the society has been consistently upgrading its infrastructure through its internal cash accruals to remain competitive and comply with various UGC guidelines. AFM has got all necessary approval for running the institutes by the respective governing bodies.
- **Healthy demand in healthcare services:** The receipts from hospital operations of Adesh Medical College & Hospital have increased from ~ Rs 19.66 Cr (FY18) to ~ Rs 21.66 Cr (FY19) owing to increased OPD patients in FY19. Also, considering the student demand in the MBBS course, the society is hopeful of increasing the sanctioned intake from 150 students to 250 students within the next two years.

### Credit Risks:

- **Regulatory Risks:** The educational institutes & hospitals are required 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.
- **Declining student demand in technical courses:** Although there is a steady student demand for the medical courses, the admissions and fee receipts in the engineering & polytechnic colleges is falling for the last three years. The number of students in four institutes (other than Adesh University) put together has declined by 505 numbers indicating weak student demand in courses other than those related to medicine.



## **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

The rating of Adesh Foundation Muktsar is arrived 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**

**Positive:** The ratings may be upgraded if the society is able to increase its student headcount translating into higher income and net surplus by over 30% each of the present levels, however, with no incremental debt and with improvements in the corpus fund among other favorable factors.

**Negative:** The ratings may be downgraded if there is an adverse movement in the financial performance such as fall in the income by more than 20% & moderation of net surplus to less than 50% of the present level. Further, the ratings may also be downgraded if there is any sort of restriction or ban placed on the society such as non- receipt of the approval for admissions in any course which may adversely affect the financial risk profile of the society.

### **LIQUIDITY POSITION: ADEQUATE**

Adequate liquidity indicated by comfortable cash accruals (~Rs. 69 Crores before working capital changes) vis-a-vis debt repayments of ~Rs. 7 Crores leading to a comfortable ISCR & DSCR of the society in FY19. The liquidity position is also ascertained by limited requirements of working capital limits (OD of Rs 2 Crs) as most of the cash is received in advance in form of the student fees.

### **PROFILE**

Adesh Foundation, Muktsar (AFM) was established in 1995 under the Societies Registration Act, 1860. The main promoters of the AFM are Dr. Harinder Singh Gill, Chairman, Mr. Jeet Mohinder Sidhu, President and Ms. Kamaldeep Kaur Gill, General Secretary of the Society. Under its aegis, AFM has established various institutions which offer courses in management, engineering, pharmacy, nursing, physiotherapy, dental and medical sciences. AFM established a self-financed private university in the name of 'Adesh University' at Bhatinda in July 2012. The courses offered by Adesh University are MBBS, MD, BDS, Paramedical, Nursing, Pharmacy etc.

### KEY FINANCIAL INDICATORS

Key Parameters	Units	FY 19	FY 18
Result Type		Audited	Audited
Net Receipts	Rs Crore	153.38	125.53
OPBDIT	Rs Crore	72.29	69.65
Net Surplus	Rs Crore	27.76	35.81
Corpus Fund	Rs Crore	379.06	351.29
Total Debt/Corpus Fund	Times	0.10	0.11
Current Ratio	Times	3.17	4.03

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NONE**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: NONE**

### RATING HISTORY

Instrument / Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	19 Sept 2019	18 Sept 2018	24 Oct 2017
<b>Fund Based</b>	Long Term	25.50	<b>BWR BBB+</b> (Stable) Reaffirmed	RNR advisory issued	<b>BWR BBB+</b> (Stable)	<b>BWR BBB</b> (Stable)
<b>Non-fund Based</b>		2.05				
<b>Total</b>		27.55	INR Twenty Seven Crores & Fifty Five Lakhs Only			

### COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Service Companies](#)

**For any other criteria, obtain hyperlink from our website**

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**Adesh Welfare Society**

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	SBI	Term Loan	23.50	-	23.50
2		Overdraft	2.00	-	2.00
3		Bank Guarantee	2.05	-	2.05
<b>TOTAL</b>			<b>27.55</b>	-	<b>27.55</b>

**Total Rupees 27.55 Crores only.**



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**About Brickwork Ratings** :Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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