

Rating Rationale

Brickwork Ratings assigns long-term rating of BWR BBB for the Bank Loan Facilities aggregating Rs. 14.99 Crores of Adesh Welfare Society

Brickwork Ratings has assigned the following **Rating¹** to the Bank Loan Facilities aggregating Rs. 14.99 Crores of Adesh Welfare Society.

Facility	Limits* (Rs. Crore)	Tenure	Rating
Fund Based:			
Term Loan – I	0.625	Long Term	BWR BBB (Outlook: Stable)
Term Loan – II	0.385		
Term Loan – III	11.98		
OD Limit	2.00		
TOTAL	14.99	Rupees Fourteen Crores and Ninety Nine Lacs Only	

* Aggregate outstanding as of March 31, 2013 stood at Rs. 14.67 Crores

The rating has factored, inter alia, experience of the promoter group, growth of top line, commencement of courses under the newly setup technology institute which expected to boost top line and financial profile marked by low debt-equity ratio and robust operating profit margins. However, AWS's limited geographical diversity, competitive nature of the education sector, recognition for various courses offered through newly set up Adesh Institute of Technology and its ability to attract students will be critical to ensure seat capacity utilization. Further, higher depreciation and interest expenses have impacted AWS's Net Profit during FY13.

BWR has essentially relied upon the audited financials upto FY12, provisional results for FY13 and other information and clarification provided by AWS.

Overview

Adesh Welfare Society (AWS) is a part of the Adesh Group that has presence in the health sector of Punjab since 1991. AWS was registered with the Registrar of Firms & Societies, Punjab, under Societies Registration Act, 1860 on February 22, 1993. The Society is promoted by Dr. Harinder Singh Gill and his family members who are well qualified and have experience in the field of medicine and management.

AWS, through four institutions operating under its aegis, offers courses in nursing, physiotherapy, para-medical sciences and engineering. The engineering college viz. Adesh Institute of Technology (AIT) has been established in the year 2012 having recognition/approval of AICTE, New Delhi and affiliated to Punjab Technical University, Jalandhar. In the first year of its operation, the college had intake capacity of 300 seats (in

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

five engineering courses) which is being increased to 480. AWS also has a charitable cancer hospital that provides necessary facilities for cancer treatment including diagnostic facilities, radiotherapy, brachytherapy, chemotherapy and cancer surgery. Three institutions viz. Adesh Charitable Cancer Hospital, College of Nursing and Adesh Institute of Technology contributed about 83% of AWS revenues for FY13. Institution-wise share of revenues as is per Table below:

Rs. Crores	2010-11 (A)	2011-12 (A)	2012-13 (Provisional)
Adesh Welfare Society	0.08	0.63	0.085
Adesh Charitable Cancer Hospital	2.15	2.34	2.46
Adesh College of Para-Medical Sciences	0.79	0.81	0.83
College of Physiotherapy, AIMS	0.74	0.78	0.83
College of Nursing, AIMS	3.89	3.98	4.45
College of Lab Technology	-	-	-
Adesh Institute of Technology	-	-	1.73
Total Sales	7.65	8.53	10.39

The educational institutions run by Adesh Welfare Society are concentrated in the southern region of Punjab. The state of Punjab has over 100 engineering colleges eight medical colleges including three 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. As the Adesh Institute of Technology is newly setup, it has to establish its reputation in Punjab and hence its ability to attract students will be critical to ensure seat capacity utilization. However, given the experience of the management in running Engineering Colleges through Adesh Foundation is expected to help the institute towards establishing as a premier college in Punjab.

Financial Performance

AWS's turnover has grown by 11.5% during FY12 from Rs. 7.65 Crores in FY11 to Rs. 8.53 Crores in FY12. Net Profit increased by about 29% as expenses (excluding Depreciation and interest) increased by only 4.68% during the year. As per Provisional results of FY13, turnover of AWS increased to Rs. 10.39 Crores. PAT for FY13 however declined to Rs. 0.33 Crores due to higher depreciation and interest expenses.

AWS financial profile is marked by low debt-equity ratio, comfortable debt coverage ratios and robust profitability margins. Tangible Net Worth (TNW) improved from Rs. 17.17 Crores in FY11 to Rs. 30.43 Crores in FY12. In FY13, TNW stood at Rs. 30.76 Crores. Total debt has increased from Rs. 20.53 Crores in FY12 to Rs. 30.57 Crores in FY13. Consequently, the debt-equity ratio has increased to 0.99 times from 0.67 times during the period, though it is at comfortable level. Key financials of AWS are as per Table below.

	2010-11 (A)	2011-12 (A)
Sales (Rs. Crores)	7.65	8.53
PBITDA (Rs. Crores)	5.30	6.07
PBIT (Rs. Crores)	3.64	4.70
Total Debt (Rs. Crores)	7.17	20.53
Tangible Net Worth (Rs. Crores)	17.17	30.43
Total Debt/ Tangible Networkth	0.42	0.67
Interest Service Coverage Ratio	8.28	7.23
Debt Service Coverage Ratio	5.14	4.71
Net Profit Margin	39%	45%
Net Cash Accruals/Total Debt	0.65	0.25
ROCE	16.5%	12.5%
Current Ratio	1.59	2.22

Rating Outlook

AWS is managed by experienced promoter who is supported by strong second line of management and has comfortable financial profile. Diversification towards offering engineering courses has enabled the Society to post good growth in revenues in the past financial year and is expected to boost revenues going forward. Steps taken by the management to establish brand image and control interest burden will be critical to improve profitability going forward.

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