



## Credit Rating Report (11<sup>th</sup> Surveillance) Esquire Knit Composite Limited

| Particular  | Rating               | Remark          |
|---|----------------------|-----------------|
| Esquire Knit Composite Limited                    | AA <sub>3</sub>      |                 |
| BDT 2,750.6 million Long Term Outstanding (LTO)   | AA <sub>3</sub> (Lr) | Vide Appendix-1 |
| BDT 2,399.6 million short term funded limit       | ST-3                 |                 |
| BDT 7,410.0 million a short term non funded limit | ST-3                 |                 |
| Outlook   | Stable               |                 |

Lr- Loan rating; ST-Short Term

Date of Rating : 20 November, 2022  
 Validity : 25 October, 2023  
 Rating basis : 4 years Audited financial statements (FYE 30/06/2019, 30/06/2020, 30/06/2021 and 30/06/2022), Bank Liability position as on 31/10/2022 and other relevant as compiled from client & bankers.  
 Auditor : Mahfel Huq & Co.

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

#### Analysts:

Rahnuma Sultana  
rahnuma@crab.com.bd

Nur Elahee Molla  
nur\_elahee@crab.com.bd

| (MIL. BDT)                   | Year ended June 30 |         |
|------------------------------|--------------------|---------|
|                              | 2022               | 2021    |
| Revenue                      | 10,014.3           | 7,905.8 |
| EBITDA                       | 985.9              | 872.8   |
| EBITDA Margin (%)            | 9.8                | 11.0    |
| Net Profit                   | 327.5              | 301.9   |
| Net Profit Margin (%)        | 3.27               | 3.82    |
| Return on Average Assets (%) | 2.18               | 2.28    |
| Quick Ratio (x)              | 0.7                | 0.9     |
| Operating Cycle (Days)       | 202                | 223     |
| Borrowed Fund to Equity (x)  | 0.6                | 0.5     |
| Borrowed Fund to EBITDA (x)  | 5.0                | 4.9     |
| Cash Flow from Operation     | 318.3              | -291.7  |
| Free Cash Flow               | -232.1             | -2375.5 |
| EBIT/Interest (x)            | 2.2                | 2.4     |

#### PROFILE

Esquire Knit Composite Limited (hereinafter referred as 'EKCL' or 'the Company') is an export oriented knit garments manufacturer. EKCL runs under the flagship of Esquire Group which has strong position in garments, plastics, consumer durables marketing and information technology. The Company has its own knitting, dyeing, and finishing facilities. The registered office located at Esquire Tower, 30 Tejgaon I/A (Old), 21 Shaheed Tajuddin Sarani and the factory is located at 22/58 Kanchpur, Sonargaon, Narayanganj on total land area of 142.78 decimal.

#### RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has retained the rating of Esquire Knit Composite Limited at AA<sub>3</sub> (pronounced Double A Three). CRAB has also retained AA<sub>3</sub> (Lr) rating of BDT 2,750.6 million Long Term Outstanding in the long term. CRAB has also retained ST-3 rating to BDT 2,399.6 million short term funded and BDT 7,410.0 million short term non funded limit availed by the Company in the Short Term.

CRAB has retained the ratings considering the promoters' long business experience in the RMG sector, significant increase in revenue flow, product diversification, and low leverage position, irrespective of recent liquidity trend and decline in profitability position. However the ratings were constrained considering the capacity transfer to its sister concern named L' Esquire Ltd which will affect its revenue in upcoming years, negative cash flow position and susceptibility of margin due to foreign exchange risk.

The assigned ratings incorporate the group support, modern and industry standard machineries in production facility, experienced procurement team ensuring quality products, long term relationship with buyers and suppliers and established integrated market to ensure smooth production and to support the growth of the Company.

Assigned rating is warranted and supported in light of their results and in comparison, to the results of peer companies. However, favourable changes in financial matrix along with consistency in operation and business profile may have impact on future rating consideration, and vice versa.

**■ COMPANY PROFILE**

Esquire Knit Composite Limited was incorporated on 16 February 2000 as a private limited Company with its registered office located at Esquire Tower, 30 Tejgaon I/A (Old), 21 Shaheed Tajuddin Sarani. The factory of the Company is located at 22/58 Kanchpur, Sonargaon, Narayangonj on total land area of 142.78 decimal. Later the Company was converted into a public limited Company and issued shares through initial public offering in April 2019. Presently the Company has integrated production facilities including knitting, dyeing, Printing, embroidery, cutting, sewing, and finishing with 120 lines having annual production capacity of 62 million pcs. The Company has obtained standard certifications: ISO 9001, ISO 14001, ISO 18001 under the scope of UKAS system certificate scheme and Oeko-Tex standard 100 certificates for using environment friendly dyes and chemical approved by Hohenstein Institute Bangladesh, Global Organic Textile Standard (GOTS) and Organic Context Standard (OCTS).

**■ GROUP STRENGTH**

Esquire Group was founded by Mr. Mofazzal Hossain who is the Chairman of all the concerns of the Group. The group started its business in the year 1989 with Esquire Electronics Ltd. as a dealer of Electronics products of different International brands like SHARP, Fujitsu General Ltd., and Mitsubishi which deals with diversified product portfolio ranging from home appliances, audio visual products, complete HVAC solution and other high-tech products. Associated concerns of Esquire Group comprise Esquire Electronics Ltd., Esquire Dyeing Industries Ltd., Esquire Accessories Ltd., Esquire Plastics Ltd., Esquire Testing Services (BD) Ltd, Esquire Customer Care Limited, Esquire Chemical Industries Limited, Esquire Sourcing Limited, Esquire Travels Ltd., Esquire Heavy Industries Ltd., Alpha Plastic & Packaging Limited, MMH textiles Limited, Meghna Plastic Industries (Pvt.) Limited, New Dhaka Ceramic Industries (Pvt.) Limited, Shah Garments International Limited, Synthia Multi-Fiber Limited and Sharp Media Limited. The Group has been conducting business operation in diversifies industry which helps the Company to drive the growth as well as contribute to the economy of Bangladesh. The Group has existence in garments manufacturing sector in Bangladesh having all the vital facilities with modern technology and machineries. Worldwide diversified clientele reveals the competency of the Group mitigating the customer related risk. Well diversified raw material procurement sources along with buyer nominated sources mitigate the raw material procurement and supply concentration risk as well as price volatility risk of the Group. The Group remains in up gradation and investment phase to expand its production facilities as well as other auxiliary support to ensure growing presence in the garments sector with integrated business facilities.

In 2019 EKCL started the construction of a ten stored factory building at Valuka, Mymensingh on 1,397.0 decimal owned land. The factory is named- L' Esquire Limited with composite facility to manufacture 100% export-oriented lingerie items. L' Esquire Limited is the subsidiary of EKCL wherein Esquire Knit Composite Limited holds 99.0%. Till October 2021, the Company's estimated total project cost was BDT 6,242.7 million, however, their project cost was revised during 2022 to BDT 6,626.0 million due to increased cost of Building & civil construction. EKCL has raised BDT 1,500.0 million from IPO, BDT 1,176.0 million from IFC, BDT 1,183.2 million from equity and BDT 135.0 million from bank loan. The residual fund will be arranged from bank loan (DEG-German Investment Corporation) in near future. The residual fund will be arranged from bank loan in near future. The fund raised by EKCL is being utilized for the associate concern L' Esquire Limited wherein the IPO fund is utilized for land development, building and civil construction, while the IFC fund for machinery purchase and installation. At present the factory has power supply of 0.5 MW which will be enhanced to 5 MW in near future.

**Table 01: Associated Companies of Esquire Group**

| Name of Company                          | Year | Nature of Business                      | Daily Capacity |
|--|------|---|----------------|
| Esquire Knit Composite Limited (EKCL)    | 2000 | Knit garments manufacturer              | 1,01,351 pcs   |
| Esquire Dyeing Industries Limited (EDIL) | 1994 | Yarn and fabric dyeing                  | 9 MT           |
| Esquire Accessories Limited (EAL)        | 2008 | Garments accessories manufacturer       | 7,82,500 pcs   |
| Esquire Plastics Limited (EPL)           | 2014 | Plastic products manufacturer           | 102,865 pcs    |
| Esquire Electronics Limited (EEE)        | 1989 | Consumer electronics products trading   |                |
| Esquire Heavy Industries Ltd             | 2014 | TV, Refrigerator assembling             |                |
| Thakral Information System Pvt Ltd       | 1997 | IT solutions Provider                   |                |
| Alpha Plastic & Packaging Limited        | 2015 | Household plastic products              | 186,850 pcs    |
| L' Esquire Limited                       | 2019 | Lingerie and knit garments manufacturer |                |




Financial Highlights of Esquire Group (EG) are prepared considering the financial performance of 9 concerns of Esquire Group. The Group has banking relationship with around 17 banks and non-bank financial institutions. The Consolidated sales of the Group stood to BDT 19,918.0 million in 2021. Esquire Knit Composite Limited has been the largest revenue earner over the years with 39.8% revenue contribution in 2021. Esquire Electronics Limited is the second highest contributor of business of the group contributing ~21.3% of the revenues of the group. Net profit margin of the Group stood ~4.9% in 2021. At the same time total assets of the group marked at BDT 28,136.0 million and Net worth of Esquire Group stood at BDT 12,900.0 million in 2021. Overall group financial highlight of Esquire Group in 2021 is given below:

Table 02: Group Performance of Esquire Group In FY2021 (Mil. BDT )

| Name of the Company                      | Sales           | Net Profit   | Net Profit Margin (%) | Total Assets    | Total Liabilities | Net Worth       |
|--|-----------------|--------------|-----------------------|-----------------|-------------------|-----------------|
| Esquire Knit Composite Limited (EKCL)    | 7,930           | 360          | 4.5%                  | 14529           | 5872              | 8657            |
| Esquire Dyeing Industries Limited (EDIL) | 383             | 39           | 10.2%                 | 514             | 369               | 145             |
| Esquire Electronics Limited (EEL)        | 4,259           | 146          | 3.4%                  | 5007            | 3177              | 1830            |
| Esquire Heavy Industries Ltd             | 1,884           | 93           | 4.9%                  | 1786            | 1505              | 281             |
| Esquire Accessories Limited (EAL)        | 1690            | 60           | 3.6%                  | 2042            | 1361              | 681             |
| Thakral Information System Pvt Ltd       | 3153            | 287          | 9.1%                  | 3104            | 1874              | 1230            |
| Esquire Plastics Limited (EPL)           | 368             | 3.5          | 0.9%                  | 400             | 398               | 2               |
| Alpha Plastic & Packaging Limited        | 227             | 10           | 4.4%                  | 296             | 258               | 38              |
| L' Esquire Limited                       | 24.3            | -5.0         | -20.4%                | 457.9           | 421.5             | 36.4            |
| <b>Total</b>                             | <b>19,918.0</b> | <b>994.0</b> | <b>4.9%</b>           | <b>28,136.0</b> | <b>15,236.0</b>   | <b>12,900.0</b> |

■ OPERATION, BUSINESS & FINANCIAL RISK PROFILE



Esquire Knit Composite Limited started its commercial operation in 2000 to manufacture 100% export oriented knit garments for different renowned European, North American, and Asian buyers. The Company manufactures different types of tops & bottom wear for gents, ladies, and kids. The overall manufacturing facilities are conducted from own factory occupying a total land area of 142.78 decimal. The Company has knitting, dyeing, sewing, printing and embroidery facilities. As per management provided information, the Company has utilize 120 sewing lines till July 2022 and transfer its 34 sewing lines to L' Esquire Ltd in August 2022. The Company expanded its Dyeing facility to 10,360 MT from 6,300 MT In 2022. At present, the Company has annual sewing capacity of 30 million pieces with 86 sewing lines, knitting capacity of 7,380 MT, dyeing capacity of 10,360 MT, printing capacity of 27 million pieces, embroidery capacity of 19 million pieces and washing 5 million pieces. The overall capacity utilization has Improved in 2022 as the Company was able to certainly overcome the Global pandemic Covid-19 in terms of procuring orders from regular buyers and efficiently conducting production facility by maintaining all sort of safety measures.

Table 03: Annual Capacity and Utilization of EKCL

|                        | 2022   | 2021  | 2020  | 2019  |
|------------------------|--------|-------|-------|-------|
| Sewing Lines           | 86     | 120   | 73    | 73    |
| Annual Capacity        |        |       |       |       |
| Knitting (MT)          | 7,380  | 7,380 | 6,200 | 5,500 |
| Dyeing (MT)            | 10,360 | 6,300 | 6,300 | 6,300 |
| Garments (Mill. Pcs)   | 30     | 62    | 31    | 31    |
| Printing (Mill. Pcs)   | 27     | 27    | 27    | 27    |
| Embroidery (Mill. Pcs) | 19     | 19    | 19    | 19    |
| Washing (Mill. Pcs)    | 05     | 05    | 04    | 04    |
| Actual Production      |        |       |       |       |
| Knitting (MT)          | 5,535  | 5,535 | 3,953 | 4,260 |



|                                 |       |       |       |       |
|---------------------------------|-------|-------|-------|-------|
| Dyeing (MT)                     | 8,424 | 5,760 | 4,998 | 5,757 |
| Garments (Mill. Pcs)            | 24    | 44    | 20    | 22    |
| Printing (Mill. Pcs)            | 11    | 11    | 11    | 11    |
| Embroidery (Mill. Pcs)          | 09    | 09    | 09    | 09    |
| Washing (Mill. Pcs)             | 04    | 04    | 03    | 03    |
| <b>Capacity Utilization (%)</b> |       |       |       |       |
| Knitting (%)                    | 75.0  | 75.0  | 63.8  | 77.5  |
| Dyeing (%)                      | 81.3  | 91.4  | 79.3  | 91.4  |
| Garments (%)                    | 80.0  | 71.0  | 64.5  | 71.0  |
| Printing (%)                    | 40.0  | 40.0  | 40.0  | 40.0  |
| Embroidery (%)                  | 50.0  | 50.0  | 50.0  | 50.0  |
| Washing (%)                     | 80.0  | 80.0  | 80.0  | 80.0  |

The Company uses industry standard sewing machines which are imported from Japan & China and automated cutting machines along with different types of modern machines as per required. The availability of continuous electricity through 2 generators (Diesel & Gas) having an aggregate capacity of 5,900 KVA and beside that there is also 2,100 KW power facility from Rural Electricity Board (REB) reduce the obstacle in production facility the Company. The Company also has one Effluent Treatment Plant (ETP) having capacity of 100 m<sup>3</sup> per hour.

The Company requires yarn, dyes & chemical and accessories as raw materials for manufacturing knit garments. Over the years the Company has established strong relationship with its diversified sources of suppliers which ensures availability and ease the overall procurement risk. The Company sources its raw material from local market as well as import from different countries. Some of the major regular local suppliers of the Company are Nahar Spinning Mills Ltd., Pahartall Textiles & Hosiery Mills Ltd., TM Chemicals (BD) LTD., and Asia Composite Mills and foreign suppliers are Sportking India Ltd., Omax Cotspin Pvt Ltd., Mei Sheng Textiles Vietnam Co. Ltd.

Since inception the Company has been maintaining a regular relationship with its client base wherein C&A, Pentex, Mascot International, Celio International, Holfiers, and LIDL are the major export customers where Mascot International topped the list with placed order amount of BDT 1,701.8 million in 2022. As per financial information during 2022 the Company generated total revenue of BDT 10,014.3 million.

**Table 04: Buyers List**

| Buyer Name            | Country | Percentage in 2022 |
|-----------------------|---------|--------------------|
| C&A buying KG         | Germany | 9.33%              |
| Pentex                | UK      | 5.47%              |
| LIDL                  | Germany | 12.93%             |
| Ostin                 | Russia  | 1.19%              |
| Mascot International  | Denmark | 15.71%             |
| Celio International   | Belgium | 9.56%              |
| Next                  | UK      | 6.95%              |
| Best Seller           | Denmark | 3.44%              |
| Holfiers / Tee Jays   | Denmark | 10.16%             |
| Esprit                | USA     | 3.67%              |
| GUESS Eur Sagl        | UK      | 4.81%              |
| CARREFOUR IMPORTS SAS | France  | 4.19%              |
| Others                |         | 12.58%             |
| <b>Total</b>          |         | <b>100.00%</b>     |



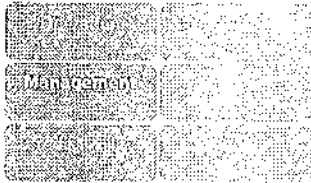
In January 2019, the Management of EKCL started the construction of a ten stored factory building at Valuka, Mymensingh on 1,397.0 decimal owned land named- L' Esquire Limited due to certain restriction of distance for the establishment of bonded warehouse. L' Esquire Limited is a subsidiary concern of EKCL wherein Esquire Knit Composite Limited holds 99.0%. Till October 2021, the Company's estimated total project cost was BDT 6,242.7 million, however, their project cost was revised during 2022 to BDT 6,626.0 million due to increased cost of Building & civil construction. EKCL has raised BDT 1,500.0 million from IPO, BDT 1,176.0 million from IFC, BDT 1,183.2 million from equity and BDT 135.0 million from bank loan. The Management has a plan to arrange the residual fund from DEG-German Investment Corporation and local banks. The fund raised by EKCL is being utilized for L' Esquire Limited wherein the IPO fund is utilized for land development, building and civil construction, while the IFC fund for machinery purchase and installation.

Table 05: Project Cost (Mill. BDT)

| Particulars                   | Project cost   | Cost Incurred as of 30 Sep' 22 | Cost to be incurred |
|-------------------------------|----------------|--------------------------------|---------------------|
| Land & Development            | 42.0           | 42.0                           | -                   |
| Building & civil construction | 2,318.0        | 2,171.1                        | 146.8               |
| Machineries                   | 3,926.0        | 1,480.4                        | 2,445.6             |
| Furniture & Fixture           | 70.0           | 14.1                           | 55.9                |
| Vehicle                       | 70.0           | 4.64                           | 65.4                |
| Others                        | 200.0          | 135.0                          | 64.9                |
| <b>Total Fixed Cost</b>       | <b>6,626.7</b> | <b>3,847.3</b>                 | <b>2,778.6</b>      |

Table 06: Fund Utilization as of 30 Sep, 22 (BDT. Mill)

| Source of Fund   | Total Fund Raised | Additional Fund Required |
|------------------|-------------------|--------------------------|
| Equity           | 1,183.2           |                          |
| IPO (EKCL)       | 1,500.0           |                          |
| IFC (EKCL)       | 1,176.0           |                          |
| Bank Loan        | 135.0             | 2,631.7                  |
| <b>Sub Total</b> | <b>3,994.2</b>    | <b>2,631.7</b>           |
| <b>Total</b>     |                   | <b>6,626.0</b>           |



The Board of Esquire Knit Composite consists of five members including three Institution. Mr. Md. Mofazzal Hossain is the Chairman and Mr. Md. Ehsanul Habib, is the Managing Director of the Company. According to the audited financial statement of 2022, the authorized capital of the Company was BDT 2,000.0 million while the paid-up capital was BDT 1,348.96 million divided into 134,895,833 ordinary shares of BDT 10.0 each.

Table 07: Share Holding Position of EKCL

| Name                              | Designation       | % Of Share Holding |
|-----------------------------------|-------------------|--------------------|
| Mr. Md. Mofazzal Hossain          | Chairman          | 21.34%             |
| Mr. Md. Ehsanul Habib             | Managing Director | 11.14%             |
| Mr. Arifur Rahman                 | Director          | 5.87%              |
| Mr. Md. Muddasar Hossain          | Director          | 5.87%              |
| Mrs. Peara Begum                  | Director          | 2.73%              |
| Esquire Dyeing Industries Limited |                   | 21.93%             |
| Esquire Accessories Limited       | Institution       | 0.90%              |
| Esquire Electronic Limited        |                   | 4.34%              |
| General Public and Institution    |                   | 25.87%             |
| <b>Total</b>                      |                   | <b>100.00%</b>     |

EKCL has several top managers having considerable working period with the Company. The top management profile of the Company remains almost intact. The management is a mix of group and company specific personnel. There are four General Managers to see the logistics, knitting, fabric dyeing and maintenance sections. Two other General Managers after Marketing and Accounts departments. They are assisted by several managers and executives of respective departments. At present corporate office of EKCL has around 114 officers, staff & workers. EKCL has around 7596 employees, staff, and workers in the factory. The Company uses both IT infrastructure as well as hard copy files to keep its management information which eventually help the Head Office to control and monitor the operation of different units.



The revenue source of the Company is through export of different types of woven garments. The Company mainly exports its products to different European countries and USA.

In 2022 the Company earned total revenue of BDT 10,014.3 million from BDT 7,905.8 million in 2021 by generating a revenue growth of 26.7%. According to management provided information, the increase in revenue flow was due to increase work order from regular buyers. The cost of goods sold of the Company increased to 84.0% in 2022 from 82.1% in 2021 which led the gross profit margin decreased to 16.0% from 17.9% followed by 3.3% bottom line profitability.

The operating cycle of the Company decreased to 202 days wherein the inventory processing period decreased to 155 days. The led time of the inventory processing decreased which reflected the efficiency of the Company to convert its inventory into sales.

Total equity of the Company has been increasing over the years due to injection of retained earnings and stood to BDT 8811.2 million. On the other hand, total borrowed fund of the Company increased in the form of long term due to the construction of new factory and installation of new machineries at Vhaluka to BDT 4428.4 million from BDT 4274.2 million, but high equity compared to increased borrowed fund kept the leverage position favorable followed by 0.6x debt ratio and 5.0x borrowed fund/ EBITDA in 2022. In addition, EBIT to interest expense stood 2.2x in 2022 compared to 2.4x in 2021 revealing moderate coverage position of the Company.



The Company has availed credit facilities from Eastern Bank Limited, Jamuna Bank Limited, UCBL, EBL, IDLC Finance Limited and IPDC Finance Limited. EKCL has also availed a foreign term loan of USD 22 million from International Finance Corporation which is equivalent to BDT 1,176.0 million to finance expansion project located at Valuka. In April 2022 the Company started new banking relationship with Al-Arafah Islami Bank Ltd who took over the liability of Dutch Bangla Bank Ltd except Stimulus Fund. Detail of loan liability position as per management information is given in Appendix-1.

With Al-Arafah Islami Bank, it has registered mortgage of 851.85 decimal land and factory structure with FSV of BDT 1429.6 million

With Eastern Bank Limited, it has registered mortgage of 230.25 decimal land with FSV of BDT 480.0 million

## APPENDIX - 1: CREDIT FACILITIES OF ESQUIRE KNIT COMPOSITE LIMITED

| Loan Type                                | Nature                  | Bank                        | Nature of Facility               | Limit                      | Outstanding                      | Limit Expiry   |                |            |
|--|-------------------------|-----------------------------|----------------------------------|----------------------------|----------------------------------|----------------|----------------|------------|
| Long Term                                | Funded                  | AI-Arafah Islami Bank Ltd.  | Term Loan- HPSM (Industrial)     | 1,465.1                    | 1,498.0                          | 24/04/2030     |                |            |
|  |                         | Dutch Bangla Bank Ltd.      | Stimulus Fund- Salary            | 397.9                      | 198.9                            | 01/03/2023     |                |            |
|  |                         | Jamuna Bank Ltd.            | Term Loan                        | 30.0                       | 11.4                             | 25/12/2022     |                |            |
|  |                         |                             | Term Loan                        | 20.0                       | 11.9                             | 25/12/2022     |                |            |
|  |                         | IDLC Finance Ltd.           | Lease Finance                    | 29.4                       | 3.1                              | 6/4/2023       |                |            |
|  |                         |                             | Term Loan                        | 50.0                       | 26.7                             | 18/12/2022     |                |            |
|  |                         | IPDC Finance Ltd.           | Lease Finance                    | 25.0                       | 0.8                              | 25/04/2023     |                |            |
|  |                         | IFC                         | Term Loan- USD 22.0 Mill         | 1,176.0                    | 1,000.0                          | 15/12/2025     |                |            |
|  |                         | <b>Total Long-Term</b>      |                                  |                            |                                  | <b>3,193.4</b> | <b>2,750.6</b> |            |
|  |                         | Short Term                  | Funded                           | AI-Arafah Islami Bank Ltd. | Overdraft                        |                |                |            |
| Export Cash Credit                       | 600.0                   |                             |                                  |                            | 629.2                            | Revolving      |                |            |
| United Commercial Bank Ltd.              | LTR                     |                             |                                  | 100.0                      | 81.8                             | 24/10/2022     |                |            |
|  | STL - HPSM (Transport)  |                             |                                  | 9.6                        | 8.5                              | 24/10/2024     |                |            |
|  | Bill Discounting/LDBP   |                             |                                  | 100.0                      | 0.0                              | Revolving      |                |            |
|  | Export Cash Credit      |                             |                                  |                            | 90.7                             | 31/12/2022     |                |            |
|  | Time Loan (Inner Limit) |                             |                                  |                            | 103.5                            | 31/12/2022     |                |            |
|  | Overdraft               |                             |                                  | 50.0                       | 8.3                              | 31/12/2022     |                |            |
|  | LTR                     |                             |                                  | 50.0                       | 0.0                              | 31/12/2022     |                |            |
|  | Bill Discounting/LDBP   |                             |                                  | 100.0                      | 5.4                              | 31/12/2022     |                |            |
|  | OBU Discounting/FBPD    |                             |                                  | 150.0                      | 0.0                              | 31/12/2022     |                |            |
|  | Eastern Bank Ltd.       |                             |                                  | Export Cash Credit         | 125.0                            | 96.2           | 31/05/2023     |            |
| Overdraft                                |                         |                             |                                  | 30.0                       | 27.7                             | 31/05/2023     |                |            |
| Time Loan                                |                         |                             |                                  | 85.0                       | 25.9                             | 31/05/2023     |                |            |
| Bill Discounting/LDBP                    |                         |                             |                                  | 150.0                      | 0.0                              | 31/05/2023     |                |            |
| IPDC Finance Ltd.                        | STL                     |                             |                                  | 100.0                      | 100.0                            | 08/02/2023     |                |            |
| IFIL                                     | STL                     |                             |                                  | 100.0                      | 117.0                            | 04/11/2024     |                |            |
| Bank Asia Ltd.                           | STL                     |                             |                                  | 250.0                      | 261.2                            | 01/04/2023     |                |            |
| SBAC Bank Ltd.                           | STL                     |                             |                                  | 250.0                      | 257.0                            | 06/07/2022     |                |            |
| <b>Total Short Term Funded Limit</b>     |                         |                             |                                  | <b>2,399.6</b>             | <b>1,812.3</b>                   |                |                |            |
| Short Term                               | Non-Funded              |                             |                                  | AI-Arafah Islami Bank Ltd. | BB LC/ EDF/ Acceptance Liability | 2,750.0        | 405.1          | Revolving  |
|  |                         |                             |                                  |                            | Letter of Guarantee              | 400.0          | 4.8            | 01/03/2023 |
|  |                         | United Commercial Bank Ltd. | BB LC/ EDF/ Acceptance Liability | 2,100.0                    | 1,002.0                          | 31/12/2022     |                |            |
|  |                         |                             | SLC/ULC/UPAS LC (Machinery)      | 50.0                       | 0.0                              | 31/12/2022     |                |            |
|  |                         |                             | SLC/ULC/UPAS LC                  | 200.0                      | 0.0                              | 31/12/2022     |                |            |
|  |                         |                             | Letter of Guarantee              | 50.0                       | 4.2                              | 01/03/2023     |                |            |
|  |                         | Eastern Bank Ltd.           | BB LC/ EDF/ Acceptance Liability | 1,800.0                    | 502.5                            | 31/05/2023     |                |            |
|  |                         |                             | Letter of Guarantee              | 10.0                       | 0.0                              | 31/05/2023     |                |            |
|  |                         |                             | LC (sight)-Machinery             | 50.0                       | 0.0                              | 31/05/2023     |                |            |
|  |                         |                             |                                  |                            |                                  |                |                |            |
| <b>Total Short Term Non-Funded Limit</b> |                         |                             |                                  | <b>7,410.0</b>             | <b>1,918.6</b>                   |                |                |            |

**Note:**

- Bank Liabilities are based on 31/10/2022
- Loan limit of AI-Arafah Islami Bank Ltd is jointly Sanction for Esquire Knit Composite Limited and Esquire Dyeing Industries Limited



- The Company has overdue amount of BDT 14.2 million in OD account with United Commercial Bank Ltd and BDT 85.6 million in HPSM account with Al-Arafah Islami Bank Ltd
- Banker's feedback: "Excellent" relationship with "timely" repayment behavior as per feedback from United Commercial Bank Ltd and : "Satisfactory" relationship with "Timely, but there are some late payments" repayment behavior as per feedback from Eastern Bank Ltd; "Satisfactory" relationship with "Timely, but there are some late payments" repayment behavior as per feedback from Al-Arafah Islami Bank Ltd
- Collateral: 1082.1 decimal land with FSV of BDT 1909.6 million with Al-Arafah Islami Bank and Eastern Bank Limited

**APPENDIX - 2: RATING HISTORY OF ESQUIRE KNIT COMPOSITE LIMITED**

Date of Rating: 05 December 2021

| Particulars   | Ratings              |
|---|----------------------|
| Esquire Knit Composite Limited                            | AA <sub>3</sub>      |
| BDT 3,174.8 million Long Term Outstanding (LTO)           | AA <sub>3</sub> (Lr) |
| BDT 1,845.0 million aggregate short term funded limit     | ST-3                 |
| BDT 3,950.0 million aggregate short term non funded limit | ST-3                 |
| Outlook   | Stable               |

Rating Based on: Audited financial statements up to 30 June 2021, Bank Liability position as on 30 September 2021, and other relevant quantitative as well as qualitative information up to the date of rating declaration

Date of Rating: 21 January 2021

| Particulars                                     | Ratings             |
|---|---------------------|
| Esquire Knit Composite Limited                  | A <sub>1</sub>      |
| BDT 3,343.2 million Long Term Outstanding (LTO) | A <sub>1</sub> (Lr) |
| BDT 887.0 million short term funded limit       | ST-3                |
| BDT 2,463.0 million short term non funded limit | ST-3                |
| Outlook   | Stable              |

Rating Based on: Audited financial statements up to 30 June 2020, Bank Liability position as on 31 December 2020, and other relevant quantitative as well as qualitative information up to the date of rating declaration.

## APPENDIX - 3

Type of Statement: Audited

(Figures in Million. BDT)

| Period                                      | 30/06/2022 | 30/06/2021 | 30/06/2020 | 30/06/2019 |
|---|------------|------------|------------|------------|
| <b>Earnings &amp; Stability</b>             |            |            |            |            |
| Revenue                                     | 10,014.3   | 7,905.8    | 5,000.5    | 5,919.6    |
| Revenue Growth (%)                          | 26.7       | 58.1       | -15.5      | 22.3       |
| CoGS as % of Revenue                        | 84.0       | 82.1       | 78.1       | 79.0       |
| EBITDA                                      | 985.9      | 872.8      | 830.4      | 849.0      |
| EBITDA Margin (%)                           | 9.8        | 11.0       | 16.6       | 14.3       |
| Net Profit after tax                        | 327.5      | 301.9      | 266.0      | 383.6      |
| <b>Profitability</b>                        |            |            |            |            |
| Gross Profit Margin (%)                     | 16.0       | 17.9       | 21.9       | 21.0       |
| Operating Profit Margin (%)                 | 7.1        | 7.6        | 11.2       | 11.3       |
| Net Profit (after tax) Margin (%)           | 3.3        | 3.8        | 5.3        | 6.5        |
| Return on Average Asset (%)                 | 2.2        | 2.3        | 2.4        | 4.3        |
| Return on Average Equity (%)                | 3.7        | 3.9        | 3.9        | 6.6        |
| Current Ratio (x)                           | 1.7        | 1.9        | 2.4        | 2.3        |
| Quick Ratio (x)                             | 0.7        | 0.9        | 1.3        | 1.0        |
| <b>Liquidity</b>                            |            |            |            |            |
| Inventories                                 | 3,738.2    | 3,391.1    | 3,099.8    | 2,669.6    |
| Average Inventory Processing Period (Days)  | 155        | 183        | 270        | 192        |
| Accounts Receivables                        | 1,297.6    | 1,236.5    | 470.6      | 535.0      |
| Average Receivable Collection Period (Days) | 47         | 40         | 37         | 34         |
| Total Payables                              | 1,185.4    | 999.0      | 866.5      | 916.5      |
| Average Payable Payment Period (Days)       | 48         | 53         | 84         | 67         |
| Operating Cycle (Days)                      | 202        | 223        | 307        | 226        |
| Cash Conversion Cycle (Days)                | 154        | 170        | 223        | 159        |
| <b>Leverage</b>                             |            |            |            |            |
| Total Equity                                | 8,811.2    | 8,662.2    | 6,827.4    | 6,763.8    |
| Total Liability                             | 6,717.5    | 5,834.1    | 5,140.5    | 3,532.8    |
| Total Assets                                | 15,528.6   | 14,496.3   | 11,968.0   | 10,296.6   |
| Total Borrowed Fund                         | 4,899.1    | 4,274.2    | 3,766.7    | 2,264.3    |
| Total Long Term Borrowed Fund               | 2,428.4    | 2,148.0    | 2,289.2    | 1,172.0    |
| Fund Flow from Operation (FFO)              | 582.1      | 543.3      | 498.6      | 565.0      |
| Cash Flow from Operation (CFO)              | 318.3      | -291.7     | -23.3      | -163.6     |
| Total Liability to Total Equity (x)         | 0.8        | 0.7        | 0.8        | 0.5        |
| Total Borrowed Fund to Total Equity (x)     | 0.6        | 0.5        | 0.6        | 0.3        |
| Total Borrowed Fund to EBITDA (x)           | 5.0        | 4.9        | 4.5        | 2.7        |
| <b>Coverage</b>                             |            |            |            |            |
| FFO to Total Borrowed Fund (%)              | 11.9       | 12.7       | 13.2       | 25.0       |
| CFO to Total Borrowed Fund (%)              | 6.5        | -6.8       | -0.6       | -7.2       |
| EBIT to Interest Expense (x)                | 2.2        | 2.4        | 2.2        | 3.0        |

CRAB RATING SCALES AND DEFINITIONS -Long Term (Corporate)

| Long Term Rating   | Definition   |
|--|--|
| AAA<br>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> *<br>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><br>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><br>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><br>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><br>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><br>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<br>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<br>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<br>(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.*

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

| RATINGS                                   | DEFINITION   |
|---|--|
| AAA (Lr)<br>(Triple A)<br>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)*<br>(Double A)<br>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)<br>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)<br>(Triple B)<br>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)<br>(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)<br>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)<br>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)<br>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)<br>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)<br>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)*

|                          | DEFINITION   |
|--------------------------|--|
| ST-1<br>Highest Grade    | This rating indicates that the degree of safety regarding timely payment on the loans/facilities is very strong.   |
| ST-2<br>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<br>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<br>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<br>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<br>Lowest Grade     | This rating indicates that the loans/facilities are expected to be in default on maturity or is in default.  |

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