

Rating Rationale

Brickwork Ratings assigns 'BWR BB+' with Stable outlook for the Bank Loan Facilities aggregating ₹ 64.15 Crores of Adesh Foundation, Muktsar

Brickwork Ratings has assigned the following **Ratings**¹ to the Bank Loan Facilities aggregating ₹ 64.15 Cr of Adesh Foundation, Muktsar (AFM).

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based:			
Over Draft Limit	2.00	Long Term	BWR BB+ (Pronounced BWR Double B Plus) Outlook: Stable
Term Loans	54.50		
Non Fund Based:			
Bank Guarantee	7.65		
FLC	(4.41)		
TOTAL	64.15	Rupees Sixty Four Crores and Fifteen Lakhs only	

The rating has factored, inter alia, the track record of the Adesh group, the variety of courses offered and healthy profit margins. However, AFM's limited geographical diversity, regulatory risk concerning granting of approvals, recognition for various courses and admissions (especially in medicine) and the need for improvement in fund management to ensure timely servicing of debt have constrained the Rating.

BWR has essentially relied upon the audited financials upto FY12, and other information and clarification provided by AFM.

Background:

Adesh Group set its footprint in the health sector of Punjab with the establishment of Adesh Hospital & Research Center Pvt Ltd in Muktsar, Punjab, in 1991. It is presently a 750-bed teaching hospital catering to the healthcare needs of the population of southern Punjab and adjoining areas of Haryana and Rajasthan.

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, S. Jeet Mohinder Sidhu, President and Smt. Kamaldeep Kaur Gill, General Secretary of the Society. Under its aegis, AFM has established various institutions which offer courses in engineering, pharmacy, nursing, physiotherapy, dental and medical sciences. The Group's latest achievement has been the establishment of a self-financed private University by the name of 'Adesh University' in July 2012.

¹ Please refer to BWR website www.brickworkratings.com for definition of the Rating

Financial Performance:

AFM's Tangible Net Worth improved significantly from Rs. 76.21 Cr in FY10 to Rs. 108.16 Cr in FY11 and stood at Rs. 142.88 Cr in FY12. Gross Income grew at an average rate of ~11% since FY10. Gross Receipts in FY12 stood at Rs. 80.12 Cr, an increase from Rs. 73.75 Cr in FY11 and Rs. 65.07 Cr in FY10. In addition, income from hostels contributed Rs. 8.51 Cr in FY12 and Rs. 8.35 Cr in FY11. Net Surplus increased marginally from Rs. 24.96 in FY10 to Rs. 26.95 Cr in FY11 and Rs. 27.22 Cr in FY12. Leverage declined from 1.44 times in FY11 to 0.95 times in FY12. Net Profit Margin for FY12 was a healthy ~34%, although it was a marginal decline from ~36.50% in FY11.

Banks have classified Credit facilities sanctioned to AFM as performing assets.

Diversity of course offerings and Geographic concentration:

Adesh Foundation, Muktsar has 10 educational institutions under its umbrella. Its 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 are 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. The Gross Enrolment Ratio averages to ~90% for all the institutions put together.

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, with a total annual intake of 820 students. While competition is intense, there is also a great demand for MBBS and MD courses.

Rating Outlook:

In July 2012, AFM established 'Adesh University' (Established under Govt. of Punjab Act 6 of 2012). Adesh University is a self-financed Private University according to the University Grants Commission (UGC), which is a statutory governing body of Universities under Government of India. Except for engineering and polytechnic courses, all the other courses under the various constituent colleges of AFM are under the purview of Adesh University. Dr. Harinder Singh Gill, the Chairman of Adesh Foundation is the Chancellor of Adesh University. The management will have better control over the admissions and fee structure of the courses under Adesh University. However, the University itself is yet to establish its brand image.

The rating favorably factors the experience of the management, track record and the financial strength and stability of AFM. However, AFM's limited geographical diversity, regulatory risk concerning granting of approvals, recognition for various courses, and

admissions (especially in medicine) and need for improvement in its fund management to ensure timely servicing of debt have constrained the Rating.

analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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