

RATING RATIONALE

29 Jan 2021

Adesh Welfare Society

Brickwork Ratings reaffirms the ratings for the bank loan facilities of ₹ 121.49 Crores of Adesh Welfare Society

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Dec 2019)	Present
Fund Based	79.16	106.99	Long Term	BWR BBB+ (Stable)	BWR BBB+ (Stable) Reaffirmation
Non-fund Based	19.50	14.50			
Total	98.66	121.49	Rupees One Hundred Twenty One Crores & Forty Nine Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

**Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

The reaffirmation in the rating of Adesh Welfare Society (AWS or the society) factors in its comfortable financial risk profile, indicated by moderate debt coverage metrics, comfortable gearing and steady operating and net surplus generated by its operations. The rating continues to derive strength from long experience of the management in running educational institutions, for more than 25 years, with diversified course offerings, strong student demand in the MBBS courses and sustained popularity of its hospital located at Kurukshetra, Haryana, leading to assured cash flows for the society. The rating, however, remains constrained by consistent need for investment and upgradation in running a large educational setup especially in the medical college where the institute has to comply with a number of stringent regulations laid down by the governing bodies.

COVID IMPACT

The society's operations were impacted due to nationwide lockdown imposed during March and April'20. Due to delay in the competitive exams, student counselling, admissions and fee receipts have got delayed. In order to support the liquidity position in the short term, the society had availed a moratorium on its term loan repayments as per RBI guidelines. It has also availed the interest moratorium in its overdraft limit, although the interest payments for the term loans and OD limit has been paid off as on date.

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 receipts and surplus show sustained improvement. The rating outlook may be revised to 'Negative' if the receipts decrease and margins remain lower than expected.

KEY RATING DRIVERS

Credit Strengths:

- **Healthy Financial Risk Profile:** AWS's financial risk profile remained comfortable in FY20 with its income growing at 7.3%, operating surplus improving by 9.4% and net surplus increasing by 8.9% while the total debt of the society reduced from Rs 134.11 Cr to Rs 120 Cr in FY20. The gearing also improved from 1.06x (FY19) to 0.90x (FY20) as the society continued ploughing back the surplus into operations. The ISCR & DSCR stood at 3.60x & 1.45x respectively in FY20.
- **Expected growth in receipts in FY21 & FY22:** The student headcount in the Adesh Medical College & Hospital, which contributes to over 80% of the society's overall receipts, has increased in FY21 as the new batch of MBBS students have been inducted. The society has also got permission for an increase in the student fee which is likely to aid the revenue growth in FY21 & FY22. Against the expectations of surpassing Rs 90 Crs of receipts, the society has booked income of ~ Rs 66.42 Crs in 9MFY21. The society is also in the process of getting approvals for PG courses in various streams.
- **Long track record of Adesh group of institutions:** AWS is a part of Adesh group, which also 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 started Adesh Medical College & Hospital at Kurukshetra, Haryana in 2015. Adesh group on whole runs 12 different institutes in Punjab & Haryana state.

Credit Risks:

- **Risks Associated with the CAPEX:** Adesh Medical College & Hospital is expanding its infrastructure to support the induction of its 5th MBBS batch, permission for which is expected in some months down the line. To comply with the Medical Council of India's statutory norms, it is increasing its hospital bed capacity from 410 to 650 besides also investing in building, hostels, labs and medical equipment. The society has taken Rs 35 Crs of Term Loans from a consortium of lenders to fund this project cost of Rs 54 Crs with the society contributing the rest from internal accruals. Timely completion of the undergoing project and grant of the MCI's approval will remain key monitorable.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

The rating of AWS is 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 revised upwards if the society's receipts and surplus show improvement of over 30% and the DSCR improves to over 2x, besides other factors favouring an upgrade.

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.

LIQUIDITY POSITION: ADEQUATE

Adequate liquidity is indicated by expected cash accruals of the society at Rs 30-35 Crs vis-a-vis low debt repayments in FY21, comfortable ISCR & DSCR and financial flexibility of the society in raising funds & donations in times of need. The society's debt repayments are going to be 10-12 Crs in FY21 as it has availed COVID related moratorium on its term loans. The society had a cash balance of Rs 2.74 Crs and current investments of ~9 Crs in the shape of FDRs in March 2020. The fee is received mostly in current accounts of each institute. However, the utilisation of OD limit remains between 95-100%.

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 20
Result Type		Audited	Audited
Total Receipts	Rs Crore	71.96	77.22
Operating Surplus	Rs Crore	42.16	44.60
Net Surplus	Rs Crore	5.91	7.53
Corpus Fund	Rs Crore	126.16	134.44
Total Debt/Corpus	Times	1.06	0.90
ISCR	Times	3.68	3.60



KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NONE

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NONE

RATING HISTORY FOR LAST THREE YEARS (INCLUDING WITHDRAWN/SUSPENDED)

Facility/ Instrument	Current Rating					Rating History (Amounts in Rs Crs)					
	29 Jan 2021					2020	16 Dec 2019			11 July 2018	
	Type	Facility	Amount	Rating		Facility	Amount	Rating	Facility	Amount	Rating
Bank Loan Rating	Long Term	FB	106.99	BWR BBB+/ Stable	NA	FB	79.16	BWR BBB+/ Stable	FB	79.16	BWR BBB+/ Stable
	Short Term	NFB	14.50			NFB	19.50		NFB	19.50	
	Total		121.49			Total	98.66		Total	98.66	

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

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Adesh Welfare Society

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Term Loans	104.99	-	104.99
2	Overdraft	2.00	-	2.00
3	Bank Guarantee	14.50	-	14.50
TOTAL		121.49	-	121.49

Total Rupees One Hundred Twenty One Crores & Forty Nine Lakhs Only.

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