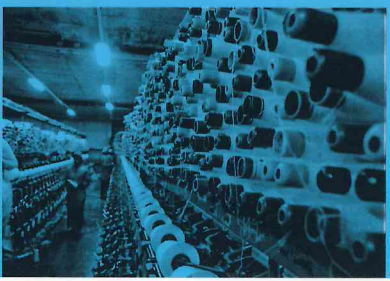


# CREDIT RATING REPORT



[www.crab.com.bd](http://www.crab.com.bd)



**CREDIT RATING  
AGENCY OF  
BANGLADESH LTD.**

## CREDIT RATING REPORT (14<sup>TH</sup> SURVEILLANCE)

### Envoy Textiles Limited

Particular	Rating	Remark
Envoy Textiles Limited	AA <sub>1</sub>	-
BDT 2,652.0 million Long Term Outstanding	AA <sub>1</sub> (Lr)	
BDT 6,685.0 million Short Term Funded Limit	ST-1	Vide Appendix - 1
BDT 15,136.4 million Short Term Non-Funded Limit	ST-1	
Outlook	Positive	-

Lr - Loan Rating, ST - Short Term

**Date of Rating** : 30 December, 2024

**Validity** : 31 December, 2025

**Rating based on** : Audited Financial Statements (FYE 30/06/2024, 30/06/2023, 30/06/2022, and 30/06/2021), bank liability position as on 30/09/2024, and other information up to the date of rating declaration.

**Auditor:** K. M. HASAN & CO., Chartered Accountants

**Methodology:** CRAB's Corporate Rating Methodology ([www.crab.com.bd](http://www.crab.com.bd))

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#### ■ RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has retained the long-term rating of Envoy Textiles Limited at AA<sub>1</sub> (Double A One) and assigned AA<sub>1</sub>(Lr) rating to BDT 2,652.0 million long term outstanding of the Company. CRAB has also assigned ST-1 rating to BDT 6,685.0 million funded limit and BDT 15,136.4 million non-funded limit of the Company in the short term. The rating outlook is considered positive.

#### Credit Strengths:

- Fundamental strengths of ENVOYTEX: large scale of operation, robust business model, revenue generation capacity and the demand outlook of Textile industry.
- Established track record, vast experience of promoters, expertise of Management and availability support from associates.
- State of the art manufacturing facility, conforming to compliance via green manufacturing, and strong liaison with renowned local & foreign buyers comforting the sustenance and growth of business.
- Healthy financial profile: revenue growth, improved profitability, sustained leverage.
- Projected growth through revenue of BDT 4,399.5 million during first quarter of FY2025.

#### Credit Challenges:

- Volatility in financial parameters via earnings, leverage and coverage factors.
- Competitive business conditions, volatility of raw material prices directly impacts business.
- Sustained performance highly dependent on economic stability of local & foreign markets. Global economic contraction may hinder growth.
- Any significant impact in business and operations may lead to adverse impact on debt coverage profile.

#### Financial Highlights (Figures in Millions, BDT)

Period	30/06/24	30/06/23
Revenue	14,261.4	11,095.0
EBITDA	2,661.0	1,960.0
EBITDA Margin (%)	18.7	17.7
Net Profit after Tax	600.4	327.3
Net Profit Margin (%)	4.2	2.9
Return on Avg. Asset (%)	2.7	1.6
Quick Ratio (x)	0.6	0.5
Total Equity	8,710.8	6,469.6
Total Assets	23,986.0	20,702.3
Total Liability to Equity (x)	1.8	2.2
Borrowed Fund to Equity (x)	1.4	1.8
Borrowed Fund to EBITDA (x)	4.6	5.8
Cash Flow from Operation	617.9	1,172.0
EBIT/Interest Expenses (x)	1.6	1.7

Source: The Company and CRAB Analysis

#### ■ PROFILE

Name	Envoy Textiles Limited (ENVOYTEX)
Company Type	Public Limited Company (Listed)
Incorporation	18/06/1995 as Private Limited Company
Public Listing	June, 2012
Business	Manufacturer & Exporter of Denim Fabrics
Chairman	Mr. Kutubuddin Ahmed
MD	Mr. Tanvir Ahmed
Corporate Office	Envoy Tower, 18/E, Lake Circus Kalabagan (West Panthapath), Dhaka
Hong Kong Office	11 <sup>th</sup> Floor, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong
Factory	Zamirdia, Bhaluka, Mymensingh

The assigned rating reflected ENVOYTEX's business model and operational scale supported by its diversified product range with revenue growth. Key factors contributing to the rating include the company's profitability with relative improvement, enhanced equity through retention of earnings, and a favourable demand outlook for the textile industry. Additionally, ENVOYTEX benefits from strong relationships with established buyers, reducing demand-related risks. The experience of ENVOYTEX's promoters and senior management in the textile sector further reinforces the rating, complemented by its integrated supply chain, advanced manufacturing facilities with modern technology, green manufacturing to ensure eco-friendliness and stringent quality assurance processes. The company's history of satisfactory loan repayments with its lenders is also viewed positively. The 'Positive' outlook on the rating reflects the expectation that the Company will maintain its improved profit margins and debt metrics would sustain going forward.

However, the rating is somewhat constrained by fluctuations in profitability, moderate leverage, and marginal coverage position. Additionally, the competitive nature of the business, driven by the presence of established denim manufacturers, poses challenges. Risks associated with the price volatility of cotton, the primary raw material for yarn, also weighed on the rating assessment. Furthermore, the company's growth is heavily reliant on the economic stability of both the local and importing countries. A potential repeat of a global economic recession would significantly heighten business risks for both the industry and the Company.

Going forward, ENVOYTEX's ability to sustain revenue growth by optimizing capacity utilization, retaining its customers, improving cash flows, efficient working capital management, and improving leverage will play a significant role. Key rating sensitivities also include the Company's capacity to satisfactorily meet its obligations and ensure the timely enhancement of working capital limits to support operations.

■ BACKGROUND

ENVOYTEX 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. ENVOYTEX 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 factory of the Company is situated at Zamirdia, Bhaluka, Mymensingh with captive power generation facility. ENVOYTEX was awarded LEED™ (Leadership in Energy and Environmental Design) Platinum Certification by US Green Building Council, ensuring environment friendly production facilities.

Table 1: Timeline of Envoy Textiles Limited and Awards & Accolades

Year	Event
2008	Commencement of commercial operation
2009	Certification of GOTS and OE -100 for organic production
2010	Awarded ISO 9001:2008 and ISO 14001:2008 Certificates
2013	Doubled the production capacity (37 million yards per year)
2016	Started production of Spinning Unit, awarded LEED Platinum Certification by US Green Building Council
2018	BGMEA Green Factory Award
2018	Presidential Award (Category- Large Industry) for Industrial Development (2016, 2017, 2020)
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 (2017, 2020)
2020	Awarded National Export Trophy (from 2009-10 from 2020-21)
2020	ICSB National Award 2014, 2015, 2016, 2020
2020	Highest Tax Prayer Award 2016-2020; Highest Regular Electric Bill Prayer Award 2018-20
2020	ICMAB Best Corporate Award 2016-2020
2021	Production capacity increased to 52 million yards per year
2022	The Sustainability Leadership Award 2022
2022	HSBC Export Excellence Award 2017, 2022
2023	Started production of Blended Yarn Unit with Capacity of 4,200 MT per year.
2023	Green Factory Award by Ministry of Labour & Employment
2024	Renewable Energy (RE) capacity building by installing Solar Panel (2.2 MW)

Source: Management of the Company



## ■ SHAREHOLDING AND BOARD COMPOSITION

Envoy Textiles Limited (Trading Code: ENVOYTEX) 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 4,750.0 million divided into 2,750.0 million Ordinary Shares and 2,000.0 million Redeemable Preference Shares of BDT 10.0 each and paid-up capital was BDT 1,677.3 million.

**Table 2: Shareholding Structure**

As of Particulars	30/09/2024			30/06/2024		
	No. of Shares	Mil. BDT	%	No. of Shares	Mil. BDT	%
Sponsors/Directors	105,717,677	1,057.18	63.03	105,717,677	1,057.18	63.03
Institutional Shareholders	14,530,819	145.31	8.66	14,429,102	144.29	8.60
Individual Shareholders	47,372,813	473.73	28.24	47,474,275	474.74	28.30
Foreign Shareholders	113,458	1.13	0.07	113,713	1.14	0.07
<b>Total</b>	<b>167,734,767</b>	<b>1,677.35</b>	<b>100.00</b>	<b>167,734,767</b>	<b>1,677.35</b>	<b>100.00</b>

Source: ENVOYTEX

As of 30 November 2024, around 65.18% of shares of the Company are held by its sponsors/directors and remaining 34.82% of shares are held by individual/institutional and foreign shareholders.

**Table 3: Shareholding in ETL**

Name of Shareholders	Position held	No of Shares	%
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. Sk. Bashir Ahmed	Director	4,148,336	2.47
Nominee of Envotech Aviation Limited			
Mrs. Rashida Ahmed	Sponsor Director	3,354,774	2.00
Mr. Abdus Salam Murshedy	Sponsor Shareholder	12,529,091	7.47
Mrs. Sharmin Salam	Sponsor Shareholder	3,657,867	2.18
Barrister Shehrin Salam Oishee	Sponsor Shareholder	3,657,867	2.18
Ms. Sumayyah Ahmed	Director	7,734,469	4.61
Mr. Sunil Daulatram Daryanani	Director	4,440,000	2.65
Nominee of Epic Garments Manufacturing Co. Ltd.			
Mr. Moin Uddin	Director	3,364,695	2.01
Nominee of Sheltech Ceramics Limited			
Mr. Dinesh Gope Virwani	Director	3,600,000	2.15
Nominee of Cosmopolitan Industries (Pvt.) Ltd.			
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
<b>Total</b>		<b>109,317,677</b>	<b>65.18</b>

Source: ENVOYTEX

The Board of the Company comprises of eleven (11) 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.

**OPERATION, BUSINESS & FINANCIAL RISK PROFILE**
**Operation**

Envoy Textiles Limited is a manufacturer of 100% export-oriented denim fabric which established with sophisticated machineries of USA, Europe, Japan etc. ENVOYTEX 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, ENVOYTEX 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 with 384 loom machine and capacity utilization was around 74.6% in FY2024 (FY2023: 64.0%).

The Company gives emphasis on product development through research and innovation. ENVOYTEX 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. ENVOYTEX 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. ENVOYTEX specializes in basic indigo products and plans to move up the value chain to cater to the most refined customers.

The Company has also Spinning Unit 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. ENVOYTEX recently has established another Spinning Unit which involves producing blended 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 94.8% in FY2024. 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**

Period ended	30/06/24	30/06/23	30/06/22	30/06/21
<b>Production Capacity</b>				
Fabrics (Million Yards)	52.00	52.00	52.00	52.00
Yarn (Million Kg)	29.20	26.05	25.00	24.00
<b>Actual Production</b>				
Fabrics (Million Yards)	38.80	33.31	49.00	37.05
Yarn (Million Kg)	27.69	22.10	24.16	22.11
<b>Utilization</b>				
Fabrics	74.61%	64.05%	94.24%	71.26%
Yarn	94.84%	84.82%	96.65%	92.13%
<b>Sales Quantity</b>				
Fabrics (Million Yards)	39.75	31.77	50.56	37.00
Yarn (Million Kg)	28.30	21.25	24.19	22.58
<b>Total Revenue (Mil. BDT)</b>	<b>14,261.4</b>	<b>11,095.0</b>	<b>12,401.6</b>	<b>8,665.3</b>

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 (Figures in Millions, BDT)**

Period ended	30/06/24	30/06/23	30/06/22	30/06/21
Revenue from Fabric Export	11,128.9	8,882.9	10,761.6	6,527.3
% of Total Revenue	78.04%	80.06%	86.78%	75.33%
Revenue from Yarn Export	3,067.5	1,895.4	1,289.4	1,918.3
% of Total Revenue	21.51%	17.08%	10.40%	22.14%
Revenue from Other Sales	6.9	6.6	5.5	4.7
% of Total Revenue	0.05%	0.06%	0.04%	0.05%
Export Cash Subsidy	26.1	266.5	322.8	195.8
% of Total Revenue	0.18%	2.40%	2.60%	2.26%
Exchange Fluctuation Gain	32.0	43.6	22.2	19.2
% of Total Revenue	0.22%	0.39%	0.18%	0.22%
<b>Total Revenue</b>	<b>14,261.4</b>	<b>11,095.0</b>	<b>12,401.5</b>	<b>8,665.3</b>

Source: Audited Financial Statements

Revenue sources of the Company was dominated by export of fabrics (on an average 80.0% for the last four years) followed by export of yarn (on an average 17.8% for the last four years). As per un-audited financial statement, ENVOYTEX earned revenue of BDT 4,399.5 million during the first three months of operations (Jul'24-Sep'24), which if annualized, the Company's revenue may have around 23% revenue growth in FY2025.

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. ENVOYTEX 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. ENVOYTEX 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.

The global denim market is expected to reach approximately USD 76.1 billion by 2026 with an annual growth rate of 4.8%. With 42 state-of-the-art mills, Bangladesh can now produce over 900 million meters of denim fabric annually. BGMEA has set a target of exporting USD 100 billion worth of readymade apparel by 2030 where denim will play a significant role. Bangladesh is the highest sourcing destination of denim both for the EU and US. Major international brands such as H&M, Uniqlo, Levi's, Nike, Tesco, Wrangler, Hugo Boss, Puma, Primark, and JC Penny are now importing denim products from Bangladesh.

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 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 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.

ENVOYTEX has insurance coverage with Pragati Insurance Company Limited for sum insured of BDT 4,392.4 million, 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.

#### CAPACITY EXPANSION PLAN

Envoy Textiles Limited is in the process to establish another Spinning Unit at its existing factory premises to increase its production capacity by 4,550 MT annually focusing on the production of cotton-polyester-spandex core-spun yarn. Total cost of the proposed unit has been estimated at BDT 973.0 million, to be financed through a combination of 30% equity from retained earnings and 70% debt from bank borrowings. The project is expected to be completed by December, 2025.

Management of ENVOYTEX also taken initiative to establish a Waste Fabric Recycling Plant at its existing factory premises. This plant is designed to use process 12 MT of waste fabrics per day, with 98% recovery rate of input material into recycled fibre. The total project investment is estimated at BDT 237.0 million, funded through a debt-to-equity ratio of 70:30. The management of ENVOYTEX is expecting to start its operation by June, 2025 which will generate approximately BDT 80.0 million profit annually.

#### Management

Although the core policies and standard practices are set by the Board, the daily operations are monitored by a team of Key Executives reporting directly to the Managing Director and the Board. The Company has different committees (Audit Committee, Nomination & Remuneration Committee and Management) to ensure compliance and corporate governance.

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 regular operations, production, marketing, HRM, financial management, and overall business performance of ENVOYTEX. 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 30 September 2024, the Company has 3,224 employees (490 officers & staff and 2,734 permanent workers) combined with head office and factory.

## Financials

The financial information presented here is based on Audited financial statements of Envoy Textiles Limited as at 30 June 2024. The Auditor, K. M. HASAN & CO. Chartered Accountants, has provided unqualified opinion with respect to the financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

Revenue of the Company comes from multiple sources. The core revenue stream is generated through export of fabrics. The Company also earns revenue from deemed export of cotton yarn and dyed yarn. There is small portion of revenue generated from the sale of sample fabrics, wastage or stock fabric sales. Furthermore, ENVOYTEX received cash incentives from the government as a reward for export.

Table 6: Segment Wise Revenue Growth

Period ended	30/06/2024		30/06/2023	
	Mil. BDT	Growth	Mil. BDT	Growth
Revenue from Deemed Export	9,468.0	38.4%	6,842.6	-18.2%
Revenue from Direct Export	1,660.9	-18.6%	2,040.3	-14.7%
Revenue from Fabric Export	11,128.9	25.3%	8,882.9	-17.5%
Revenue from Cotton Yarn Export	3,008.8	61.8%	1,859.8	49.1%
Revenue from Dyed Yarn Export	58.7	64.7%	35.6	-15.7%
Revenue from Yarn Export	3,067.5	61.8%	1,895.4	47.0%
Revenue from Other Fabric Sales	6.9	4.0%	6.6	20.4%

Source: ENVOYTEX

ENVOYTEX reported revenue of BDT 14,261.4 million in FY2024 which was 11,095.0 million in FY2023 and BDT 12,401.6 million in FY2022. Revenue of the Company increased by 28.5% in FY2024 over previous financial year due to increase of revenue from fabric export as well as yarn export. Revenue growth was driven by market recovery in key export regions, particularly in the USA and Europe and favourable exchange rate.

Table 7: Cost Component and Profitability as % of Revenue

Period ended	30/06/2024		30/06/2023		30/06/2022	
	Mil. BDT	%	Mil. BDT	%	Mil. BDT	%
Revenue	14,261.4	100.0	11,095.0	100.0	12,401.6	100.0
Cost of Goods Sold	11,951.4	83.8	9,462.8	85.3	10,675.3	86.1
Admin. & General Exp.	286.1	2.0	244.6	2.2	241.5	1.9
Selling & Distribution Exp.	87.5	0.6	86.0	0.8	97.5	0.8
Financial Expenses	1,232.5	8.6	763.3	6.9	724.9	5.8
Profit before Tax	716.2	5.0	517.2	4.7	596.4	4.8
Income Tax	115.8	0.8	189.9	1.7	95.1	0.8
Profit after Profit	600.4	4.2	327.3	2.9	501.3	4.0

Source: Audited Financial Statements

The Company experienced improvement in gross profit and EBITDA margin in FY2024 resulting from control of Cost of Goods Sold (CoGS). In terms of revenue, CoGS decreased by 1.5% in FY2024 compared to previous year due to reduction in raw material costs. In FY2024, financial expenses increased by BDT 469.3 million due to increase in interest rates on loans. Despite increase of financial expenses, profit before tax of the Company increased by BDT 199.0 in FY2024. On the other hand, tax expenses reduced significantly on the back of a 50% concessional source tax benefit. As a result, Profit after Tax grew by 83.4% and reached BDT 600.4 million in FY2024. Hence, Earnings per share (EPS) of the Company increased to BDT 3.59 in FY2024 from BDT 1.95 in FY2023.

Overall liquidity position of the Company was moderate as current ratio at 1.1x and quick ratio at 0.6x in FY2024. ENVOYTEX experienced improvement in working capital management as operating cycle decreased to 283 days in FY2024 (FY2023: 329 days)

resulting from decreased average inventory processing and receivable collection period. Moreover, cash conversion cycle decreased to 231 days in FY2024 from 284 days in FY2023. However, Net Operating Cash Flow (NOCF) decreased to BDT 617.9 million in FY2024 from BDT 1,172.0 million in FY2023 due to lower realization of receivables than the receivables generated during the year. After adjusting dividend payment and capital expenditure, Free Cash Flow (FCF) of the Company stood at negative (BDT - 607.5 million) in FY2024 (FY2023: BDT 154.6 million) which implies that the Company's dependence on external borrowings to meet its future expansion and regular capital expenditure may increase in coming year.

As on 30 June 2024, ENVOYTEX reported Cash and Bank Balance was BDT 630.3 million (Cash & Cash Equivalent: BDT 603.6 million and FDR: BDT 26.7 million). Total asset of the Company was around BDT 23,986.0 million comprising current assets of BDT 11,641.6 million and non-current assets of BDT 12,344.4 million while current liability was BDT 10,888.8 million as of 30 June, 2024.

Total equity of the Company reached at BDT 8,710.8 million (including revaluation reserve of BDT 3,549.2 million) at the end of 30 June 2024. The adjusted equity of BDT 5,161.6 million comprises BDT 1,677.3 million share capital, BDT 1,096.1 share premium and BDT 2,388.1 million retained earnings revealing sound equity base of the Company. The Company's equity position is decorated by sound portion of retained earnings which provides cushion to its debt level and future expansion and regular capital expenditure. At the same time, total Liabilities stood at BDT 15,275.2 million while total borrowed fund stood at BDT 12,281.9 million comprised of long-term & short-term loans, Preference Shares and Zero-Coupon Bonds.

Looking at leverage, Total Liabilities to Equity stood at 1.8x (FY2023: 2.2x) and Borrowed fund to Equity at 1.4x (FY2023: 1.8x) while Borrowed Fund to EBITDA at 4.6x (FY2023: 5.8x). Overall leverage has improved compared to last year. The Company's coverage position is satisfactory: EBIT/Interest Expense stood at 1.6x in FY2024 whereas DSCR was found to be at 1.2x.

**Credit Facilities**

ENVOYTEX has banking relation with nine Commercial Banks, two Financial Institutions and one Development Bank having total short-term limit facilities of BDT 21,821.4 million and BDT 2,652.0 million long-term outstanding as of 30 September, 2024. As per feedback received from its bank, it is found that the dealings of the Company are excellent considering timely payment and no reschedule & default history with these Banks. Details bank liability position of the Company is given in Appendix -1.

**RECENT INFORMATION**

Revenue of Envoy Textiles Limited increased by 39.8% revenue in the first quarter of FY2025 compared to revenue of first quarter of FY2024. Moreover, Gross profit margin increased by 3.5 percentage point in Q1 of FY2025 mainly due to reduction in raw material costs compared to that of previous period. Despite increase of financial expenses, Profit before Tax and Profit after Tax of the Company improved in Q1 of FY2025. As a result, EPS of the Company increased to BDT 1.51 in Q1 of FY2025 from BDT 0.65 in Q1 of FY2024.

**Table 8: Performance of ENVOYTEX in Q1 of FY2025**

Quarter ended	Quarter Growth	30/09/2024		30/09/2023	
		Amount	% of Revenue	Amount	% of Revenue
Revenue	39.8%	4,399.49	100.0	3,146.44	100.0
Gross Profit	73.5%	781.97	17.8	450.59	14.3
Operating Expenses	20.8%	97.75	2.2	80.89	2.6
Financial Expenses	61.6%	389.92	8.9	241.33	7.7
Profit Before Tax	142.2%	297.34	6.8	122.78	3.9
Profit After Tax	134.0%	253.34	5.8	108.27	3.4

Source: Un-audited financial statements of 30 September 2024



**Table 9: Stock Market Information as of 19/12/2024 (Trading Code: ENVOYTEX)**

Paid-up Capital	:	BDT 1,677.35 million
Market Category	:	A
Listing Year	:	2012
Listed with	:	DSE, CSE
Opening Price (DSE)	:	BDT 40.10
Closing Price (DSE)	:	BDT 39.20
Day's Price Range (DSE)	:	BDT 39.00 – BDT 40.10
52 Week's Moving Range (DSE)	:	BDT 30.70 – BDT 50.10
Day's Trading Value (DSE)	:	BDT 1.42 million
Day's Trading Volume (Shares, DSE)	:	36,319
Day's Trade (No., DSE)	:	90
Market Capitalization	:	BDT 6,591.98 million
Dividend	:	20% C (2024), 15% C (2023), 15% C (2022)

**APPENDIX 2: RATING HISTORY**

Date of Rating	Entity Rating	Long Term Loan Rating	Short Term Loan Rating	Outlook
14/02/2024	AA <sub>1</sub>	AA <sub>1</sub> (Lr)	ST-1	Stable
29/09/2022	AA <sub>1</sub>	AA <sub>1</sub> (Lr)	ST-2	Stable
30/09/2021	AA <sub>1</sub>	AA <sub>1</sub> (Lr)	ST-2	Stable
10/09/2020	AA <sub>1</sub>	AA <sub>1</sub> (Lr)	ST-2	Stable

## APPENDIX – 3: CREDIT FACILITIES (Figures in millions, BDT)

Loan Type	Bank/Financial Institution	Facility	Limit	Outstanding	Expiry Date
Long Term	Asian Development Bank	Term Loan	1,353.4	1,234.8	31/05/2030
	IDCOL	Term Loan	405.8	334.7	15/03/2030
	Dutch–Bangla Bank PLC.	Term Loan	500.0	143.5	25/05/2026
	Modhumoti Bank PLC.	Term Loan	500.0	259.2	28/02/2027
	Pubali Bank PLC.	Term Loan	424.5	231.7	17/12/2026
	Southeast Bank PLC.	Term Loan	1,220.0	444.2	24/08/2027
	IDLC Finance PLC.	Term Loan	230.0	3.8	31/12/2024
<b>Total Long Term</b>			<b>5,310.0</b>	<b>2,652.0</b>	
Short Term	HSBC, Bangladesh	Overdraft (OD)	100.0	40.2	30/06/2025
		RSTL	360.0	92.9	30/06/2025
		EDF (Inner of LC)	(4,600.0)	228.4	30/06/2025
	Commercial Bank of Ceylon	Overdraft (OD)	25.0	23.9	28/02/2025
		RSTL	1,000.0	1,000.0	28/02/2025
	Dutch–Bangla Bank PLC.	Overdraft (OD)	200.0	194.9	30/11/2024
		EDF (Inner of LC)	(900.0)	149.2	30/11/2024
		RSTL	(600.0)	604.2	30/11/2024
	Modhumoti Bank PLC.	CC (Hypo)	100.0	99.2	28/02/2025
		STL	400.0	216.9	28/02/2025
	Mutual Trust Bank PLC.	EDF (Inner of LC)	(800.0)	88.6	28/02/2025
		SOD General	(30.0)	6.7	30/11/2024
	The Premier Bank PLC.	Time Loan	(150.0)	158.0	30/11/2024
		OD (General)	200.0	179.0	31/12/2024
	Pubali Bank PLC.	Cash Credit	700.0	514.1	31/05/2025
		STL	600.0	400.4	31/05/2025
		EDF (Inner of LC)	(3,500.0)	1,067.1	31/12/2024
	Southeast Bank PLC.	Bill Purchase	700.0	57.8	31/12/2024
		Overdraft	250.0	209.0	31/07/2025
		Time Loan	600.0	619.3	31/07/2025
	Uttara Bank PLC.	EDF (Inner of LC)	(1,500.0)	612.0	31/07/2025
		IDBP	350.0	109.4	31/07/2025
		Cash Credit	300.0	297.5	31/10/2024
Total Short Term Funded	RSTL	500.0	516.0	31/10/2024	
	IBP	300.0	–	31/10/2024	
<b>Total Short Term Funded</b>			<b>6,685.0</b>	<b>7,484.6</b>	
Short Term	HSBC, Bangladesh	LC/Acceptance	4,600.0	655.0	30/06/2025
		BG	30.0	–	28/03/2027
	Commercial Bank of Ceylon	Letter of Credit	850.0	–	28/02/2025
	Dutch–Bangla Bank PLC.	Letter of Credit	900.0	–	30/11/2024
	Modhumoti Bank PLC.	Letter of Credit	500.0	–	28/02/2025
		BG	1,676.4	1,636.7	16/03/2027
	Mutual Trust Bank PLC.	Letter of Credit	650.0	–	30/11/2024
		Letter of Credit	3,500.0	137.0	30/11/2024
	Pubali Bank PLC.	BG	50.0	23.7	30/11/2024
		Letter of Credit	1,500.0	289.7	31/07/2025
	Southeast Bank PLC.	BG	80.0	44.1	31/07/2025
Letter of Credit		800.0	–	31/10/2024	
<b>Total Short Term Non–Funded</b>			<b>15,136.4</b>	<b>2,786.3</b>	
<b>Total Short Term</b>			<b>21,821.4</b>	<b>10,270.9</b>	

## Note:

- Bank liabilities are based on 30/09/2024.
- Excellent relationship with timely repayment nature as per bankers' feedback.

**APPENDIX – 3: KEY FINANCIAL INDICATORS**

Type of Statement: Audited (Auditor: K. M. Hasan &amp; Co., Chartered Accountants)

		(Figures in Million, BDT)			
Period		30/06/2024	30/06/2023	30/06/2022	30/06/2021
Earnings & Stability	Revenue	14,261.4	11,095.0	12,401.6	8,665.3
	Revenue Growth (%)	28.5	-10.5	43.1	6.0
	CoGS as % of Revenue	83.8	85.3	86.1	85.1
	EBITDA	2,661.0	1,960.0	2,031.0	1,749.0
	EBITDA Margin (%)	18.7	17.7	16.4	20.2
	Net Profit after Tax	600.4	327.3	501.3	94.8
Profitability	Gross Profit Margin (%)	16.2	14.7	13.9	14.9
	Operating Profit Margin (%)	13.6	11.7	11.2	11.7
	Net Profit Margin (%)	4.2	2.9	4.0	1.1
	Return on Average Asset (%)	2.7	1.6	2.6	0.5
	Return on Average Equity (%)	7.9	5.1	7.9	1.5
Liquidity	Current Ratio (x)	1.1	1.1	1.1	1.1
	Quick Ratio (x)	0.6	0.5	0.7	0.6
	Inventories	5,090.3	5,219.7	3,712.4	3,724.0
	Average Inventory Processing Period (Days)	158	173	128	189
	Accounts Receivables	5,422.8	4,268.7	5,155.2	3,940.1
	Average Receivable Collection Period (Days)	125	156	134	145
	Accounts Payables	1,851.0	1,504.5	811.2	172.6
	Average Payable Payment Period (Days)	52	45	17	11
Leverage & Capital Structure	Operating Cycle (Days)	283	329	262	334
	Cash Conversion Cycle (Days)	231	284	245	323
	Total Equity	8,710.8	6,469.6	6,409.0	6,338.5
	Total Liabilities	15,275.2	14,232.7	13,312.3	12,311.1
	Total Assets	23,986.0	20,702.3	19,721.4	18,649.6
	Total Borrowed Fund	12,281.9	11,434.9	11,752.2	11,562.1
	Total Long-Term Debt	3,923.0	4,391.0	4,590.6	4,600.7
	Fund Flow from Operation (FFO)	1,312.7	1,006.8	1,211.0	841.2
	Cash Flow from Operation (CFO)	617.9	1,172.0	576.1	(377.0)
	Total Liabilities to Equity (x)	1.8	2.2	2.1	1.9
Coverage	Borrowed Fund to Equity (x)	1.4	1.8	1.8	1.8
	Borrowed Fund/EBITDA (x)	4.6	5.8	5.8	6.6
	FFO/Borrowed Fund (%)	10.7	8.8	10.3	7.3
	CFO/Borrowed Fund (%)	5.0	10.2	4.9	-3.3
	EBIT to Financial Expenses, TIER (x)	1.6	1.7	1.8	1.4
	Debt Service Coverage, DSCR (x)	1.2	1.3	1.5	1.4
	Cash and FDR	630.3	362.3	179.0	160.4
	EPS (BDT)	3.58	1.95	2.99	0.56
NAV Per Share (BDT)	51.93	38.57	38.21	37.79	
NOCF Per Share (BDT)	3.68	6.99	3.43	(2.25)	

Note: Net Assets Value (NAV) Per Share increased by BDT 13.24 due to increase of Revaluation Surplus of Land by BDT 1,895.16 mm

Other Indicators (Leverage Ratio considering Adjusted Equity\*):

Period	30/06/2024	30/06/2023	30/06/2022	30/06/2021
Total Equity	8,710.8	6,469.6	6,409.0	6,338.5
Revaluation Reserve	3,549.2	1,663.2	1,672.5	1,682.2
Adjusted Equity	5,161.6	4,806.5	4,736.5	4,656.3
Total Liability to Adjusted Equity (x)	3.0	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.

CRAB RATING SCALES AND DEFINITIONS – Long Term (Corporate)

CRAB's Long Term Rating Scale	BSEC's equivalent Rating Notches	Definition
AAA Triple A	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 <sub>1</sub> , AA <sub>2</sub> , AA <sub>3</sub> * Double A	AA+, AA, AA- 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 <sub>1</sub> , A <sub>2</sub> , A <sub>3</sub> Single A	A+, A, A- 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 <sub>1</sub> , BBB <sub>2</sub> , BBB <sub>3</sub> Triple B	BBB+, BBB, BBB- 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 <sub>1</sub> , BB <sub>2</sub> , BB <sub>3</sub> Double B	BB+, BB, BB- 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 <sub>1</sub> , B <sub>2</sub> , B <sub>3</sub> Single B	B+, B, B- 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 <sub>1</sub> , CCC <sub>2</sub> , CCC <sub>3</sub> 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	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 (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, which are equivalent to +(positive) sign, without any sign and -(negative) sign respectively as mentioned in the rating notches of BSEC (CRC) Rules, 2022 (Form XI). 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.*

**LONG-TERM RATING: LOANS/FACILITIES FROM BANKS/FIS**  
(All loans/facilities with original maturity exceeding one year)

Rating	Definition
AAA (Lr) 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)* 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	Loans/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) 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) 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, which are equivalent to +(positive) sign, without any sign and - (negative) sign respectively as mentioned in the rating notches of BSEC (CRC) Rules, 2022 (Form XI). 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)

CRAB's Rating Scale	BSEC's equivalent Rating Notches	Definition
ST-1 Highest Grade	ST 1	This rating indicates that the degree of safety regarding timely payment on the loans/facilities is very strong.
ST-2 High Grade	ST 2	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	ST 3	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	ST 4	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	ST 5	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	ST 6	This rating indicates that the loans/facilities are expected to be in default on maturity or is in default.

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# CREDIT RATING REPORT



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