

Rating Report

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**¹ 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:		Long Term	BWR BBB- (Pronounced BWR Triple B Minus) Outlook: Stable	Amount ₹ 64.15 Cr Rating assigned BWR BB+ (Pronounced BWR Double B Plus) Outlook: Stable April 2013
Over Draft Limit	2.00			
Term Loans*	35.35			
Non Fund Based:				
Bank Guarantee	7.65			
TOTAL	45.00	INR Forty Five Crores only		

Note: * Term loans outstanding as on 18th 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.

¹ Please refer to 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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ADESH FOUNDATION, MUKTSAR

ANNEXURE I

DETAILS OF BANK FACILITIES

	State Bank of Patiala	State Bank of India	Total
Facility	Limits (Rs. Crs)	Limits (Rs. Crs)	Limits (Rs. Crs)
Fund Based:			
Over Draft	1.00	1.00	2.00
Term Loans*	20.29	15.06	35.35
Non Fund Based:			
Bank Guarantee	7.65	-	7.65
Total	28.94	16.06	45.00
Total Facilities Rated	45.00	(Rupees Forty Five Crores Only)	

Note: * Term loans outstanding as on 18th June, 2014.

ANNEXURE II			
ADESH FOUNDATION, MUKTSAR			
INCOME STATEMENT			
Crores	FY11	FY12	FY13
Result Type	Audited	Audited	Audited
Gross Receipts	73.75	80.12	84.34
Net Receipts	73.75	80.12	84.34
Total Operating Income	73.75	80.12	84.34
Operating Expenses	28.44	31.42	31.64
Operating Surplus Before Depreciation, Interest & Tax	45.31	48.71	52.70
Depreciation/Amortization/Impairment	17.39	20.44	22.48
Operating Surplus Before Interest & Tax	27.92	28.26	30.22
Interest and Finance Charges	9.32	9.56	9.34
Operating Surplus Before Tax	18.60	18.71	20.88
Non-Operating Income(Expenses)	8.35	8.51	8.41
Surplus Before Tax	26.95	27.22	29.29

ANNEXURE III			
ADESH FOUNDATION, MUKTSAR			
BALANCE SHEET			
Crores	FY11	FY12	FY13
Result Type	Audited	Audited	Audited
Liabilities			
EQUITY AND RESERVES	108.16	142.88	172.27
Share capital	23.40	30.90	31.01
Reserves and Surplus	84.76	111.98	141.27
Non-current liabilities	76.11	65.85	67.62
Long-Term Borrowings	76.11	65.85	67.62
Current liabilities	3.59	4.59	4.45
Short-Term Borrowings	1.99	1.99	2.02
Trade Payables	0.00	0.28	0.19
Other Current Liabilities	1.44	1.84	1.29
Short-Term Provisions	0.15	0.49	0.95
Total Liabilities	187.86	213.32	244.34
ASSETS			
Non-current assets	166.92	193.08	212.10
Net Fixed assets	166.92	193.08	212.10
Current assets	20.93	20.24	32.24
Cash and Cash Equivalents	6.35	4.24	2.95
Short-Term Loans and Advances	14.59	15.98	29.30
Other Current Assets	0.00	0.01	0.00
Total Assets	187.86	213.32	244.34