



## Rating Rationale

### Adesh Foundation Muktsar

18 Sep 2018

## Brickwork Ratings upgrades rating for the Bank Loan Facilities amounting to Rs. 42.52 Crs of Adesh Welfare Society

### Particulars:

Facility	Previous Rated Amount (Rs in Crs)	Present Rated Amount (Rs. in Crs)	Tenure	Previous Rating (2017)	Present Rating (2018)
Fund Based (Term Loan & OD)	46.75	40.47	Long Term	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable	BWR BBB+ (Pronounced as BWR Triple B Plus) Outlook: Stable <b>Rating Upgrade</b>
Non Fund Based-BG	2.90	2.05			
Total		42.52 (INR Forty Two Crores & Fifty Two Lakhs only)			

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

### Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results(FY17) & CA certified Provisional results for FY18 of Adesh Foundation, Muktsar, publicly available information and clarifications provided by the society

Rating upgrade reflects the consistent increase in the revenues & operating surplus of Adesh Foundation over last three years and significant increase in the corpus funds because of sustained accretion of each year's surplus to the reserves of the society. The rating upgrade also considers the management's rich experience of more than two decades in running institutions with diversified course offerings such as MBBS, BDS, Engineering & Technology, Pharmacy etc. The rating is further strengthened by Adesh's strong financial profile marked by high operating surplus, adequate debt coverage indicators, healthy cash flows, comfortable capital structure, low working capital intensity and steady growth rate in student headcount under Adesh University which is expected to translate into increased fee receipts in future. The rating also factors in the government's thrust in the healthcare industry, health awareness among people & good infrastructure facilities available in the hospital. However, the ratings continues to

18 Sep 2018



remain constrained by the challenges related to compliance of stringent regulations in the healthcare industry, ability to retain good medical practitioners for the medical college & hospital, continuous investments needed in upgradation of the technology & infrastructural facilities and managing reputational risks.

Going forward, the ability of the society to consistently increase its headcount in all its institutes with sustained improvement in fee collection while controlling its financial risk profile shall be the key rating sensitivities.

### **Key Rating Drivers:**

#### **Strengths:**

- **Consistent Increase in Fee receipts & Operating Surplus:** AF's has registered the CAGR growth of 5.4% in revenues from FY15 to FY18(Provisional). Society's net surplus has also increased from Rs 35.76 Crs (FY17) to Rs 37.22 Crs (Prov. 18) while the operating surplus increased from Rs 68.08 Cr (FY17) to Rs 71.54 Crs (Prov. 18).
- **Healthy financial risk profile:** Society's corpus fund improved to Rs 352.69 Crores in FY18(Prov.) from Rs 315.48 Crores in FY17. Society's debt protection metrics are sound with ISCR at 16.00 times and DSCR at 6.72 times at the end of FY18(Prov.). Its overall gearing is also comfortable at 0.13 times in FY18(Prov.) whereas its net cash accruals by total debt ratio comes at 1.46 times in the same financial year.
- **Encouraging growth in student headcount:** The student headcount increased with the growth rate of 48% in FY18 because Adesh Foundation introduced new courses such as Paramedical Sciences, BSc Anatomy, Ph.D courses, Library Sciences etc. in the recent years. Increased student headcount coupled with the student demand in already running courses is expected to increase the overall receipts of the society.

#### **Weakness:**

- **Exposure towards regulatory & reputational risks:** The educational institutes such as Medical College & Hospitals have to comply with plenty of guidelines/rules of Medical Council of India. Also, the regulatory body for universities, UGC, mandates the universities to incur significant capital investments to match its infrastructure standards. Also, there always remains an element of technological obsolescence risk and reputational risk in the operations of medical colleges & hospitals.

#### **About the Society:**

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. The Adesh Group established a self-financed private university in the name of 'Adesh University' in July 2012. Adesh Foundation, Muktsar was offering bachelor's and master's courses in medicine since 2005 and was affiliated to Baba Farid University of Health Science, Faridkot, Punjab before it was recognised as university. The society has received recognition from Medical council of India. Besides Adesh University in Bhatinda which is the oldest institution under Adesh Foundation, there are 4 other educational institutions run by the society. Its two engineering colleges – Adesh Institute of Engineering & Technology and Bhai Maha Singh College of Engineering - offer undergraduate and postgraduate courses in engineering along with management courses, and are affiliated to Maharaja Ranjeet Singh, University Of Technical Education, Punjab. The other two institutes are Adesh Inst. of Higher Studies & Malwa Polytechnic at Faridkot.

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

BWR believes that AF'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 society is able to post significant increase in its fee receipts with better net surplus. The rating outlook may be revised to 'Negative' if any new large capital expenditure by the society deteriorates its financial risk profile to a significant level.

#### **Financial Performance:**

AF booked net receipts of Rs 115.17 Crores in FY17 as against Rs. 113.57 Crores in FY16. Net Surplus stood at Rs 35.76 Crores in FY17 as compared to Rs 35.58 Crores in FY16.

<b>Parameters</b>		<b>FY 2016(A)</b>	<b>FY 2017(A)</b>	<b>FY 2018(Prov.)</b>
Net Receipts	<b>(Rs. in Crores)</b>	113.57	115.17	124.97
OSBDIT	<b>(Rs. in Crores)</b>	71.17	68.08	71.54
Net Surplus/(Deficit)	<b>(Rs. in Crores)</b>	35.58	35.76	37.22
Corpus Fund	<b>(Rs. in Crores)</b>	279.72	315.48	352.69
Total Debt/TNW	<b>Times</b>	0.16	0.12	0.13



**Rating History for the last three years:**

Facility	Rating Assigned at Present			Rating History		
	Amount (Rs. in Cr)	Tenure	Rating 2018	2017	2016	2015
Fund Based (Term Loan & OD)	40.47	Long Term	BWR BBB+ (Pronounced as BWR Triple B Plus) Outlook: Stable <b>Rating Upgraded</b>	BWR BBB (Pronounced as BWR Triple B), Outlook: Stable	BWR BBB (Pronounced as BWR Triple B), Outlook: Stable	BWR BBB (Pronounced as BWR Triple B), Outlook: Stable
Non Fund Based-BG	2.05					
Total	42.52 (INR Forty Two Crores & Fifty Two Lakhs only)					

Status of non-cooperation with previous CRA: NA

**Hyperlink/Reference** to **Applicable** **Criteria:**

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

Analytical Contacts	Media
<u>Satvinder Kumar Gakhar</u> DGM - Ratings	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<b>Relationship Contact</b>
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	



### **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.

### **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**

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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

### **DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.