

Press Release

Adhiparasakthi Charitable Medical Educational And Cultural Trust

May 29, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 40.00 Cr.
Short Term Rating	ACUITE A2

* Refer Annexure for details

Rating Rationale

Acuité has assigned short term rating of '**ACUITE A2**' (**read as ACUITE A two**) on the Rs. 40.00 crore bank facilities of Adhiparasakthi Charitable Medical Educational And Cultural Trust.

Adhiparasakthi Charitable Medical Educational and Cultural Trust (Adhiparasakthi) is a Tamil Nadu based trust founded by Mr. G Bangaru in the year 1978. The trust is based out of Melmaruvathur, Tamil Nadu. The trust is engaged in providing educational services offering courses such as MBBS, Dental, Nursing, Engineering, School and Secondary education among others. The trust is running 13 institutions and has student strength of 10,000 for academic year 2018 -19. Trust is also running 1000 bedded hospital in Tamil Nadu. The trust receives donations from general public, followers besides core revenues from educational institutions and hospital fee receipts.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Adhiparasakthi to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record, diverse range of courses and experienced management**

Adhiparasakthi has been in existence for around four decades offering a range of courses for undergraduate and post graduate students. The trust is promoted by Mr. Bangaru, a spiritual Guru and is currently managed along with his family members and others. The main objective of the trust is to offer education and medical services; the trust manages about 13 institutions offering courses such as MBBS, Engineering, Nursing, Dental, Agricultural, School, Arts and Science among others. All the institutions are based out of Chennai with a student strength of over 10,000 for academic year 2018 - 19. Further, the trust is also operating a 1000 bedded multi-specialty hospital in Tamil Nadu providing free medical services to the general public. Godwill of Mr Bangaru has helped the trust in raising funds from across India and overseas. The same has reflected in increase in its revenues from Rs.139.83 crore in FY2017 to Rs.174.62 crore in FY2019 (Provisional). Of the total revenues in FY2019, around 50 percent of revenues are from voluntary contribution, 45 percent of revenues are from educational institutions and remaining from the hospital.

Further, the trust is planning to start post-graduation courses in medicine starting from academic year 2020-21. Also, the trust is implementing a large capex for addition of about 700 beds which is expected to be operational by around June 2021. Acuité believes that, the trust's longstanding presence, its charitable activities, the promoter's charisma in raising donations is expected to support in improving its business risk profile over the medium term. However, continuity of receipt of donations is a key rating sensitivity factor.

- **Healthy financial risk profile**

Financial risk profile of the trust is healthy marked by strong net worth and low dependence on the outside borrowings. Net worth stood at Rs.561.68 crore as on 31 March, 2019 (Provisional) as against Rs.535.87 crore as on 31 March, 2018. The same is on account of excess of income over expenditure. Cash accruals stood at Rs.67.27 crore in FY2019 (Provisional). Of the total debt of Rs.2.11 crore on 31 March, 2019, long term debt constitutes Rs.0.11 crore and unsecured loans of Rs.2.00 crore. Cash

accruals are expected to be in the range of Rs.60-70 crore over the medium term against minimal debt obligations of less than a crore over the medium term. Debt protection metrics of interest coverage and net cash accruals to total debt are healthy at 356.05 times and 31.92 times respectively in FY2019 (Provisional). The trust did capital expenditure to construct a 750 bedded hospital in Tamil Nadu with a total cost of Rs.199.2 crore during the last 5 years through FY2019 (Provisional). Further, the trust is planning to purchase equipment for post graduations courses for MBBS, Dental colleges and for hospital for about Rs.50-55 crore in the next 12 months period which is entirely funded through internal accruals. Further, it has free balances in the form of fixed deposits of about Rs.73.70 crores in FY2019 (Provisional) to meet its operational and ongoing capex requirements. Acuité believes that with strong accruals to minimal repayment obligations and capex, the financial risk profile continues to be at similar levels over the medium term.

Weaknesses

- **High Reliance on voluntary contribution income**

The trust reported revenues of Rs.174.62 crore for FY2019 (Provisional), Rs.174.22 crore for FY2018 and Rs.139.83 crore for FY2016. Of the total revenues, about 48 per cent is by way of donations over last two years and 36 per cent in FY2017. About 45 and 5 per cent are from education and hospital segments in FY2019. ; on a standalone basis, the net contribution from hospital segment is negative. Continuation of receipt of high amount of donations is key rating sensitivity factor.

- **Competitive and fragmented industry**

The education sector is highly regulated with the government deciding on the maximum student intake, fees, mandatory facilities, faculty strength and even faculty salary to an extent. Any adverse government regulations may impact the trust's revenue growth and accruals. Maintaining student-teacher ratio and infrastructure as per the norms are key critical factors for renewal of the recognitions. The institutions run by the Trust faces stiff competition from other reputed institutions in the vicinity which puts pressure on the intake or fee. However, it is partly offset by an established brand presence, good academic achievements and placement records

Liquidity Position

Liquidity of the trust is healthy marked by healthy cash accruals to minimal repayment obligations. The trust reported cash accruals of Rs.67.27 crore for FY2019 (Provisional). Cash accruals are expected to be in the range of Rs.60-70 crores over the medium term against minimal debt obligations of less than a crore over the medium term; however, the liquidity buffer is partly constrained by regular capex of Rs.40-50 crores on addition of new courses or expanding its hospital facilities and infrastructure. Its currently implementing a large capex of about Rs.50-55 crores, entirely funded out of internal accruals and surplus balances. The trust has fixed deposits of Rs.73.70 crore and cash and bank balance of Rs.31.59 crore as on 31 March, 2019 (Provisional). Current ratio of the trust is 6.23 times in FY2019 (Provisional). Acuité believes that the Trusts liquidity continues to be healthy over the medium term.

Outlook: Stable

Acuité believes that Adhiparasakthi will maintain a 'Stable' outlook over the medium term from the long track record of operations, experienced management and healthy net worth. The outlook may be revised to 'Positive' in case of sustenance of revenues and net receipts from its core activities while maintaining the free balances. The outlook may be revised to 'Negative' in case of any larger than expected debt funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	174.62	174.22	139.83
EBITDA	Rs. Cr.	61.92	63.80	30.44
PAT	Rs. Cr.	26.72	48.78	16.53
EBITDA Margin	(%)	35.46	36.62	21.77
PAT Margin	(%)	15.30	28.00	11.82

ROCE	(%)	4.88	9.50	6.84
Total Debt/Tangible Net Worth	Times	0.00	0.00	0.00
PBDIT/Interest	Times	356.05	1074.31	150.19
Total Debt/PBDIT	Times	0.03	0.03	0.06
Gross Current Assets (Days)	Days	112	121	137

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A2

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About Acuité Ratings & Research:

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