



Rating Rationale

Alamelu Charitable Foundation

23 Apr 2019

Brickwork Ratings assigns 'BWR AA/A1+' for the bank loan facilities of Rs. 450.00 Crore of Alamelu Charitable Foundation ['ACF' or 'the foundation'], Vijayawada, Andhra Pradesh

Particulars

Facilities	Amount (Rs. Crs)	Tenure	Ratings*
Fund Based			BWR AA
Short Term Loans	200.00	Long Term	<i>(Pronounced as BWR Double A)</i>
Proposed Term Loan	230.00		Outlook: Stable
Non Fund Based			BWR A1+
Bank Guarantee	10.00	Short Term	<i>(Pronounced as BWR A One Plus)</i>
Loan Equivalent Risk	10.00		
Total	Rs. 450.00 Crore (Rupees Four Hundred and Fifty Crore Only)		

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

Note:

- Annexure I provides details of the credit facilities
- Axis Bank has sanctioned Short Term Loan for a tenure of 18 months from the date of first disbursement. Letter of Credit facility of Rs. 100.00 crore is a sub-limit of Short Term Loan within the overall limit of Rs. 200.00 crore

Rating assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Brickwork Ratings has essentially relied upon the audited financials upto FY18, provisional financials upto 9MFY19, publicly available information and information/clarifications provided by the foundation's management.

The ratings draws strength from the strategic, management, operational and financial support from Tata Trusts and the dedicated, resourceful management committed to offering affordable, accessible and high quality healthcare delivery services. The rating favourably factors the extensive experience and knowledge of Tata Trusts in the health sector and the significant initiatives undertaken to provide a universal healthcare model through ACF to provide innovative solutions to the challenges facing rural healthcare delivery. BWR takes note of the substantial grants committed to ACF by Tata Trusts towards implementing the state-of-the-art Cancer Healthcare facilities across India. However, the rating is constrained by the high



dependence on grants and donations from the Tata Trusts and Tata Group entities, exposure to risks of termination of grants in the event of unsatisfactory progress of projects/breach of terms of grants commitment, vulnerability to volatility in income with uncertainty in cashflows and need for continuous funds for consistent delivery of services.

Going forward, ACF's ability to develop a sustained mechanism for mobilisation of funds for growth, ensure scalability of operations and generation of stable receipts from its "Build & Operate/Own & Run" business model for hospitals, ensure satisfactory implementation of projects and effectively manage its institutions for continued growth would be the key rating sensitivities.

Key Rating drivers

Credit Strengths:

- **Strategic, Management and Operational support from Tata Trusts:** ACF has partnered with Tata Trusts to set up a universal healthcare delivery model in India. ACF is supported by Tata Trusts and is a special purpose implementation vehicle for the Cancer Care program of Tata Trusts through setting up necessary oncology infrastructure across India over the next 5 years through Build & Operate and Build & Transfer models approach, with the support provided by Tata Trusts by way of Grants. ACF has the implicit support of Tata Trusts. ACF operates on the business model of Owning and running the Healthcare facilities and in some cases 'Build and Transfer' the healthcare facilities.
- **TATA Trusts:** Tata Trusts are amongst India's oldest, non-sectarian philanthropic organisations. The Trusts own two-third of the stock holding of Tata Sons, the apex company of the Tata group of companies. The wealth that accrues from this asset supports an assortment of causes, institutions and individuals in a wide variety of areas. These funds have been deployed towards a whole range of community development programmes across the country, for over a 100 years now. Through grant-making, direct implementation and co-partnership strategies, the Trusts support and drive innovation in the areas of healthcare and nutrition, water and sanitation; energy, education, rural livelihoods, natural resource management, urban poverty alleviation, enhancing civil society and governance, media, arts, crafts and culture; and diversified employment. The Trusts engage with competent individuals and government bodies, international agencies and like-minded private sector organisations to nurture a self-sustaining eco-system that collectively works across all these areas.
- **Ownership & Management:** ACF's shares are held by senior employees of Tata Trusts. The Directors on the Board of ACF are senior management employees of the Tata Trusts.
- **Financial Support:** ACF has received commitments of Grants to the tune of ~ Rs. 570 crores from Tata Trusts. The business operations of ACF are funded by Tata Trusts



majorly and to some extent by donations received from other sources (mainly from Tata Group entities and some from other corporates) and by short term bank loan facilities.

- **Healthcare Facilities under implementation:** ACF is setting-up Cancer Care facilities at Varanasi [upgradation of Indian Railway Cancer Research Institute (IRCRI) *[Build & Transfer model]*, new cancer research facility in association with Banaras Hindu University (BHU) *[Build & Transfer model]*] and Tirupati [new cancer research facility in association with Tirumala Tirupati Devasthanams (TTD) *[Build & Operate model]*], through the Grants received. The hospital in Varanasi i.e., Mahamana Pandit Madan Mohan Malviya Cancer Centre, set-up at BHU was inaugurated on 20th February 2019 and is expected to be operational from August 2019; the facility at IRCRI is under implementation. The Cancer Care Centre at Tirupati, i.e., Sri Venkateswara Institute of Cancer Care and Advanced Research, is under initial stages of implementation and expected to be operational by May 2020. Other activities carried out by ACF with the support of Tata Trusts and as per the stated objectives, are in 4 healthcare model categories viz., “Swastha Kutumbam Telemedicine”, “Inclusive Cancer Care Programme”, “Digital Nerve Centre” and “Non-communicable Disease Screening”. The various projects presently being implemented are (a) Cancer Care programs for Varanasi, Tirupati and other allied activities (b) Supply of MRI Scanners in shortlisted hospitals (c) Cancer care program in Tirupati (d) Center of Excellence, Histopathology and (e) Cancer care program at Banaras Hindu University, Varanasi.

Credit Constraints:

- **Vulnerability to volatility in Income with uncertain cashflows:** The inflows to ACF by way of Grants (at least in the initial phases till stable cash flows accrue from the owned hospitals) is subject to the availability of funds with the Trust. As such, ACF is exposed to variability in income receipts.
- **Need for continuous funds for delivery of services:** In view of the income variability, ACF has to access funds from other sources viz., banks to ensure smooth implementation of the projects. In addition, the grant letters also state that any cost overruns in the projects should be borne by ACF, necessitating funding from other sources. Also, with respect to Time overrun in any of its projects, prior approval of Tata Trusts is to be sought. The primary source of funding for implementation of the projects of ACF is by way of Grants from Tata Trusts viz., Sir Ratan Tata Trust (SRTT) presently. Disbursement of the Grants follow specific schedules, with release of instalments over 1 -2 years, subject to review of project progress. In order to meet the funding requirements in the interim period between disbursements of grants and to ensure uninterrupted implementation, ACF avails Short Term Loans from banks (18 months tenure), mainly as bridge financing.



- **Exposure to risks of termination of grants:** Tata Trusts reserves the right to terminate the grants/call back the unspent and uncommitted funds in the event of breach of terms and conditions of the Grant and /or unsatisfactory progress in the projects.

Liquidity - Moderate: Since the primary funding support is by way of Grants, bank loans are availed and utilised sporadically by ACF. The present sanctioned loan facilities of Rs. 220 crores from Axis Bank is on the basis of the Grant letters from 'Sir Ratan Tata Trust' only. ACF has approached other banks for sanction of the proposed facilities also, mainly to ensure access to sanctioned facilities and to derive comfort of ready access to funds for operations. ACF is reliant on the Grants for servicing and repaying its debt obligations. Grants are received in Tranches and the unutilised portions of the grants are placed in bank deposits so as to earn income and adequate cash for a month's requirement is always maintained in the bank account (as per grant terms). As per the terms of the present sanctioned loan, while interest will be serviced on a monthly basis, the repayment is done as a bullet repayment at the end of the tenure of the loan. ACF services its monthly interest obligations from the cash maintained in its bank account. ACF's cash & cash equivalents were around Rs. 16 crore as on 31st December 2018, on a provisional basis. The disbursement under the loan facility is restricted to the extent of the grant amount to be further disbursed as per the Grant Letter(s). The disbursement schedule under the Grant Letter(s) is to cover the tenure of the loan facility. The unutilised bank lines of Axis bank are around Rs. 100 Crore presently.

Analytical Approach

For arriving at its ratings, Brickwork Ratings has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

Brickwork Ratings believes that **Alamelu Charitable Foundation's** ('ACF' or 'the foundation') 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 ACF shows a sustained improvement in revenue with improvement in cash accruals. The rating outlook may be revised to 'Negative' if there is a significant volatility in revenue receipts leading to weakening of credit profile or there is any major debt funded capital expansion causing stress on the financial risk profile.



About the Foundation

Alamelu Charitable Foundation, was established on 22nd May 2017 as a Section 8 Not-For-Profit entity at Vijayawada, Krishna district, Andhra Pradesh. ACF was set up with the objective to develop infrastructure, technology, awareness and human resources in the healthcare sector to ensure affordable, accessible and high quality healthcare. ACF has partnered with Tata Trusts[#] to set up a model which promises to transform healthcare delivery in India by ensuring the availability of healthcare at every level. ACF is supported by Tata Trusts[#] and is a special purpose implementation vehicle for Cancer Care program of Tata Trusts with an intent to set up necessary oncology infrastructure across India over the next 5 years.

Tata Trusts refers to Sir Dorabji Tata Trust and allied Trusts and Sir Ratan Tata Trust and Allied Trusts

Financial Performance

ACF reported net receipts of Rs. 64.58 crore for FY18. Corpus & Capital Grants was Rs. 11.47 crore as on 31st March 2018. On a provisional basis, ACF's net receipts are around Rs. 337.20 crore for 9MFY19, mainly comprising grants received from Tata Trusts & Tata group entities (major portion) and other corporates.

The key financial indicators are summarized in Annexure II.

Rating History for the last three years

Sl. No.	Facilities	Current Rating (2019)			Rating History		
		Type	Amount (Rs. Cr)	Ratings	2018	2017	2016
1	Short Term Loan	Long Term	200.00	BWR AA <i>(Pronounced as BWR Double A)</i> Outlook: Stable	-	-	-
2	Proposed Term Loan		230.00		-	-	-
3	Bank Guarantee	Short Term	10.00	BWR A1+ <i>(Pronounced as BWR A One Plus)</i>	-	-	-
4	Loan Equivalent Risk		10.00		-	-	-
Total			Rs. 450.00 Crore (Rupees Four Hundred and Fifty Crore Only)				

Note: Axis Bank has sanctioned Short Term Loan for a tenure of 18 months from the date of first disbursement. Letter of Credit facility of Rs. 100.00 crore is a sub-limit of Short Term Loan within the overall limit of Rs. 200.00 crore

Status of Non-Cooperation with other CRA: Not Applicable

Any other information: Not Applicable



Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	Media						
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Annexure I Bank Loan Facilities

Bank	Facilities	Tenure	Amount (Rs. Crs)
Axis Bank Mumbai, Maharashtra	Fund Based Short Term Loan	Long Term	200.00
	Non Fund Based Bank Guarantee Loan equivalent Risk	Short Term	10.00 10.00
Proposed Facilities	Fund Based Proposed Term Loan	Long Term	230.00
Total			450.00

Note: Axis Bank has sanctioned Short Term Loan for a tenure of 18 months from the date of first disbursement. Letter of Credit facility of Rs. 100.00 crore is a sub-limit of Short Term Loan within the overall limit of Rs. 200.00 crore

Annexure II Key Financial Indicators

Particulars		31 Mar 2018
		Audited
Net Receipts	Rs. Cr	64.58
EBITDA	Rs. Cr	0.01
Excess of Expenditure over Income	Rs. Cr	0.00
Corpus & Capital Grants	Rs. Cr	11.47
Total Debt : Corpus & Grants	Times	0.00



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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 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.