

Jaypee Institute of Information Technology Society

March 11, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	69.03 (Reduced from 70.33)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total Facilities	69.03 (Rs. Sixty-Nine Crore and Three Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Jaypee Institute of Information Technology Society (JIITS) continues to consider the established track record of operations of society, healthy enrolment ratio and its comfortable financial risk profile characterised by healthy capital structure and debt service coverage indicators. However, the rating are constrained by the modest scale of operations of the society with declining surplus margin in FY21 (refers to period from April 01 to March 31) along with weak credit profile of Jaypee group along with competition from established and upcoming educational institutes and regulatory risk in the education sector.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Sustainable improvement in scale of operations beyond Rs 150 crore on sustained basis.
- Sustainable improvement in SBIDT margin above 40%.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Decline in student strength below 4,500 students.
- Deterioration in capital structure leading to overall gearing above 0.75x.

Detailed description of the key rating drivers

Key Rating Strengths

Established track record of operations of the society:

JIITS was established in 2001 with an institute in Sector-62, Noida offering education in Engineering and Management programs. During 2004, it became deemed university under Section 3 of UGC Act 1965. JIITS is a deemed university and therefore has independence in the selection of faculty members and number of students' intake in various courses. Furthermore, it also has independence in determination of fee for its various courses. Thus, the deemed university status provides higher autonomy to JIITS in managing its operations.

High enrolment ratio and good placement track record

JIITS has annual intake capacity of about 1700 students, of which intake capacity for the flagship B. Tech course is 1230 students. Due to its quality education and consistent placement track record, JIITS continues to have high enrolment (about 80% in B. Tech - 80% in AY22 as against 87% in AY21) and is able to increase the fee as well, without substantially impacting the number of enrolments. However, the student enrolment in M. Tech and MBA course are consistently showing a declining trend.

Comfortable financial risk profile

The financial risk profile of the society remains comfortable with healthy overall gearing of 0.46x as on March 31, 2021 (PY: 0.51x). The same is on account of decline in the total debt of the society vis-à-vis an increase in the corpus funds. The society's interest coverage ratio stood healthy at 3.97 times in FY21 (PY: 4.72 times) reduced mainly on account of reduction in the operating profit. TDGCA JIITS stood moderate at 4.04x as on March 31, 2021 deteriorated from 2.92x as on March 31, 2020 mainly on account of reduction in cash accruals due to lower collections which reduced from Rs 31.66 crore in FY20 to Rs 20.87 crore in FY21.

Key Rating Weaknesses

Modest scale of operations of society along with moderate profitability

The total operating income of the society has reduced significantly to Rs. 99.59 crores during FY21 as compared to Rs. 139.38 crores in FY20 mainly on account of reduction in fee collection due to covid induced lockdown, where as a covid-19 relief measure the society reduced the development fee by 50% for the academic year 2020-21 and 2021-22 along with reduction in hostel fee collection which significantly impacted the revenue. The student strength has increased marginally from 4884 students in AY21 to 5019 students in AY22. The SBID margin of the society declined by 65 bps to 27.68% during FY21 (PY: 28.33%). The moderation in the margins is on account of increase in the employee costs as a percentage of total sales along with reduction in fee collection. Resultantly, surplus margin of the society also declined from 9.03% in FY20 to 4.14% in FY21. The reduction in the development fees by 50% in FY20 and FY21 has hampered the revenue for society and the same will be

charged fully from FY23. During 9MFY22 (refers to period from April 01 to December 31) society reported total revenue of Rs 61.41 crores.

Weak credit profile of Jaypee group and Jaiprakash Sewa Sansthan

JIITS is a part of Jaypee Group and was incorporated by JSS as a sponsor trust in the year 2001 and later declared as independent deemed university in the year 2004. During the initial year of JIITS, JSS supported the University in setting up the infrastructure. There has been deterioration in the financial risk profile of Jaypee Group due to weakened financial risk profile of Jaypee Associates Limited (JAL) and its key subsidiaries. Also, JIITS' sponsor trust JSS has substantial dependence on donations from Jaypee group. However, JIITS does not have direct financial dependence upon JSS or Jaypee group for operations and its debt servicing and has comfortable solvency and debt coverage ratios.

Competition from established and upcoming educational institutes

The growth in private schools and universities providing higher education has been significant over the recent years. The selection for engineering students at the national level is done through a common entrance test, Joint Entrance Examination (JEE) based on which seats are allocated to various engineering colleges comprising IITs, NITs, and State Engineering Colleges as well other participating institutions. Thus, JIITS faces competition to get quality students from top colleges in India. Also, in the management courses, standing of JIIT is relatively moderate, which has also impacted student enrolment in MBA course over the last few years.

Liquidity: Adequate

The liquidity of the society is adequate as marked by sufficient cash accruals vis-à-vis lower repayment obligation of Rs 3.44 crore in FY22 against expected cash accruals of Rs 20.11 crore in FY22. The society has sufficient cash and cash equivalents of Rs 72.38 crore in as on March 31, 2021 (PY: Rs 101.02 crore). Being in the education industry the society has negative operating cycle of -11 days in FY21 further reducing from -9 days in FY20, the reduction in operating cycle mainly on account of increase in creditor period. The current ratio of the society remains comfortable at 3.15x as on March 31, 2021.

Analytical approach: Standalone

Applicable Criteria:

[Criteria on assigning 'outlook' and 'credit watch' to credit ratings](#)

[CARE's policy on default recognition](#)

[Rating Methodology – Education Sector](#)

[Financial Ratios – Non-financial sector](#)

[Liquidity analysis – Non-financial sector entities](#)

About the Company

Jaypee Institute of Information Technology Society (JIITS) is a part of the Jaypee group with Jaiprakash Sewa Sansthan (JSS) as its sponsor Trust. JIITS provides engineering and management courses through its two institutes (Jaypee Institute of Information Technology; JIIT) located in sector 62 and sector 128 of Noida, Uttar Pradesh. In the two institutes under JIITS, the institutes have total student strength of 5019 in AY22 (PAY: 4885 students) in various undergraduate, post graduate and doctoral programs.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	8MFY22 (UA)
Total operating income	139.38	99.59	61.41
PBILDT	39.49	27.57	-
PAT	12.59	4.13	-
Overall gearing (times)	0.51	0.46	-
Interest coverage (times)	4.72	3.97	-

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	IS IN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Nov, 2028	69.03	CARE BBB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	69.03	CARE BBB-; Stable	-	1)CARE BBB-; Stable (30-Mar-21) 2)CARE BBB-; Stable (04-May-20)	1)CARE BBB-; Stable (04-Apr-19)	1)CARE BBB-; Stable (05-Apr-18)
2	Fund-based - ST-Bank Overdraft	ST	-	-	-	1)Withdrawn (04-May-20)	1)CARE A3 (04-Apr-19)	1)CARE A3 (05-Apr-18)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings:

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