

## Rating Rationale

### Brickwork Ratings upgrades Ratings to ‘BWR BBB-’ for the Long-Term Bank Loan facilities aggregating ₹ 45 Cr of Adesh Foundation, Muktsar

Brickwork Ratings *upgrades* the following **Rating**<sup>1</sup> from BWR BB+ for Bank Loan facilities of *Adesh Foundation, Muktsar (AFM)* during the annual review.

Facility	Amount (₹ Cr)	Tenure	Rating Upgrade	Rating History
Fund Based:		<b>Long Term</b>	<b>BWR BBB-</b> (Pronounced BWR Triple B Minus)  <b>Outlook: Stable</b>	Amount ₹ 64.15 Cr Rating assigned BWR BB+ (Pronounced BWR Double B Plus) Outlook: Stable April 2013
<b>Over Draft Limit</b>	<b>2.00</b>			
<b>Term Loans*</b>	<b>35.35</b>			
Non Fund Based:				
<b>Bank Guarantee</b>	<b>7.65</b>			
<b>TOTAL</b>	<b>45.00</b>	<b>INR Forty Five Crores only</b>		

**Note:** \* Term loans outstanding as on 18<sup>th</sup> June, 2014.

BWR has principally relied upon the audited financial results upto FY13, provisional financial results for FY14, projected financials for FY15, and publicly available information and information/clarifications provided by the AFM’s management.

The rating has factored, inter alia, the track record of the Adesh group, diversified course programmes, the experience of the management and the financial profile marked by low gearing level with strong debt protection metrics, healthy tangible networth and margins. However, the rating is constrained by AFM’s limited geographical diversity, regulatory risk associated with the education sector and the continuous need for capital expenditure for investment in infrastructure facilities.

#### Background:

*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.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

Under its aegis, AFM has established various institutions which offer courses in management, computer applications, engineering, pharmacy, nursing, physiotherapy, dental and medical sciences. The Adesh Group has established self-financed private University in the name of 'Adesh University' in July 2012. All the institutions of AFM are well equipped with modern facilities, laboratories, library, computer centres, canteen and hostels.

At present, the Trust has 10 institutions, more than 640 teaching staff, and around 7350 students.

### **Diversity of course offerings:**

Adesh Foundation, Muktsar has 10 educational institutions under its umbrella. It's 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 is 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. AFM 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:**

AFM's Tangible Net Worth improved significantly from Rs. 142.88 Cr in FY12 to Rs. 172.27 Cr in FY13. Gross Receipts in FY13 stood at Rs. 84.34 Cr, an increase from Rs. 80.12 Cr in FY12 and Rs. 73.75 Cr in FY11. In addition, net surplus increased from Rs. 27.22 in FY12 to Rs. 29.29 Cr in FY13. Leverage declined from 0.47 times in FY12 to 0.40 times in FY13. Net Margin for FY13 was a healthy at ~34%.

As per the provisional financials for FY14, AFM has achieved gross receipts of Rs. 99.75 Cr and a net surplus of Rs. 34.68 Cr. Leverage at 0.26 times, has also declined from 0.40 in FY13 due to repayment of term loans.

The Banks have reported that the conduct of the accounts is good and they are standard assets.

**Rating Outlook:**

Adesh Foundations performance is expected to be stable over the next twelve months., The ability of the AFM’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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