

## RATING RATIONALE

16 Dec 2019

### Adesh Welfare Society

### Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 98.66 Crores of Adesh Welfare Society

#### Particulars

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous <sup>^</sup> (July 2018)	Present
<b>Fund Based</b>	91.06	79.16	Long Term	<b>BWR BBB+</b> (Stable)	<b>BWR BBB+</b> (Stable) <b>Reaffirmed</b>
<b>Non-fund Based</b>	19.50	19.50			
<b>Total</b>	110.56	98.66	INR Ninety Eight Crores & Sixty Six 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 12 July 19 for the Previous Rating

#### RATING ACTION / OUTLOOK

The reaffirmation of the rating of Adesh Welfare Society (AWS or ‘the society’) has factored in the comfortable financial risk profile of the society indicated by its moderate debt coverage metrics, comfortable gearing and steady operating & net surplus generated by the society. The rating also continues to derive strength from long experience of the management in running institutions with diversified course offerings for more than 25 years, strong student demand in the MBBS course & sustained demand of the healthcare facilities leading to assured cash flows for the society under its medical college and hospital located at Kurukshetra, Haryana. The rating, however, remains constrained by consistent need for investment & upgradation in running a large educational setup coupled with the risk & efforts required in complying with the stringent regulations laid down by the governing bodies. The society is also exposed to challenges in retaining top faculties & consultants at the medical college & hospital.

#### OUTLOOK: STABLE

BWR believes that the business risk profile of **Adesh Welfare Society** 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:** AWS's financial risk profile improved in FY19 with its income growing at 9.2%, operating surplus improving by 25.51% and net surplus increasing by 16.9% while the total debt of the society reduced from Rs 138.27 Cr to Rs 134.11 Cr in FY19. The gearing of the society also improved from 1.16x (FY18) to 1.06x (FY19) as the society continued ploughing back the surplus into operations. The ISCR & DSCR of the company improved from 2.43x & 1.16x in FY18 to 3.68x & 1.39x respectively in FY19.
- **Long track record of Adesh group of institutions:** Adesh Welfare Society is a part of Adesh group, which runs Adesh University, Bhatinda under Adesh Foundation, Muktsar. AWS benefits from the financial flexibility of Adesh group and its brand recognition among students. The management has over 25 years of experience in running different institutes. Besides the established engineering college, college of nursing & adesh college of paramedical sciences, AWS has recently started Adesh Medical College & Hospital at Kurukshetra, Haryana which contributes ~ 65% of the society's overall revenues. Adesh group on whole runs 12 different institutes in Punjab & Haryana state.
- **Healthy demand in healthcare services:** The receipts from hospital operations of Adesh Medical College & Hospital have increased from ~ Rs 19 Cr (FY18) to ~ Rs 27 Cr (FY19) owing to increased OPD patients in FY19. Further, the student headcount has increased in FY20 as the new batch of MBBS students have been inducted, leading to increased income in FY20. The society booked income of ~ Rs 63.70 Crs for 7MFY20.

### 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. Moreover, the society could not induct AY18-19 MBBS batch because the permission for renewal was not received from Medical Council of India, although it was received for AY19-20 batch. Going forward, renewal of the permission from the regulatory body will remain a key regulatory risk with respect to the society's rating.

## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

The rating of Adesh Welfare Society are arrived at 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 50% 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 risk profile such as deterioration in gearing of over 2x, fall in the income by more than 20% & moderation of net surplus to less than 30% of the present level. Further, the ratings may also be downgraded in case the society fails to induct the forthcoming MBBS batch for any reason whatsoever.

## LIQUIDITY POSITION: ADEQUATE

Adequate liquidity indicated by moderate cash accruals vis-a-vis debt repayments, comfortable ISCR & DSCR of the company and financial flexibility of the society in raising funds & donations in times of need. The liquidity profile is also supported by the strong financial position of Adesh Foundation, Muktsar which is running five institutes including Adesh University, Bhatinda.

## COMPANY PROFILE

Adesh Welfare Society (Regd.), Muktsar (AWS), is a society registered on 22.02.1993 with Registrar of Firms & Societies, Punjab, under the Societies Registration Act, 1860 having its registered office at Kotkapura Road, Muktsar, Punjab. The Society has primary membership of 7 Members. The main promoters of the AWS are Dr. Harinder Singh Gill, Chairman and Mrs. Kamaldeep Kaur Gill, General Secretary. The Society also has colleges in the field of Nursing, Physiotherapy, Para-Medical Sciences, Institute of Technology, Hospital and Medical college. Adesh Medical College & Hospital started operations in 2015.

## KEY FINANCIAL INDICATORS

Key Parameters	Units	FY 19	FY 18
Result Type		Audited	Audited
Total Operating Income	Rs Crore	71.96	65.87
OPBDIT	Rs Crore	42.16	33.59
Net Surplus	Rs Crore	5.91	5.92
Corpus Fund	Rs Crore	126.16	119.25
Total Debt/Corpus Fund	Times	1.06	1.16
Current Ratio	Times	1.93	3.11

## 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	12 July 2019	11 July 2018	21 Sept 2017
<b>Fund Based</b>	Long Term	79.16	<b>BWR BBB+ (Stable) Reaffirmed</b>	<b>Rating Not Reviewed</b>	<b>BWR BBB+ (Stable)</b>	<b>BWR BBB (Stable)</b>
<b>Non-fund Based</b>		19.50				
<b>Total</b>		98.66	INR Ninety Eight Crores & Sixty Six 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**

Analytical Contacts	Investor and Media Relations
<p><b>Sumit Saharan</b>            Primary Analyst            Board: +91-172-5032295 Ext: 104  <a href="mailto:sumit.s@brickworkratings.com">[sumit.s@brickworkratings.com]</a></p> <p><b>Ashwini Mital</b>            [Director – Ratings]            Board: +91-172-5032295 Ext: 102  <a href="mailto:ashwini.m@brickworkratings.com">[ashwini.m@brickworkratings.com]</a></p>	<p><b>Liena Thakur</b>            Assistant Vice President - Corporate Communications            M : +91 84339 94686  <a href="mailto:liena.t@brickworkratings.com">liena.t@brickworkratings.com</a></p>

**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	77.16	-	77.16
2		Cash Credit	2.00	-	2.00
3		Bank Guarantee	19.50	-	19.50
<b>TOTAL</b>			<b>98.66</b>	<b>-</b>	<b>98.66</b>

**Total Rupees 98.66 Crores only.**

**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.

**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.

**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