

Professional Educators Limited

Ratings

Facilities	Amount (Rs. in Million)	Ratings ¹	Rating Action
Long Term Bank Facilities	654.86	CARE-NP BBB-; ISSUER NOT COOPERATING* (Triple B minus; ISSUER NOT COOPERATING*)	"Issuer not cooperating; Based on best available information" (Notice of Withdrawal)
Short Term Bank Facilities	20.00	CARE-NP A3; ISSUER NOT COOPERATING* (A Three; ISSUER NOT COOPERATING*)	"Issuer not cooperating; Based on best available information" (Notice of Withdrawal)
Total	674.86 (Six Hundred Seventy Four Million Eight Hundred Sixty Thousand)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CRNL has been seeking information from Professional Educators Limited (PEL) to monitor the rating(s) vide e-mail communications/letters dated April 19, 2021, May 30, 2021, June 24, 2021, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant Securities Board of Nepal (SEBON) guidelines, CRNL has reviewed the rating on the basis of the best available information which however, in CRNL's opinion is not sufficient to arrive at a fair rating. If after the monitoring of the rating there is no cooperation from the Client, then thereafter, CRNL may withdraw the rating. The rating on Professional Educators Limited bank facilities will now be denoted as **CARE-NP BBB-/ CARE-NP A3; ISSUER NOT COOPERATING* (Notice of Withdrawal)**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

At the time of last rating on July 15, 2020 the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Debt funded capex and investments in different institutions within the education sector

PEL has capex plan of Rs. 412 Mn for FY20 and FY21 for construction of building which is proposed to be financed from Rs. 330 Mn term loans from bank. This exposes the company towards project execution in terms of partial yet to be tied-up debt, completion of the project with-in the envisaged time and cost. Furthermore, due to debt funding for the project and given the low networth base of the company at present, its capital structure is going to be moderated going forward.

¹Complete definitions of the ratings assigned are available at www.careratingsnepal.com and in other CRNL publications

*Issuer did not cooperate; Based on best available information

Exposure to volatile interest rates

Nepalese banking sector fix interest rates on lending, based on quarterly published base rate by the banks. Due to tight liquidity in the market, the interest rate has been high and volatile during the last 12 months. Therefore, funding from Banks and Financial Institutions are exposed to volatile interest rate.

Stiff competition in the industry

PEL is operated in a highly competitive industry. There are various players in the industry providing plus 2 programs under faculties like Management, Science, Humanities, Education etc. There are more than 4000 colleges in Nepal offering Grade XI and XII classes under the affiliation of NEB. Also, there are numerous colleges providing equivalent level of course under foreign board/ university such as Central Board of Secondary Education (CBSE) of India, GCE A level of Cambridge University etc.

Exposure to regulatory risk related to industry

Government of Nepal (GoN) has passed The Education Act (Eighth Amendment), 2016. As per the amendments, school education will now be categorized into two levels; basic education (Grade I to VIII) and secondary education (Grade IX to XII) in contrast of current four levels; primary level (Grade I to V), lower secondary level (Grade VI to VIII), secondary level (Grade IX to X) and higher secondary level (Grade XI to XII). Schools can run classes either from Grade I to XII or in the combination of I-VIII and IX-XII based on physical infrastructure. To meet the regulatory requirements PEL is planning to start Grade IX and X classes from academic year 2021-22 in the name of Global School. GoN, through budget speech for the FY20 announcing free education up to the secondary education level may impact operations of PEL in the medium to long run.

Key Rating Strengths***Established track record and experienced directors in the related field***

PEL is providing educational services for more than 14 years, promoted by a group of professionals involved in education, economics, research, banking etc. sectors. PEL has ten member Board of Directors (BoD) chaired by Dr. Radhe Shyam Pradhan. Dr. Pradhan obtained Ph. D. Degree and has served as lecturer, reader and professor at Tribhuvan University for 4 decades. He is member of research and other committees in various universities within the country. Dr. Khagendra Prasad Ojha is the managing director of the company. Dr. Ojha obtained Ph. D. degree in Economics and has served as Associate Professor at Tribhuvan University for more than 3 decades. He is also the chairperson of various educational institutions in the group. Mr. Amba Datt Joshi is the principal of PEL. Mr. Joshi has around 15 years of experience as lecturer in different colleges. He looks after the day to day operations of the company along with the support of experienced management team.

Increasing number of students enrolled

Established track record of the college and pass records leads to increasing number of students enrolling with PEL over the years. With the introduction of plus 2 course on science faculty during academic year 2019-20, PEL expects 350 additional students to be enrolled under science faculty. Established track record of the college and pass records leads to increasing number of students enrolling with PEL over the years. PEL has more than 2000 students across Grade 11 and 12 during FY20.

Growing female education concerns and increasing literacy rate in Nepal

Nepalese society had experienced positive transformation towards education gradually, especially towards female education. Female literacy was just 17% during census year 1991, which was increased to 35% during census year 2001 and further improved to 49% during census year 2011. Overall literacy rate has also improved to 72% during census year 2011 (63% during census year 2001). With the growing concerns towards female education and increasing literacy rate of Nepal, education has become one of Nepal's largest sectors - both in terms of revenue and employment.

Various courses offered by PEL and subsidiary companies

PEL is involved in providing plus two level classes under management faculty affiliated from National Examinations Board (NEB). Valley View English School Limited (100% subsidiary of PEL) is offering school level classes upto Grade X. Global College of Management Limited (100% subsidiary of PEL) is offering Bachelor in Business Studies (BBS) and Masters in Business Studies (MBS) courses affiliated from Tribhuvan University.

The group is offering Bachelor in Business Administration (BBA) and Bachelor in Hotel Management (BHM) courses through Liberty Academic Network Pvt. Ltd. (LANL) and Global College International Pvt. Ltd. (GCIL). Further GCIL is offering General Certificate of Education Advanced Level (GCE A level) of Cambridge University.

About the Company

Professional Educators Limited (PEL) is a public company incorporated under the Companies Act, 2006. PEL was established with the objective of operating educational institutions delivering education from the primary level to higher degree level.

Brief financials of PEL for last three years ending FY19 are given below:

(Rs. Million)

For the year ended Mid July	2017	2018	2019
	(12m, A)	(12m, A)	(12m, A)
Income from Operations	189	238	308
PBILDT Margin(%)	38.10	43.25	43.82
PAT	32	24	27
Overall Gearing (times)	2.14	2.10	1.46
TOL/ TNW (times)	2.52	2.42	1.77
Interest Coverage (times)	2.26	2.52	2.06
Current Ratio (times)	2.05	0.81	0.31
Total Debt/Gross Cash Accruals (times)	7.51	12.69	12.84

A: Audited, FY ended mid-July.

Annexure 1: Details of the Facilities Rated

Nature of the Facility	Type of the Facility	Amount (Rs. In Million)	Rating assigned along with Rating Outlook
Long Term Bank Facilities	Term Loan	622.77	CARE-NP BBB- Issuer Not Cooperating* (Notice of Withdrawal)
Long Term Bank Facilities	Hire Purchase Loan	2.75	CARE-NP BBB- Issuer Not Cooperating* (Notice of Withdrawal)

Nature of the Facility	Type of the Facility	Amount (Rs. In Million)	Rating assigned along with Rating Outlook
Long Term Bank Facilities	Proposed Loan	29.34	CARE-NP BBB- Issuer Not Cooperating* (Notice of Withdrawal)
Short Term Bank Facilities	Overdraft Loan	20.00	CARE-NP A3 Issuer Not Cooperating* (Notice of Withdrawal)
Total		674.86	

**Issuer did not cooperate; based on best available information*

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About CARE Ratings Nepal Limited:

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