

MAY 04, 2015

CARE ASSIGNS 'CARE BBB' AND 'CARE A3+' RATINGS TO THE BANK FACILITIES OF O. P. JINDAL GLOBAL UNIVERSITY

Ratings

Bank Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	220	CARE BBB [Triple B]	Assigned
Short term Bank Facilities	25	CARE A3+ [A Three (Plus)]	Assigned
Total Facilities	245		

Rating Rationale

The ratings assigned to the bank facilities take strength from the resourceful promoters and experienced governing body of O.P. Jindal Global University (OPJGU), its private university status resulting in greater autonomy and its well established infrastructure with strong student faculty ratio. The ratings also factor in the international collaborations of OPJGU with global institutions of repute.

The ratings are, however, constrained by the relatively weak financial risk profile of the university marked by losses at net level, albeit positive cash accruals and its leveraged capital structure. The ratings are also constrained by relatively long gestation period of the university, competition from established and upcoming universities and regulatory framework for the educational sector in India.

Going forward, ability of OPJGU to scale up the operations by enrolling more students across courses and improve its surplus position and capital structure shall be the key rating sensitivities.

Background of OPJGU

OPJGU is a non-profit university established under the Haryana Private Universities (Amendment) Act, 2009. Mr Naveen Jindal, Chairman of Jindal Steel & Power Limited (JSPL), founded the institution in honor of his late father, Mr O P Jindal. The sponsoring body of the university is O.P. Jindal Gramin Jan Kalyan Sansthan (OPJGKS). OPJGU is a multi-disciplinary global university comprising five operational institutes viz. Jindal Global Law School (JGLS), Jindal Global Business School (JGBS), Jindal School of International Affairs (JSIA), Jindal School of Government and Public Policy (JSGP) and Jindal School of Liberal Arts and Humanities (JSLAH).

The university campus is located in Sonapat, Haryana, and is spread over an area of 79 acres. The total number of students in the university in the current academic year (2014-15) stood at 1,733 vis-à-vis 1330 students last year, 2013-14. The university is currently implementing expansion for building, additional student housing, sports complex and other allied facilities. OPJGU has spent Rs.408.98 crore till November 15, 2014 out of the total estimated expenditure of Rs.470 crore funded through term loan of Rs.180.72 crore and balance Rs.228.26 crore from promoter contribution in the form of corpus fund.

During FY14, OPJGU reported an operating surplus and a deficit of Rs.16.58 crore and Rs.22.27 crore respectively on a total operating income of Rs.75.54 crore. Furthermore, during 9MFY15 (refers to the period from April 1 to December 31) (Provisional), OPJGU has reported a total operating income of Rs.72.96 crore and deficit of Rs.6.58 crore.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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CIN - L67190MH1993PLC071691