

Rating Rationale

Brickwork Ratings reaffirms the Ratings to “BWR BBB” for the Bank Loan facilities aggregating ₹ 19.12 Cr of Adesh Foundation.

Brickwork Ratings reviews the **Rating¹** of the Bank Loan facilities aggregating Rs.19.12 Cr of Adesh Foundation. (AF or The Company) :

Facilities	Previous Limits in (₹ Cr)	Present Limits (₹ Cr)	Tenure	Previous Rating Dec 2015	Review Rating Aug 2016
Term Loan (Fund Based)	19.72	15.42	Long Term	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable (Re-affirmed)
Cash Credit (Fund Based)	2.00	2.00			
Bank Guarantee (Non-Fund Based)	1.70	1.70			
Total	23.42	19.12	INR Nineteen Crores and Twelve Lakhs Only.		

BWR has principally relied upon the audited financial results up to FY15, Provisional financials for FY16, projected financials for FY17 and FY18, and publicly available information and information/clarifications provided by the AF’s management.

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 in FY15, marked by low gearing levels with strong debt protection metrics, healthy Tangible Net Worth and Net 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.

Background:

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 its aegis, AF has 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 10 educational institutions under its umbrella. 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

¹ Please refer to www.brickworkratings.com for definition of the Ratings

with management courses, and are affiliated to Punjab Technical University, Jalandhar. Adesh Institute of Medical Sciences & Research(AIMSR) offers bachelor's and master's courses in medicine since 2005 and was affiliated to Baba Farid University of Health Science, Faridkot, until the academic year 2012-13. AF offers courses in nursing, physiotherapy and para-medical sciences which share hospital and other infrastructure with AIMSAR. In addition, Adesh Institute of Dental Sciences & Research, which was established in 2008, offers bachelor's course in dentistry.

Geographic concentration

The educational institutions run by Adesh Foundation are concentrated in the Southern region of Punjab. The State of Punjab has over 100 engineering colleges. Punjab also has 8 medical colleges including 3 State-run colleges. While competition is intense, there is also a great demand for MBBS and MD courses.

Financial Performance:

AF's Tangible Net Worth improved significantly from Rs. 244.14 Cr in FY15 to Rs. 280.29 Cr in FY16. Gross Receipts in FY16 stood at Rs. 113.04 Cr, an increase from Rs. 106.20 Cr in FY15 and Rs. 99.78 Cr in FY14. In addition, net surplus stood at Rs. 36.15 crs in FY16. Debt to Equity Ratio has improved from 0.18 times in FY15 to 0.16 times in FY16. Net Margin for FY16 was healthy at 31.98%.

Rating Outlook:

Adesh Foundation's performance is expected to be stable over the next twelve months. The ability of the AF's institutions to sustain in a competitive environment, maintain healthy gross enrolment, expand its infrastructure appropriately would be the key rating sensitivities.

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