



## Rating Rationale

Adesh Welfare Society

11 July 2018

### Brickwork Ratings upgrades rating for the Bank Loan Facilities amounting to Rs. 110.56 Crs of Adesh Welfare Society

#### Particulars:

Facility	Previous Rated Amount (Rs Cr)	Present Rated Amount (Rs. in Cr)	Tenure	Previous Rating (2017)	Present Rating (2018)
Fund Based Term Loan	91.20	89.06	Long Term	BWR BBB (Pronounced as BWR Triple B), Outlook: Stable	BWR BBB+ (Pronounced as BWR Triple B Plus) Outlook: Stable  <b>Rating Upgraded</b>
Fund Based Cash Credit	2.00	2.00			
Non Fund Based BG	9.50	19.50			
Total		110.56 (INR One Hundred Ten Crores & Fifty Six 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 Welfare Society (AWS), publicly available information and clarifications provided by the society

Rating upgrade reflects the significant increase in the revenues & operating surplus of Adesh Welfare Society in FY18 (Provisional FY18) as a result of successful launch of the MBBS course in Academic year 2017 and 100% enrolment ratio of the students in the current academic year of 2018. The rating further derives strength from consistent accumulation of funds in the corpus through contribution from society members and net surplus which is ploughed back into the society's operations each year. Society's corpus funds as per the provisional Balance sheet for FY18 stands at Rs 119.71 Crores. The rating upgrade also considers the experience of the management in running institutions with diversified course offerings for more than 25 years and the abundance of knowledge & experience its members bring to the table. The society has inducted more than 152 faculty members for its MBBS course at Adesh Medical College & Hospital (AMCH), near Ambala (Haryana) which presently is the key focus institute for the society.

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However, the ratings are constrained by the challenges related to compliance of stringent regulations in the healthcare industry, ability to retain good consultants for the hospital, continuous investments needed in upgradation of the technology equipments & infrastructural facilities & 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 sensitivity.

### **Key Rating Drivers:**

#### **Strengths:**

- **Increased Fee receipts & Operating Surplus:** AWS's newly started Medical college and hospital has lead to an overall revenue growth of 50.70% in FY18 (Provisional). Society's net surplus has also increased from Rs 4.12 Crs (FY17) to Rs 6.38 Crs (Prov. 18) while the operating surplus before depreciation increased by 84% from Rs 16.56 Cr (FY17) to Rs 30.50 Crs (Prov. 18).
- **Healthy financial risk profile:** Society's corpus fund improved to Rs 119.71 Crores in FY18(Prov.) from Rs 109.33 Crores in FY17. Society's debt protection metrics are sound with ISCR at 2.20 times and DSCR at 1.17 times at the end of FY18(Prov.)
- **Healthy Demand Outlook for healthcare services:** Migration of people to cities, increasing disposable income and increased awareness on health will lead to more demand for healthcare services in future. This will drive the growth in hospital operations of Adesh Welfare Society in short to medium term.

#### **Weakness:**

- **Susceptibility of the Adesh Medical College & Hospital to Technological Obsolescence, Regulatory & Reputational Risks:** The educational institutes & hospitals have to comply with plenty of guidelines/rules such as fee structure, number of intake, infrastructure standards etc, which is a cumbersome task in itself. Further, the technological obsolescence of the machines with advancement in healthcare science requires consistent investments by the hospitals, thus adding pressures on the margins.

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

Adesh Welfare Society (Regd.), Muktsar (AWS), a society registered on 22.02.1993 with Registrar of Firms & Societies, Punjab, under Societies Registration Act, 1860 has its registered office at Kotkapura Road, Muktsar, Punjab. The Society has primary membership of 7 Members. The promoters of AWS



are Dr. Harinder Singh Gill, Chairman and Mrs. Kamaldeep Kaur Gill, General Secretary. The society also runs different colleges in Punjab in the field of Nursing, Physiotherapy, Para-Medical Sciences & Engineering. It has established an Engineering college in the name of Adesh Institute of Technology in 2012 which is affiliated to Punjab Technical University, Jalandhar. AMCH is the latest project of the society which is a 700 bedded hospital and medical college with sanctioned intake of 150 seats per academic year. The hospital commenced its operations in 2015 and currently has 23 speciality departments.

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

BWR believes that AWS'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 or there is any decline in occupancy levels.

#### **Financial Performance:**

AWS booked net receipts of Rs 37.43 Crores in FY17 as against Rs. 31.11 Crores in FY16. Net Surplus/(Deficit) stood at Rs 4.12 Crores in FY17 as compared to Rs 20.28 Crores in FY16. (In FY16 the society had substantial non operating income due to profit on sale of assets)

<b>Parameters</b>	<b>FY 2016(A) (Rs. in Cr)</b>	<b>FY 2017(A) (Rs. in Cr)</b>	<b>FY 2018(Prov.)</b>
Net Receipts	31.11	37.43	56.41
OSBDIT	17.78	16.56	30.50
Net Surplus/(Deficit)	20.28	4.12	6.38
Corpus Fund	102.71	109.33	119.71
Total Debt/TNW	0.95	1.04	1.19

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

Facility	Present Rating			Rating History		
	Amount (Rs. in Cr)	Tenure	Rating 2018	2017	2016	2016
Fund Based Term Loan	89.06	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
Fund Based Cash Credit	2.00					
Non Fund Based BG	19.50					
<b>Total</b>	<b>110.56 (INR One Hundred Ten Crores &amp; Fifty Six Lakhs only)</b>					

Status of non-cooperation with previous CRA: NA

**Hyperlink/Reference to Applicable Criteria:**

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

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**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**

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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 ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

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