

Rating Rationale

Brickwork Ratings upgrades the Rating of the Long Term Bank Loan facilities aggregating ₹ 23.42 Cr of Adesh Foundation to ‘BWR BBB’.

Brickwork Ratings upgrades the **Ratings**¹ of the Long term Bank Loan facilities aggregating ₹23.42 crores of Adesh Foundation (AF) from BWR BBB- to BWR BBB (Pronounced BWR Triple B)* (Outlook: Stable) during the annual review:

Facilities	Previous Limits in (₹ Cr)	Present Limits in (₹ Cr)	Tenure	Initial Rating July 2014	Review Rating Dec 2015
Term Loan* (Fund Based)	35.35	19.72	Long Term	BWR BBB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BBB (Pronounced as BWR Double B) Outlook: Stable (Up-gradation)
Cash Credit (Fund Based)	2.00	2.00			
Bank Guarantee (Non-Fund Based)	7.65	1.70			
Total	45.00	23.42	INR Twenty Three Crores and Forty Two Lakhs Only		

Note: * Term loans outstanding as on 31st Oct, 2015.

BWR has principally relied upon the audited financial results up to FY15, projected financials for FY16 and FY17, 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, physiotherapy, dental and medical sciences.

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

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 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 AIMSR. 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 ₹207.43 Cr in FY14 to ₹244.14 Cr in FY15. Gross Receipts in FY15 stood at ₹106.20 Cr, an increase from ₹99.78 Cr in FY14 and ₹84.34 Cr in FY13. In addition, net surplus increased from ₹35.06 in FY14 to ₹36.71 Cr in FY15. Debt to Equity Ratio declined from 0.26 times in FY14 to 0.18 times in FY15. Net Margin for FY15 was a healthy 34.57%.

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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