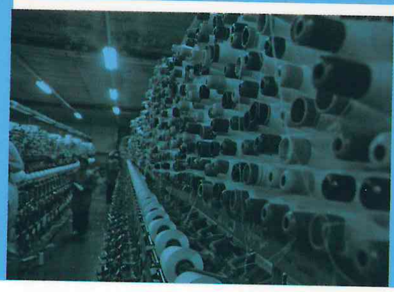
CREDIT RATING REPORT



CREDIT RATING AGENCY OF BANGLADESH LTD.

www.crab.com.bd

CREDIT RATING REPORT (13TH SURVEILLANCE)

Envoy Textiles Limited

Particular	Rating	Remark
Envoy Textiles Limited	AA_1	
BDT 3,214.5 million Long Term Outstanding	AA_1(Lr)	
BDT 6,303.0 million Short Term Funded Limit	ST-1	Vide Appendix-1
BDT 12,756.4 million Short Term Non-Funded Limit	ST-1	
Outlook	Stable	

Lr - Loan Rating, ST - Short Term
(Refer to Appendix-3 for rating history)

Date of Rating : 14 February, 2024

Validity : 30 November, 2024

Rating based on : Audited financial statements up to 30 June 2023, Un-Audited financial statements of 31 December 2023, bank liability position as on 31 December 2023, and other relevant quantitative & qualitative information up to the date of rating declaration.

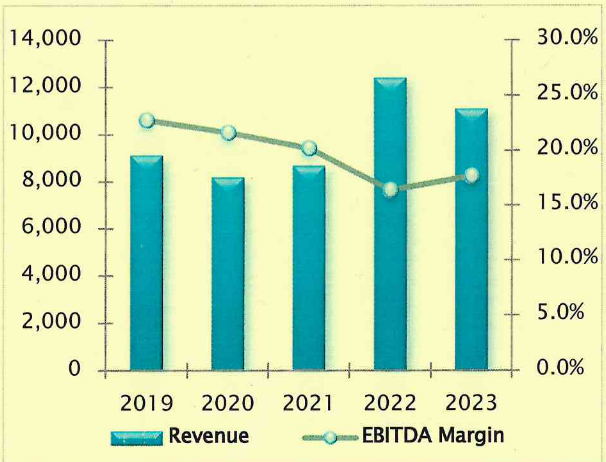
Auditor: K. M. HASAN & CO., Chartered Accountants (for FY2022-23)

Methodology: CRAB's Corporate Rating Methodology (www.crab.com.bd)

Analysts:

Mohammed Nazrul Islam Bhuiyan
nazrul@crab.com.bd

Mohd. Asifur Rahman
asif.rahman@crabrating.com



▪ PROFILE

Envoy Textiles Limited (hereinafter referred to as "ETL" or "the Company"), a 100% export-oriented denim fabric manufacturer, started its commercial operations in March 2008. The Company is engaged in manufacturing of denim fabrics having production capacity of 52.0 million yards per year. The Company has its own spinning facility as backward integration of denim production with production capacity of around 85 MT yarn per day. The factory of the Company is situated at Zamirdia, Bhaluka, Mymensingh with captive power generation facility. ETL was awarded LEED™ (Leadership in Energy and Environmental Design) Platinum Certification by US Green Building Council, ensuring environment friendly production facilities.

▪ RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has retained the long-term rating of Envoy Textiles Limited at **AA_1** (Double A One) and assigned **AA_1 (Lr)** rating to BDT 3,214.5 million long term outstanding of the Company. CRAB has also assigned **ST-1** rating to BDT 6,303.0 million funded limit and BDT 12,756.4 million non-funded limit of the Company in the short term.

Rating Strengths:

- Fundamental strength of ETL on its revenue generation capacity and the demand outlook of Textile industry.
- Established track record, vast experience of promoters and expertise of Management & availability of group support.
- State of the art manufacturing facility, conforming to compliance via green manufacturing, and a network of buyers which lends comfort to financiers on its business sustenance and future growth.
- Visibility of revenue growth as ETL earned revenue of BDT 6,909.5 million during first six months of operations in FY2024.

Rating Challenges:

- There is volatility in financial parameters via earnings, leverage and coverage factors.
- Competitive business conditions, volatility of international cotton prices (raw material for yarn).
- Sustenance of ETL hinges on economic stability of buyers/importing nation. Global economic recession will put a dampener on the Seller.
- Any significant impact in business and operations may lead to adverse impact on debt coverage profile.

Managing Director
Credit Rating Agency

9

The assigned ratings take into account ETL's scale of operation having variety of products (denim fabrics and yarn) with stable revenue generation, overall profitability position, increased equity resulted from internal capital generation through retained earnings, positive demand outlook of textile industry and established buyer network which mitigates demand risk to some extent. The rating also takes into consideration the experience of the key promoters and top-level management in related business, established forward and backward integration through associate industrial units, contemporary manufacturing facilities with lab, and satisfactory loan repayment history as positive factors.

However, ratings are constrained to some extent by volatility in profitability, high leverage and moderate coverage position at present. The ratings also take into consideration the competitive nature of business resulting from leading denim manufacturer and risk come from price volatility of cotton which is the main raw material for yarn. Moreover, growth of the Company is mostly dependent on the economic stability of importing countries, a repeat global economic recession will surely put the industry as well as the Company at business risk.

Going forward, the Company's ability to continue positive growth in revenue through value addition and capacity utilization, and retaining its customers; its ability to improve the cash flows, working capital management, and leverage position through improving the operating profitability; satisfactorily pay its long-term obligations and timely enhancement of the working capital limits will remain key rating sensitivities.

■ BACKGROUND

Envoy Textiles Limited was incorporated as a Private Limited Company in June 1995 and went into commercial operations in March 2008. The Company amalgamated with Edge Denims Limited in September 2009 and converted to Public Limited Company in October 2009. ETL is a leading denim manufacturing company having production capacity of 52.0 million yards per year. The Company has its own Spinning Unit inside the factory compound with production capacity of around 85 MT yarn per day. The registered office of the Company is located at Envoy Tower, 18/E Lake Circus Kalabagan (West Panthpath), Dhaka and the factory of the Company is situated at Zamirdia, Bhaluka, Mymensingh on around 126 Bigha own land.

Table 1: Key Milestone of Envoy Textiles Limited

Year	Event
2008	Commencement of commercial operation
2009	Certification of GOTS and OE -100 for organic production
2010	Production capacity increased by 25% and entered into new market through direct fabric export
2010	Awarded ISO 9001:2008 and IS0 14001:2008 Certificates
2011	Awarded First EPB National Export Trophy (Gold) for 2009-10
2014	Additional capacity of 24 million yards denim production
2015	ICSB National Award 2014-2015
2016	Started production of Spinning Unit, awarded LEED Platinum Certification by US Green Building Council
2017	HSBC Excellence Award 2017 (Supply Chain & Backward Linkage - Apparel Category)
2017	ICSB National Award 2016 Gold for Corporate Governance Excellence
2017	ICMAB Best Corporate Award 2016: 1st Position in Textile Manufacturing Category
2017	Awarded National Export Trophy (Silver) 2011-2012, 2012-2013 & 2013-2014
2017	BGMEA Green Factory Award
2018	Presidential Award (Category- Large Industry) for Industrial Development
2018	Awarded National Export Trophy (Gold) 2014-2015, 2015-2016, 2016-2017
2019	National Environment Award 2019 and National Export Trophy Gold for the Year 2017-2018
2019	Awarded National Productivity & Quality Excellence Award by the Ministry of Industry
2020	Awarded National Export Trophy 2018-19, 2019-20 & 2020-21
2020	Highest Tax Prayer Award 2016-2020
2020	ICMAB Best Corporate Award 2020
2020	Highest Regular Electric Bill Prayer Award 2018-20
2022	The Sustainability Leadership Award 2022
2022	HSBC Export Excellence Award 2022

Source: Management of the Company

CREDIT RATING AGENCY OF BANGLADESH LIMITED

Shareholding and Board Composition

Envoy Textiles Limited has been listed with the Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE) since 2012. The authorized share capital of the Company is BDT 4,000.0 million divided into 2,750.0 million Ordinary Shares and 1,250.0 million Redeemable Preference Shares of BDT 10.0 each and paid-up capital of the Company was BDT 1,677.3 million up to 31 March 2023 divided into 167,734,767 Ordinary Shares.

Table 2: Composition of the Shareholding

Particulars	31 December, 2023			30 June, 2023		
	No. of Shares	Value (Mil. BDT)	%	No. of Shares	Value (Mil. BDT)	%
Sponsors/Directors	101,277,677	1,012.78	60.38	97,164,113	971.64	57.93
Institutional Shareholders	51,238,392	512.38	30.55	58,449,347	584.49	34.85
Individual Shareholders	15,104,921	151.05	9.01	12,006,875	120.07	7.16
Foreign Shareholders	113,777	1.11	0.07	114,431	1.14	0.07
Total	167,734,767	1,677.35	100.00	167,734,767	1,677.35	100.00

Source: ETL

As of 31 December 2023, around 60.4% of shares of the Company are held by its sponsors/directors and remaining 39.6% of shares are held by individual/institutional shareholders and foreign shareholders.

Table 3: Composition of Board as of 31 December, 2023

Name of Shareholders	Position held	No of Shares	% of holding
Mr. Kutubuddin Ahmed	Chairman	18,595,059	11.09
Mr. Tanvir Ahmed	Managing Director	16,144,471	9.63
Barrister Shafiqur Rahman	Independent Director	-	-
Mr. Fakhruddin Ahmed FCMA, FCA	Independent Director	-	-
Ambassador Syed Shahed Reza	Independent Director	-	-
Mr. Abdus Salam Murshedy	Sponsor Director	12,529,091	7.47
Mr. SK. Bashir Ahmed (Nominee of Envotech Aviation Limited)	Director	4,148,336	2.47
Mrs. Rashida Ahmed	Sponsor Director	3,354,774	2.00
Mrs. Sharmin Salam	Sponsor Director	3,657,867	2.18
Barrister Shehrin Salam Oishee	Sponsor Director & DMD	3,657,867	2.18
Ms. Sumayyah Ahmed	Director	7,734,469	4.61
Mr. Moin Uddin (Nominee of Sheltech Ceramics Limited)	Director	3,364,695	2.01
Envoy Towers Limited	Sponsor	11,289,837	6.73
Pastel Apparels Limited	Sponsor	8,003,526	4.77
Fontina Fashions Limited	Sponsor	5,339,771	3.18
Nadia Garments Limited	Sponsor	3,457,914	2.06
Total		101,277,677	60.38

Source: ETL

The Board of the Company comprises of twelve (12) Directors including three Independent Directors, who possess a wide range of skills and experience over a range of professions and businesses. The Directors have a range of local and international experience and expertise, and specialized skills to assist in decision making and leading the Company. The Board of Directors are responsible for proper governance which including setting out the Company's strategic aims, providing the necessary leadership to implement such aims, supervising the management of the business and reporting to the shareholders on their stewardships.

CREDIT RATING AGENCY OF BANGLADESH LIMITED

OPERATION, BUSINESS & FINANCIAL RISK PROFILE

Envoy Textiles Limited is a manufacturer of 100% export-oriented denim fabric which established with sophisticated machineries of USA, Europe, Japan etc. ETL is the first denim project in Bangladesh with Rope Dyed Technology. The Company started its operation in 2008 with an initial production capacity of 16.0 million yards per annum. During last 16 years of operations, ETL has expanded its capacity by more than three times. Current production capacity of the Company is manufacturing 52.0 million yards denim fabrics per year and capacity utilization was around 64.0% in FY2023.

The Company gives emphasis on product development through research and innovation. ETL recruited experts from Turkey to innovate products in order to sustain with the changing market environment. The Company has also installed a dedicated dyeing plant for research and innovation purpose. The Company produces high quality denim products and waves in various shades of indigo and black. ETL specializes in 4.5 oz to 14.75 oz (ounce) ring and open-end denim, and uses stretch, mill wash, modern finishing processes, for products intended for the new-age consumers. These products feature ring-ring constructions in pure indigo and sanforized denim. ETL specializes in basic indigo products and plans to move up the value chain to cater to the most refined customers.

The Company has also yarn manufacturing facility which came into operation at the end of 2016. The Spinning Unit is established with European machineries and producing cotton yarn mostly for own consumption for the production of denim fabrics. ETL recently has established another spinning unit which involves producing yarn using a significant proportion of cotton substitute raw materials. The new unit commenced commercial operation on 1 April 2023 with capacity to produce 4,200 MT yarn per year. At present, the Company has aggregate production capacity of 29,200 MT yarn per annum and capacity utilization was 84.8% in FY2023. Around 60-70% of the production is consumed internally which will help to reduce dependence on outsourced yarn and will support in improving operating efficiency.

Table 4: Details of Production and Sales of ETL

		--Year ended June 30--		
Particulars	HY2024	FY2023	FY2022	FY2021
Production Capacity				
Fabrics (Million Yards)	26.00	52.00	52.00	52.00
Yarn (Million Kg)	14.60	26.05	25.00	24.00
Actual Production				
Fabrics (Million Yards)	18.92	33.31	49.00	37.05
Yarn (Million Kg)	13.89	22.10	24.16	22.11
Utilization				
Fabrics	70.74%	64.05%	94.24%	71.26%
Yarn	94.47%	84.82%	96.65%	92.13%
Sales Quantity				
Fabrics (Million Yards)	17.73	31.77	50.56	37.00
Yarn (Million Kg)	14.05	21.25	24.19	22.58
Total Revenue (Mil. BDT)	6,909.5	11,095.	12,401.6	8,665.3

Source: Management of the Company

Revenue of the Company mostly comes from deemed export through export oriented local readymade garment (RMG) against back-to-back LC. The Company also exports fabrics directly to more than 15 countries which is 15-20% of its total production. Part of revenue is cash incentive from Govt. on export. There are also some revenues from exporting dyed yarn through export oriented local knit garments. Foreign exchange fluctuation gain or loss is recognized in revenue. A volume of around 30% of total produced yarn is exported through local export-oriented denim fabric manufacturer.

Table 5: Composition of Revenue

(Mil. BDT)	HY2024	--Year ended June 30-- FY2023	FY2022	FY2021
Revenue from Fabric Export	5,145.3	8,882.9	10,761.6	6,527.3
% of Total Revenue	74.47%	80.06%	86.78%	75.33%
Revenue from Yarn Export	1,629.9	1,895.4	1,289.4	1,918.3
% of Total Revenue	23.59%	17.08%	10.40%	22.14%
Revenue from Other Sales	1.6	6.6	5.5	4.7
% of Total Revenue	0.02%	0.06%	0.04%	0.05%
Export Cash Subsidy	102.9	266.5	322.8	195.8
% of Total Revenue	1.49%	2.40%	2.60%	2.26%
Exchange Fluctuation Gain	29.9	43.6	22.2	19.2
% of Total Revenue	0.43%	0.39%	0.18%	0.22%
Total Revenue	**6,909.5**	**11,095.0**	**12,401.5**	**8,665.3**

Source: ETL

Revenue sources of the Company was dominated by export of fabrics (on an average 80.7% for the last three years) followed by export of yarn (on an average 16.5% for the last three years). As per un-audited financial statement, ETL earned revenue of BDT 6,909.5 million during the first six months of operations (Jul'23-Dec'23), which if annualized, the Company's revenue may have around 25% revenue growth in FY2024.

Manufacturing of textile is based on the conversion of fibre into yarn, yarn into fabric. These are then dyed or printed, fabricated into clothes. Different types of fiber are used to produce yarn. Cotton remains the most important natural fibre. The country needs 4 million bales of cotton per year for its consumption. Only 25,000 bales are produced locally and the rest is imported from USA, Africa and the Commonwealth of Independent States (CIS), India and Pakistan. Since cotton price is directly correlated with crops harvesting, price of cotton is volatile in the world market. Therefore, the Company is exposed to volatility of raw materials price. The sponsors and management of the Company have long experience in related business which may support to mitigate business risk derived from price volatility of raw materials.

For the manufacturing process, uninterrupted supply of electricity/fuel is required therefore the Company ensures uninterrupted power supply by setting captive power generation facilities. The Company gets gas supply from Titas Gas Transmission and Distribution Limited. The Company has installed ETP at its factory which minimises the risk associated with environmental pollution.

Envoy Textiles Limited was awarded LEED Platinum Certified company by U.S. Green Building Council (USGBC), the highest worldwide recognition for Leadership in Energy & Environmental Design. ETL is the First to score 'LEED Platinum' among all denim manufacturer in the world. The LEED Certification is a mark of quality and achievement in green building. ETL brought Laser Wash Technology, by which any wash effect can be made in fabrics without using water and chemical and accumulated washing machines for sample testing.

According to market study, the global denim products market was around USD 64.5 billion in 2022 and it is expected to reach approximately USD 76.1 billion by 2026 which will grow 4.8% annually. Bangladesh is the highest sourcing destination of denim both for the EU and US. Bangladesh's annual demand for denim fabric is more than 800 million yards. BGMEA has set a target of exporting USD 100 billion worth of readymade apparel by 2030 where denim will play a significant role. Major international brands such as H&M, Uniqlo, Levi's, Nike, Tesco, Wranglar, Hugo Boss, Puma, Primark, and JC Penny are now importing denim products from Bangladesh.

CREDIT RATING AGENCY OF BANGLADESH LIMITED

Since the denim industry of Bangladesh is an export oriented sub-sector, its growth is mostly dependent on the economic stability of importing countries. A repeat economic recession, high volatility of cotton price in the international market, infrastructure bottlenecks, government stiff textile policy, and political unrest will surely put the industry as well as the Company at business risk. The industry is struggling to survive and to be competitive mainly because of ongoing gas crisis and the frequent hike in energy prices. Moreover, inefficiency in ports, inadequate rail and road networks and need for a deep-sea port are some of the major challenges for the export-oriented businesses.

Bangladesh has to compete with other established manufacturer in countries like China, India, Pakistan, Cambodia and Vietnam. India and Pakistan are two leading denim exporters that have cost advantages being they producing cotton. Besides, Pakistan is enjoying GSP facility in the EU market. Due to raising cost in China, buyers are already planning to move to other cost-efficient destination like Bangladesh. Moreover, Bangladesh Denim Textile Industry has a competitive advantage as well have a very developed garments infrastructure and continuously upgrading skills of human resources enabling the Company to bring out high quality and cost competitive products.

ETL has insurance protection with Pragati Insurance Company Limited for sum insured of BDT 4,392.4 million which is valid till 19 January 2025. Insurance cover the risk associated with Industrial All Risks (Material Damage) as such: Fire & Lighting, Riot & Strike Damage, Malicious Damage, Explosion (other than explosion & collapse of boiler), electrical clause "B", cyclone, flood, earthquake (both fire & shock) and burglary except the exclusions specified in the policy.

Management

There were no major changes in core management team of the Company in the last year. The Board is overall responsible for total functioning and operations of the Company. Under reporting to the Board, a team of dedicated and efficient management carries out day-to-day operations of the Company. Chief Executive Officer (CEO) of the Company, Mr. Tushar Tripathi, a highly experienced textile and apparel management executive is in charge of day-to-day operations-production, marketing, HRM, financial management, and overall business performance of ETL. A group of senior executives aids the CEO to perform day-to-day business of the Company. There are Unit Heads for each unit who report to the CEO; and CEO reports time-to-time to the Board/Chairman/Managing Director with summary reports on the performance of the Company. The factory operates three (3) shifts a day and 335 days in a year. As on 31 December 2023, the Company has 3,367 employees (511 officers & staff and 2,856 permanent workers) combined with head office and factory.

Financial

Revenue of the Company mostly comes from deemed and direct export of fabrics. The Company also earns revenue from deemed export of cotton yarn and dyed yarn, weaving and finishing, B grade fabrics sales, sample sales, stock fabric sales etc.

Table 6: Segment Wise Revenue Growth (Mil. BDT)

Particulars	FY2023		FY2022	
	Amount	Growth	Amount	Growth
Revenue from Deemed Export	5,116.4	-15.0%	8,369.9	86.1%
Revenue from Direct Export	3,766.5	-2.1%	1,805.8	-11.0%
Revenue from Fabric Export	**8,882.9**	**-17.5%**	**10,761.6**	**64.9%**
Revenue from Cotton Yarn Export	1,859.8	49.1%	1,247.2	-24.1%
Revenue from Dyed Yarn Export	35.6	-15.7%	42.2	-84.7%
Revenue from Yarn Export	**1,895.4**	**47.0%**	**1,289.4**	**-32.8%**
Revenue from Other Fabric Sales	6.6	20.4%	5.5	18.4%

Source: ETL

Envoy Textiles Limited reported revenue of BDT 11,095.0 million in FY2023 which was BDT 12,401.6 million in FY2022 and BDT 8,665.3 million in FY2021. Revenue of the Company decreased by 10.5% in FY2023 over previous financial year due to decline of revenue from fabric export. However, ETL earned revenue of BDT 6,909.5 million during the first six months of operations (Jul'23-Dec'23), which if annualized, the Company's revenue may have around 25% revenue growth in FY2024.

Table 7: Cost Component and Profitability as % of Revenue (Mil. BDT)

Particulars	FY2023		FY2022		FY2021	
	Amt.	%	Amt.	%	Amt.	%
Revenue	11,095.0	100	12,401.6	100	8,665.3	100
Cost of Goods Sold	9,462.8	85.3	10,675.3	86.1	7,377.9	85.1
Admin. & General Expense	244.6	2.2	241.5	1.9	206.5	2.4
Selling & Distribution Exp.	86.0	0.8	97.5	0.8	66.3	0.8
Operating Profit	1,301.5	11.7	1,387.2	11.2	1,014.6	11.7
Financial Expenses	763.3	6.9	724.9	5.8	712.5	8.2
Income Tax Expenses	189.9	1.7	95.1	0.8	195.2	2.3
Net Profit after Profit	327.3	2.9	501.3	4.0	94.8	1.1

Source: ETL

ETL experienced improvement in EBITDA and gross profit margin in FY2023 resulting from control CoGS. Though operating profit increased by 0.5 percentage point however net profit after tax reduced by 1.1 percentage point in FY2023 compare to previous year due to higher financial and income tax expenses.

At the end of 30 June 2023, total shareholders' equity of the Company stood at BDT 6,469.6 million (including revaluation reserve of BDT 1,663.2 million). Adjusted shareholders' equity of BDT 4,806.5 million comprises BDT 1,677.3 million share capital, BDT 1,097.9 share premium and BDT 2,031.3 million retained earnings. On the other hand, borrowed fund outstanding decreased to BDT 11,434.9 million at the end of 30 June 2023. As a result, borrowed fund to adjusted equity slightly decreased to 2.4x in FY2023 (FY2022: 2.5x). Moreover, borrowed fund was reported 5.8x times to EBITDA which indicating leverage position is improving over the years.

Financial expenses of ETL increased to BDT 763.3 million in FY2023 from BDT 724.9 million in FY2022. As a result, EBIT/Financial Expenses ratios decreased to 1.7x in FY2023 (FY2022: 1.8x). Such coverage position indicates sound capacity to repay the present financial obligation of the Company. However, further increase in the debt level may heighten its financial risk to some extent.

ETL has banking relation with nine Commercial Banks, two Financial Institutions and one Development Bank having total short-term limit facilities of BDT 19,059.4 million and BDT 3,214.5 million long-term outstanding as of 31 December 2023.

Details bank liability position of the Company is given in appendix -1.

CREDIT RATING AGENCY OF BANGLADESH LIMITED

■ RECENT INFORMATION

Revenue of Envoy Textiles Limited increased by 25.6% revenue in HY2024 compared to revenue of HY2023. However, Gross profit margin decreased by 1.6 percentage point in HY2024 mainly due to higher consumption of raw materials compared to that of previous period. Though Net Profit margin decreased however Net Profit in absolute figure increased to BDT 242.7 million in HY2024 from BDT 206.0 million in HY2023. As a result, Earnings Per Share (EPS) of the Company increased to BDT 1.45 in HY2024 from BDT 1.23 in HY2023.

Table: Performance of ETL in HY2024 (Amount in Million, BDT)

Particulars	Growth	HY2024		HY2023	
		Amount	Percentage	Amount	Percentage
Revenue	25.6%	6,909.5	100.0%	5,499.6	100.0%
Gross Profit	12.5%	938.0	13.6%	833.5	15.2%
Operating Profit	14.1%	773.1	11.2%	677.6	12.3%
Financial Expenses	42.3%	478.8	6.9%	336.5	6.1%
Income Tax	-47.0%	50.7	0.7%	95.6	1.7%
Net Profit	17.8%	242.7	3.5%	206.0	3.7%

Stock Market Related Information as on 11/02/2024 (Trading Code: ENVOYTEX):

- Last Trading Price : BDT 43.50
- Day's Range : BDT 41.60 - BDT 44.00
- 52 Weeks' Moving Range : BDT 33.00 - BDT 47.70
- Day's Volume (Nos.) : 202,153 (Day's Trade: 299 Nos.)
- Dividend : Proposed 15% C (2023), 15% C (2022), 10% C (2021)

APPENDIX – 1: CREDIT FACILITIES (Figures in millions, BDT)

Loan Type	Nature	Bank/Financial Institution	Facility	Limit	Outstanding	Expiry Date
Long Term	Funded	Asian Development Bank	Term Loan	1,353.4	1,353.4	31/05/2030
		Dutch-Bangla Bank PLC.	Term Loan	500.0	200.2	30/11/2024
		IDLC Finance PLC.	Term Loan	230.0	38.0	31/12/2024
		Modhumoti Bank Limited	Term Loan	500.0	327.4	23/11/2026
		Pubali Bank PLC.	Term Loan	6.4	4.3	20/03/2024
			Term Loan	550.0	147.9	06/01/2016
			Term Loan	424.5	123.6	17/12/2026
			Term Loan	78.3	77.2	28/12/2028
		Southeast Bank PLC.	Term Loan	1,220.0	569.5	24/08/2027
		Infrastructure Dev. Co. Ltd.	Term Loan	405.8	372.9	15/03/2030
		Total Long Term		**5,268.3**	**3,214.5**	
Short Term	Funded	HSBC, Bangladesh	Overdraft (OD)	100.0	39.4	30/06/2024
			RSTL	200.0	177.0	30/06/2024
			Bill Discounting	154.0	28.5	30/06/2024
		Commercial Bank of Ceylon	Overdraft (OD)	10.0	5.4	31/03/2024
			RSTL	500.0	500.0	31/03/2024
		Dutch-Bangla Bank PLC.	Overdraft (OD)	200.0	179.5	30/11/2024
			RSTL	(600.0)	607.5	30/11/2024
		Modhumoti Bank Limited	CC (Hypo)	100.0	100.0	31/10/2022
			STL	400.0	400.0	31/10/2022
			LDBP	200.0	-	31/10/2022
		Mutual Trust Bank PLC.	SOD General	(30.0)	4.2	31/10/2024
			Time Loan	(150.0)	152.3	31/10/2024
		The Premier Bank PLC.	OD (General)	139.0	185.4	28/02/2024
		Pubali Bank PLC.	Cash Credit	700.0	474.7	31/05/2024
			STL	600.0	414.3	22/09/2024
			Bill Purchase	700.0	53.3	31/12/2024
		Southeast Bank PLC.	Overdraft	250.0	233.2	31/07/2024
			Time Loan	600.0	511.6	31/07/2024
			IDBP	350.0	-	31/07/2024
		Uttara Bank PLC.	Cash Credit	300.0	278.3	31/10/2024
			RSTL	500.0	506.3	31/10/2024
			IBP	300.0	-	31/10/2024
		Total Short Term Funded		**6,303.0**	**4,851.0**	
Short Term	Non-Funded	HSBC, Bangladesh	LC/Acceptance	2,300.0	1,177.1	30/06/2024
			BG	30.0	-	28/03/2027
		Commercial Bank of Ceylon	Letter of Credit	490.0	91.9	31/03/2023
		Dutch-Bangla Bank PLC.	Letter of Credit	900.0	-	30/11/2024
		Modhumoti Bank Ltd.	Letter of Credit	500.0	-	01/03/2024
			BG	1,676.4	1,256.4	16/03/2027
		Mutual Trust Bank PLC.	Letter of Credit	650.0	-	31/10/2024
		Pubali Bank PLC.	Letter of Credit	3,700.0	1,076.2	31/05/2024
			BG	50.0	23.7	31/05/2024
		Southeast Bank PLC.	Letter of Credit	1,580.0	1,183.6	31/07/2024
			BG	80.0	43.9	31/07/2024
		Uttara Bank PLC.	Letter of Credit	800.0	260.1	31/10/2024
		Total Short Term Non-Funded		**12,756.4**	**5,112.8**	

Note:
- Bank liabilities are based on 31/12/2023.
- Limits within brackets are sub-limits of other independent limits.
- Excellent relationship with timely repayment nature as per bankers' feedback.

CREDIT RATING AGENCY OF BANGLADESH LIMITED

Appendix – 2: Key Financial Indicators

Type of Statement: Audited

(Figures in Million, BDT)

	Period	31/12/2023	30/06/2023	30/06/2022	30/06/2021
	(Months)	(06)	(12)	(12)	(12)
Earnings & Stability	Revenue	6,909.5	11,095.0	12,401.6	8,665.3
	Revenue Growth	n.a	-10.5	43.1	6.0
	CoGS as % of Revenue	86.4	85.3	86.1	85.1
	EBITDA	1,126.3	1,960.0	2,031.0	1,749.0
	EBITDA Margin (%)	16.3	17.7	16.4	20.2
	Net Profit after Tax	242.7	327.3	501.3	94.8
Profitability	Gross Profit Margin (%)	13.6	14.7	13.9	14.9
	Operating Profit Margin (%)	11.2	11.7	11.2	11.7
	Net Profit Margin (%)	3.5	2.9	4.0	1.1
	Return on Average Asset (%)	n.a.	1.6	2.6	0.5
	Return on Average Equity (%)	n.a.	5.1	7.9	1.5
Liquidity	Current Ratio (x)	1.39	1.30	1.30	1.11
	Quick Ratio (x)	0.74	0.64	0.78	0.60
	Inventories	4,630.2	5,219.7	3,712.4	3,724.0
	Average Inventory Processing Period (Days)	n.a.	173	128	189
	Accounts Receivables	4,511.0	4,268.7	5,155.2	3,940.1
	Average Receivable Collection Period (Days)	n.a.	156	134	145
	Accounts Payables	603.1	1,504.5	811.2	172.6
	Average Payable Payment Period (Days)	n.a.	45	17	11
	Operating Cycle (Days)	n.a.	329	262	334
	Cash Conversion Cycle (Days)	n.a.	284	245	323
Leverage & Capital Structure	Total Equity	6,711.8	6,469.6	6,409.0	6,338.5
	Total Liabilities	13,933.7	14,232.7	13,312.3	12,311.1
	Total Assets	20,645.5	20,702.3	19,721.4	18,649.6
	Total Borrowed Fund	12,183.0	11,434.9	11,752.2	11,562.1
	Total Long-Term Debt	6,349.4	5,891.4	5,774.7	4,600.7
	Fund Flow from Operation (FFO)	596.8	1,006.8	1,211.0	841.2
	Cash Flow from Operation (CFO)	n.a.	1,409.4	851.7	(145.9)
	Total Liabilities to Equity (x)	2.1	2.2	2.1	1.9
	Borrowed Fund to Equity (x)	1.8	1.8	1.8	1.8
	Borrowed Fund/EBITDA (x)	n.a.	5.8	5.8	6.6
Coverage	FFO/Borrowed Fund (%)	4.9	8.8	10.3	7.3
	CFO/Borrowed Fund (%)	n.a.	12.3	7.2	-1.3
	EBIT to Financial Expenses, TIER (x)	1.6	1.7	1.8	1.4
	Debt Service Coverage, DSCR (x)	1.3	1.3	1.5	1.4

Other Indicators (Leverage Ratio considering Adjusted Equity*):

Period	31/12/2023	30/06/2023	30/06/2022	30/06/2021
Total Equity	6,711.8	6,469.6	6,409.0	6,338.5
Revaluation Reserve	1,658.6	1,663.2	1,672.5	1,682.2
Adjusted Equity	5,053.2	4,806.5	4,736.5	4,656.3
Total Liability to Adjusted Equity (x)	2.8	3.0	2.8	2.6
Borrowed Fund to Adjusted Equity (x)	2.4	2.4	2.5	2.5

*Adjusted Equity is adjusted with Revaluation Reserve.

CREDIT RATING AGENCY OF BANGLADESH LIMITED

APPENDIX – 3: RATING HISTORY

Date of Rating : 29 September, 2022

Particular	Rating
Envoy Textiles Limited	AA_1
BDT 2,665.7 million Long Term Outstanding	AA_1(Lr)
BDT 5,300.0 million Short Term Fund based Limit	ST-2
BDT 10,840.0 million Short Term Non-Fund based Limit	ST-2
Outlook	Stable

Lr - Loan Rating, ST - Short Term

Rating based on: Audited financial statements up to 30 June 2021, Un-Audited financial statements of 31 March 2022, bank liability position as on 30 June 2022, and other information up to the date of rating declaration.

Date of Rating : 30 September, 2021

Particular	Rating
Envoy Textiles Limited	AA_1
BDT 2,480.2 million Long Term Outstanding	AA_1(Lr)
BDT 7,005.0 million Short Term Fund based Limit	ST-2
BDT 7,850.0 million Short Term Non-Fund based Limit	ST-2
Outlook	Stable

Lr - Loan Rating, ST - Short Term

Rating based on: Audited financial statements up to 30 June 2020, Un-Audited financial statements up to 31 March 2021, bank liability position as on 31 August 2021, and other information up to the date of rating declaration.

Date of Rating : 10 September, 2020

Particular	Rating
Envoy Textiles Limited	AA_1
BDT 3,496.6 million Long Term Outstanding	AA_1(Lr)
BDT 5,611.0 million Short Term Fund based Limit	ST-2
BDT 6,900 million Short Term Non-Fund based Limit	ST-2
Outlook	Stable

Lr - Loan Rating, ST - Short Term

Rating based on: Audited financial statements up to 30 June 2019, Un-Audited financial statements up to 31 March 2020, bank liability position as on 30 June 2020, and other information up to the date of rating declaration.

Date of Rating : 12 September, 2019

Particular	Rating
Envoy Textiles Limited	AA_1
BDT 3,937.5 million Long Term Outstanding	AA_1(Lr)
BDT 368.1 million Zero Coupon Bond	AA_3(So)
BDT 1,570.0 million Cash Credit (CC) Limits*	AA_1(Lr)
BDT 1,755.0 million Short Term Funded Limit	ST-2
BDT 5,700.0 million Short Term Non-Funded Limit	ST-2
Rating Outlook	Stable

*Lr - Loan Rating, ST - Short Term; *Due to its revolving nature CRAB views Cash Credit/Overdraft as long-term facility.*

Rating based on: Audited financial statements up to 30 June 2018; un-audited financial statements up to 31 March 2019, bank liability position as on 30 June 2019, and other information up to the date of rating declaration.

CREDIT RATING AGENCY OF BANGLADESH LIMITED

CRAB RATING SCALES AND DEFINITIONS -Long Term (Corporate)

Long Term Rating	Definition
AAA Triple A	Companies rated in this category have extremely strong capacity to meet financial commitments. These companies are judged to be of the highest quality, with minimal credit risk.
AA_1, AA_2, AA_3* Double A	Companies rated in this category have very strong capacity to meet financial commitments. These companies are judged to be of very high quality, subject to very low credit risk.
A_1, A_2, A_3 Single A	Companies rated in this category have strong capacity to meet financial commitments, but are susceptible to the adverse effects of changes in circumstances and economic conditions. These companies are judged to be of high quality, subject to low credit risk.
BBB_1, BBB_2, BBB_3 Triple B	Companies rated in this category have adequate capacity to meet financial commitments but more susceptible to adverse economic conditions or changing circumstances. These companies are subject to moderate credit risk. Such companies possess certain speculative characteristics.
BB_1, BB_2, BB_3 Double B	Companies rated in this category have inadequate capacity to meet financial commitments. Have major ongoing uncertainties and exposure to adverse business, financial, or economic conditions. These companies have speculative elements, subject to substantial credit risk.
B_1, B_2, B_3 Single B	Companies rated in this category have weak capacity to meet financial commitments. These companies have speculative elements, subject to high credit risk.
CCC_1, CCC_2, CCC_3 Triple C	Companies rated in this category have very weak capacity to meet financial obligations. These companies have very weak standing and are subject to very high credit risk.
CC Double C	Companies rated in this category have extremely weak capacity to meet financial obligations. These companies are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
C Single C	Companies rated in this category are highly vulnerable to non-payment, have payment arrearages allowed by the terms of the documents, or subject of bankruptcy petition, but have not experienced a payment default. Payments may have been suspended in accordance with the instrument's terms. These companies are typically in default, with little prospect for recovery of principal or interest.
D (Default)	D rating will also be used upon the filing of a bankruptcy petition or similar action if payments on an obligation are jeopardized.

***Note:** *CRAB appends numerical modifiers 1, 2, and 3 to each generic rating classification from AA through CCC. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.*

CREDIT RATING AGENCY OF BANGLADESH LIMITED

LONG-TERM RATING: LOANS/FACILITIES FROM BANKS/FIS

(All loans/facilities with original maturity exceeding one year)

RATINGS	DEFINITION
AAA (Lr) (Triple A) Highest Safety	Loans/facilities rated **AAA (Lr)** are judged to offer the highest degree of safety, with regard to timely payment of financial obligations. Any adverse changes in circumstances are unlikely to affect the payments on the loan facility.
AA (Lr)* (Double A) High Safety	Loans/facilities rated **AA (Lr)** are judged to offer a high degree of safety, with regard to timely payment of financial obligations. They differ only marginally in safety from AAA (Lr) rated facilities.
A (Lr) Adequate Safety	Loan/facilities rated **A (Lr)** are judged to offer an adequate degree of safety, with regard to timely payment of financial obligations. However, changes in circumstances can adversely affect such issues more than those in the higher rating categories.
BBB (Lr) (Triple B) Moderate Safety	Loans/facilities rated **BBB (Lr)** are judged to offer moderate safety, with regard to timely payment of financial obligations for the present; however, changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal than for issues in higher rating categories.
BB (Lr) (Double B) Inadequate Safety	Loans/facilities rated **BB (Lr)** are judged to carry inadequate safety, with regard to timely payment of financial obligations; they are less likely to default in the immediate future than instruments in lower rating categories, but an adverse change in circumstances could lead to inadequate capacity to make payment on financial obligations.
B (Lr) High Risk	Loans/facilities rated **B (Lr)** are judged to have high risk of default; while currently financial obligations are met, adverse business or economic conditions would lead to lack of ability or willingness to pay interest or principal.
CCC (Lr) Very High Risk	Loans/facilities rated **CCC (Lr)** are judged to have factors present that make them very highly vulnerable to default; timely payment of financial obligations is possible only if favorable circumstances continue.
CC (Lr) Extremely High Risk	Loans/facilities rated **CC (Lr)** are judged to be extremely vulnerable to default; timely payment of financial obligations is possible only through external support.
C (Lr) Near to Default	Loans/facilities rated **C (Lr)** are currently highly vulnerable to non-payment, having obligations with payment arrearages allowed by the terms of the documents, or obligations that are subject of a bankruptcy petition or similar action but have not experienced a payment default. C is typically in default, with little prospect for recovery of principal or interest. C (Lr) are typically in default, with little prospect for recovery of principal or interest.
D (Lr) Default	Loans/facilities rated **D (Lr)** are in default or are expected to default on scheduled payment dates.

**Note: CRAB appends numerical modifiers 1, 2, and 3 to each generic rating classification from AA through CCC. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.*

SHORT-TERM CREDIT RATING: LOANS/FACILITIES OF BANKS/FIS

(All loans/facilities with original maturity within one year)

RATINGS	DEFINITION
ST-1 Highest Grade	This rating indicates that the degree of safety regarding timely payment on the loans/facilities is very strong.
ST-2 High Grade	This rating indicates that the degree of safety regarding timely payment on the loans/facilities is strong; however, the relative degree of safety is lower than that for issues rated higher.
ST-3 Adequate Grade	This rating indicates that the degree of safety regarding timely payment on the loans/facilities is adequate; however, the issues are more vulnerable to the adverse effects of changing circumstances than issues rated in the two higher categories.
ST-4 Marginal	This rating indicates that the degree of safety regarding timely payment on the loans/facilities is marginal; and the issues are quite vulnerable to the adverse effects of changing circumstances.
ST-5 Inadequate Grade	This rating indicates that the degree of safety regarding timely payment on the loans/facilities is minimal, and it is likely to be adversely affected by short-term adversity or less favorable conditions.
ST-6 Lowest Grade	This rating indicates that the loans/facilities are expected to be in default on maturity or is in default.

CREDIT RATING

REPORT

CREDIT RATING AGENCY OF BANGLADESH LTD.

:ORPORATE OFFICE
l Tower, 6 Panthapath, Level 15
aka 1215, Phone 55013681-84
nting : 09613000011
:: 55013679
ıail: info@crab.com.bd

■ CHATTOGRAM OFFICE
Excel SM Tower, Level 1, 62 Zakir Hossain Road, GEC (Garibulla Shah Mazar Road) Khulshi, Chattogram 4202.
Phone: 02 3333 52021, 02 3333 52022
email: info@crab.com.bd

■ BOGURA OFFICE
Sobi Villa (3rd Floor) (In front of Independent General Hospital) 981/1, S Chattergy Lane Jaleswaritola Bogura.
Phone: +8802589903818
email: info@crab.com.bd

■ SYLHET OFFICE
House No: 512, Asma Monzil Lamapara, Shibgonj, Sylhet-3100.
Cell: 01712 297036
email : info@crab.com.bd