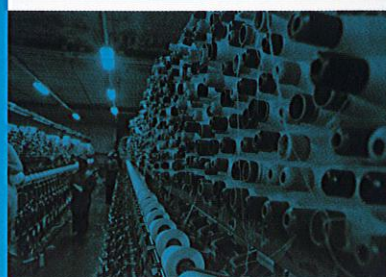
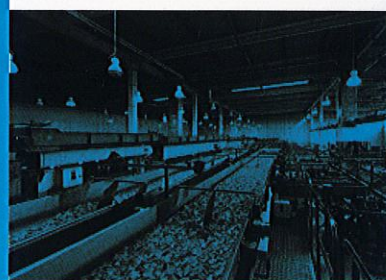
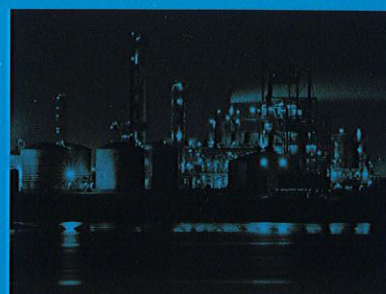


CREDIT RATING REPORT



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**CREDIT RATING
AGENCY OF
BANGLADESH LTD.**

Credit Rating Report (12th Surveillance)

Esquire Knit Composite PLC

Particular	Rating	Remark
Esquire Knit Composite PLC	AA ₃	
BDT 3338.02 million Long Term Outstanding (LTO)	AA ₃ (Lr)	Vide Appendix-1
BDT 2854.4 million short term funded limit	ST-3	
BDT 7240.0 million a short term non funded limit	ST-3	
Outlook	Stable	

Lr- Loan rating; ST-Short Term

Date of Rating : 15 November, 2023
Validity : 25 October, 2024
Rating basis : Five years audited financial statements (FYE 30/06/2019, 30/06/2020, 30/06/2021, 30/06/2022 and 30/06/2023), Bank Liability position as on 29/10/2023 and other relevant as compiled from client & bankers.
Auditor : Pinaki & Company, Chartered Accountant.

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

Analysts:

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Financial Highlights

	Year ended June 30	
(Mil. BDT)	2023	2022
Revenue	7,514.8	10,014.3
EBITDA	863.6	985.9
EBITDA Margin (%)	11.5	9.8
Net Profit	117.8	327.5
Net Profit Margin (%)	1.57	3.27
Return on Average Assets (%)	1.4	1.7
Quick Ratio (x)	0.7	0.7
Operating Cycle (Days)	265	202
Borrowed Fund to Equity (x)	0.7	0.6
Borrowed Fund to EBITDA (x)	6.7	5.0
Cash Flow from Operation	-290.5	318.3
Free Cash Flow	-646.5	-52.1
EBIT/Interest (x)	1.6	2.2

■ PROFILE

Esquire Knit Composite PLC (hereinafter referred as 'EKCPCL' or 'the Company') is an export oriented knit garments manufacturer. EKCPCL is a sister concern of Esquire Group which have strong presence in diversified filed of operation. The company was incorporated as a private limited Company on 16 February 2000 under the Companies 'Act' 1994 and converted to public limited company on 22 January 2015. 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 PLC at AA₃ (pronounced Double A Three). CRAB has also retained AA₃(Lr) rating of BDT 3338.02 million Long Term Outstanding in the long term. CRAB has also retained ST-3 rating to BDT 2854.4 million short term funded and BDT 7240.0 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, 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., negative cash flow position and Russia Ukraine war which has affected the revenue during the year.

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, favorable 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 PLC 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, Narayanganj 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. In addition to the above, the name has been changed to Esquire Knit Composite PLC from Esquire Knit Composite Limited in 2023. 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 was 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 EKCPCL 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 EKCPCL wherein Esquire Knit Composite PLC holds 99.0%. As of October 2021, the Company has completed the construction of 8 storied on 1,397 decimal owned land. The Company has already installed 11 sewing lines to conduct the production facility, and plan to increase sewing capacity phase by phase. The Company estimated total project cost was BDT 6,242.7 million. EKCPCL has raised BDT 1,500.0 million from IPO, BDT 1,176.0 million from IFC, BDT 860.0 million from equity and BDT 2,706.7 million bank loan in near future. However, later the total project cost has been revised to BDT 5,766.35 million as on June 30, 2023. The fund raised by EKCPCL 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 5 MW.

Table 01: Associated Companies of Esquire Group

Name of Company	Year	Nature of Business	Daily Capacity
Esquire Knit Composite PLC (EKCPCL)	2000	Knit garments manufacturer	1,35,450 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
Fuji PVC Pipe & Plastic Industries Limited	2009	Plastic products manufacturer	
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's garments manufacturer	83,250 pcs

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 23548.8 million in 2022. Esquire Knit Composite PLC has been the largest revenue earner over the years with 43.1% revenue contribution in 2022. Esquire Electronics Limited is the second highest contributor of business of the group contributing ~18.6% of the revenues of the group. Net profit margin of the Group stood ~3.2% in 2022. At the same time total assets of the group marked at BDT 33,538.9 million and Net worth of Esquire Group stood at BDT 14,994.7 million in 2022. Overall group financial highlight of Esquire Group in 2022 is given below:

Table 02: Group Performance of Esquire Group in FY2022 (Mil. BDT)

Name of the Company	Sales	Net Profit	Net Profit Margin (%)	Total Assets	Total Liabilities	Net Worth
Esquire Knit Composite PLC (EKCPLC)	10,150.0	319.0	3.2	15,688.0	6,891.0	8,797.0
Esquire Dyeing Industries Limited (EDIL)	333.0	11.0	3.3	1,349.0	327.0	1,022.0
Esquire Electronics Limited (EEL)	4,369.0	113.0	2.6	6,283.0	4,168.4	2,115.0
Esquire Heavy Industries Ltd	2,165.0	91.0	4.2	2331.0	1,959.0	372.0
Esquire Accessories Limited (EAL)	1,559.0	73.0	4.7	2,296.0	1,519.0	777.0
Thakral Information System Pvt Ltd	3,744.0	63.4	1.3	3548.9	2,263.0	1,286
Esquire Plastics Limited (EPL)	445.0	10.0	2.3	428.7	417.0	11.7
Alpha Plastic & Packaging Limited	308.0	13.6	4.4	429.0	336.0	93.0
Fuji PVC Pipe & Plastic Industries Limited	339.5	41.1	12.1	489.6	492.6	-3.0
L' Esquire Limited	136.3	-8.8	-6.5	695.7	668.1	524.0
Total	23,548.8	726.30	3.2	33,538.9	19,041.1	14,994.7

■ OPERATION, BUSINESS & FINANCIAL RISK PROFILE

Operation	Industry/Market
Management	Financial
Credit Facility	Collateral

Esquire Knit Composite PLC 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 utilized 78 sewing lines till July 2023 and transfer its 34 sewing lines to L' Esquire Ltd in August 2022. The Company expanded its Dyeing facility to 10,920 MT from 6,360 MT in 2023. At present, the Company has annual sewing capacity of 24 million pieces with 78 sewing lines, knitting capacity of 7,800 MT, dyeing capacity of 10,920 MT, printing capacity of 27 million pieces, embroidery capacity of 19 million pieces and washing 5 million pieces. The overall capacity utilization stable during the surveillance period. Having the impact of COVID-19 aftermath, Russia Ukraine war also negatively impact the overall business situation of the company.

Table 03: Annual Capacity and Utilization of EKCPLC

	2023	2022	2021	2020
Sewing Lines	78	86	120	73
Annual Capacity				
Knitting (MT)	7,800	7,380	7,380	6,200
Dyeing (MT)	10,920	10,360	6,300	6,300
Garments (Mill. Pcs)	29	30	62	31

Printing (Mill. Pcs)	27	27	27	27
Embroidery (Mill. Pcs)	19	19	19	19
Washing (Mill. Pcs)	05	05	05	04
Actual Production				
Knitting (MT)	5535	5,535	5,535	3,953
Dyeing (MT)	8,424	8,424	5,760	4,998
Garments (Mill. Pcs)	24	24	44	20
Printing (Mill. Pcs)	11	11	11	11
Embroidery (Mill. Pcs)	9	09	09	09
Washing (Mill. Pcs)	03	04	04	03
Capacity Utilization (%)				
Knitting (%)	70.96	75.0	75.0	63.8
Dyeing (%)	77.14	81.3	91.4	79.3
Garments (%)	72.41	80.0	71.0	64.5
Printing (%)	40.74	40.0	40.0	40.0
Embroidery (%)	47.37	50.0	50.0	50.0
Washing (%)	60.0	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 8 generators (Diesel & Gas) having an aggregate capacity of 8,375 KVA and beside that there is also 2,150 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 m³ per hour. In addition to the above, another ETP is under construction which it facilitating as per the buyer's requirement.

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., Pahartali Textiles & Hosiery Mills Ltd., Mehmud Industires Pvt. Ltd., NRG Spinning 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. and so forth.

Since inception the Company has been maintaining a regular relationship with its client base wherein C&A, Pentex, Mascot International, Celio International, Holfers, and LIDL are the major export customers where Mascot International topped the list with placed order amount of BDT 1,175.89 million in 2023. As per financial information during 2023 the Company generated total revenue of BDT 7,514.8 million.

Table 04: Buyers List		
Buyer Name	Country	Percentage in 2023
C&A buying KG	Germany	6.90
Pentex	UK	5.81
LIDL	Germany	1.09
Ostin	Russia	0.16
Mascot International	Denmark	15.65
Celio International	Belgium	14.49
Next	UK	1.24
Best Seller	Denmark	2.45

Holflers / Tee Jays	Denmark	12.05
Esprit	USA	5.08
GUESS Eur Sagl	UK	6.57
CARREFOUR IMPORTS SAS	France	7.95
P & C		2.64
Others		17.93
Total		100.00

In January 2019, the Management of EKCPLC 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 EKCPLC wherein Esquire Knit Composite PLC holds 99.0%. Till June 2023, the Company's estimated total project cost was BDT 5,766.35 million, however, their project cost was revised during 2023 due to increased cost of Building & civil construction. EKCPLC has raised BDT 1,500.0 million from IPO, BDT 1,176.0 million from IFC, BDT 2,335.69 million from equity and BDT 132.6 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 EKCPLC 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 June' 23	Cost to be incurred
Land & Development	45.00	45.00	-
Building & civil construction	3,056.85	2,852.51	204.34
Machineries	2,324.50	1,889.80	434.70
Furniture & Fixture	70.00	15.40	54.60
Vehicle	70.00	4.64	65.36
Others	200.00	132.60	67.40
Total Fixed Cost	5,766.35	4,939.95	826.40

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

Source of Fund	Total Fund Raised	Additional Fund Required
IPO (EKCPLC)	1,500.00	
IFC (EKCPLC)	1,176.00	
Equity (for fixed assets)	2,335.69	
Bank Loan	132.60	622.06
Sub Total	5,144.29	622.06
Total		5766.35

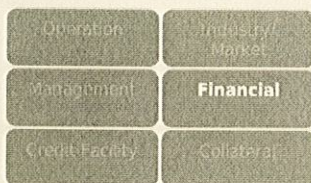
Operation	Property
Management	Finance
Credit Facility	Collateral

During the period under surveillance, the Board of the company has been restructured. Mrs. Piara Hossain has been elected as new Chairman of the Board after the demise of Mr. Md. Mofazzal Hossain. The Board of Esquire Knit Composite PLC consists of (06) six members, where Piara Hossain Chairman, Mr. Md. Ehsanul Habib Managing Director and Mr. Arifur Rahman and Md. Muddasar Hossain Non-Executive Directors and Mr. A. K. M. Shamsul Areefin and Mr. Md. Mozammel Hossain, FCA is Non-Executive and Independent Directors. According to the audited financial statement of 2023, 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 EKCLC

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

EKCLC 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 look after Marketing and Accounts departments. They are assisted by several managers and executives of respective departments. At present, corporate office of EKCLC has around 110 officers, 707 staff & workers. EKCLC has around 5,024 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 2023 the Company earned total revenue of BDT 7514.8 million from BDT 10,014.3 million in 2022 by declining of 25.0% compared to previous year. According to management provided information, the declining of revenue is for less order from its regular buyer as impact of Russia Ukraine war. The cost of goods sold of the Company increased to 82.0% in 2023 from 84.0% in 2022 which led the gross profit margin improved to 18.0% from 16.0% followed by 1.6% bottom line profitability.

The operating cycle of the Company increased to 265 days wherein the inventory processing period increased to 217 days. The led time of the inventory processing increased 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 8,857.4 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 ETP plant to BDT 5,801.3 million from BDT 4,899.1 million, but high equity compared to increased borrowed fund kept the leverage position favorable followed by 0.8x debt ratio and 6.7x borrowed fund/EBITDA as on June 30, 2023. In addition, EBIT to interest expense stood 1.6x in 2023 compared to 2.2x in 2022 revealing moderate coverage position of the Company.

Operation	Industry Market
Management	Financial
Credit Facility	Collateral

The Company has availed credit facilities from Eastern Bank Limited, Jamuna Bank Limited, UCBL, EBL, IDLC Finance Limited and IPDC Finance Limited. EKCPCL 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.

APPENDIX - 1: CREDIT FACILITIES OF ESQUIRE KNIT COMPOSITE PLC

Loan Type	Nature	Bank	Nature of Facility	Limit	Outstanding	Limit Expiry
Long Term	Funded	Al-Arafah Islami Bank Ltd.	Term Loan- HPSM (Industrial)	1854.0	1532.6	24/04/2030
		Jamuna Bank Ltd.	Term Loan	30.0	11.3	29/01/2024
			Term Loan	20.0	10.5	29/01/2024
		IDLC Finance Ltd.	Lease Finance	29.4	0.52	6/4/2024
			Term Loan	50.0	5.1	18/12/2023
		IPDC Finance Ltd.	Lease Finance	25.0	-	25/04/2024
		IFC	Term Loan- USD 22.0 Mill	1,176.0	840.2	15/12/2025
		IDCOL	Long Term Loan	750.0	632.7	26/12/2030
		Lankan Alliance Finance Ltd.	Long Term	300.0	305.1	27/01/2028
		Total Long-Term		4234.4	3338.02	
Short Term	Funded	Al-Arafah Islami Bank Ltd.	Overdraft	600.0	652.5	Revolving
			Packing Credit			
			LTR	100.0	Nil	Revolving
			STL - HPSM (Transport)	9.6	4.9	24/10/2024
			Bill Discounting/LDBP	200.0	31.2	Revolving
		Dutch Bangla Bank Limited	Loan Against Cash Incentive	9.8	9.8	24/12/2023
		Mutual Trust Bank Limited	Advance Against Cash Incentive	50.0	20.2	5/02/2023
		United Commercial Bank Ltd.	Export Cash Credit	150.0	-	31/03/2024
			Time Loan (Inner Limit)		152.7	31/03/2024
			Overdraft	50.0	59.1	31/03/2024
			LTR	50.0	-	31/03/2024
			Bill Discounting/LDBP	100.0	3.6	31/03/2024
			OBV Discounting/FBPD	150.0	-	31/03/2024
			Taqwa Salam Working Capital	130.0	85.3	12/04/2024
		Eastern Bank Ltd.	Export Cash Credit	125.0	124.30	31/08/2024
			Overdraft	30.0	30.7	31/08/2024
			Time Loan	-	81.9	31/08/2024
			Bill Discounting/LDBP	150.0	0.0	31/08/2024
		IPDC Finance Ltd.	STL	100.0	100.9	08/02/2024
		IFIL	STL	100.0	85.2	04/11/2024
		Bank Asia Ltd.	STL	250.0	205.9	06/04/2024
		SBAC Bank Ltd.	STL	250.0	269.4	17/11/2023

Shimanto Bank Limited		STL	250.0	254.9	15/05/2024
Total Short Term Funded Limit			2854.4	2172.5	
Short Term	Non-Funded	Al-Arafah Islami Bank Ltd.	BB LC/ EDF/ Acceptance Liability	2850.0	822.1 Revolving
			Letter of Guarantee	280.0	90.5 Revolving
		United Commercial Bank Ltd.	BB LC/ EDF/ Acceptance Liability	1600.0	407.5 31/03/2024
			SLC/ULC/UPAS LC (Machinery	50.0	0.0 31/03/2024
			SLC/ULC/UPAS LC	200.0	0.0 31/03/2024
			Letter of Guarantee	400.0	356.8 31/03/2024
		Eastern Bank Ltd.	BB LC/ Acceptance Liability	1,800.0	206.2 31/08/2024
			EDF	0	168.2 31/08/2024
			Letter of Guarantee	10.0	0.0 31/08/2024
			LC (sight)-Machinery	50.0	0.0 31/08/2024
Total Short Term Non-Funded Limit			7240.0	2051.3	

Note:

- Bank Liabilities are based on 29/10/2023
- Loan limit of Al-Arafah Islami Bank Ltd is jointly Sanction for Esquire Knit Composite PLC and Esquire Dyeing Industries Limited
- 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 PLC

Date of Rating : 20 November, 2022

Particular	Rating
Esquire Knit Composite Limited	AA ₃
BDT 2,750.6 million Long Term Outstanding (LTO)	AA ₃ (Lr)
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

Rating based on: 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.

Date of Rating: 05 December 2021

Particulars	Ratings
Esquire Knit Composite Limited	AA ₃
BDT 3,174.8 million Long Term Outstanding (LTO)	AA ₃ (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 ₁
BDT 3,343.2 million Long Term Outstanding (LTO)	A ₁ (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: Five years audited financial statements (FYE 30/06/2019, 30/06/2020, 30/06/2021, 30/06/2022 and 30/06/2023).

(Figures in Million. BDT)

Period	30/06/2023	30/06/2022	30/06/2021	30/06/2020	30/06/2019
Earnings & Stability					
Revenue	7,514.8	10,014.3	7,905.8	5,000.5	5,919.6
Revenue Growth (%)	-25.0	26.7	58.1	-15.5	n.a
CoGS as % of Revenue	82.0	84.0	82.1	78.1	79.0
EBITDA	863.6	985.9	872.8	830.4	849.0
EBITDA Margin (%)	11.5	9.8	11.0	16.6	14.3
Net Profit after tax	117.8	327.5	301.9	266.0	383.6
Profitability					
Gross Profit Margin (%)	18.0	16.0	17.9	21.9	21.0
Operating Profit Margin (%)	7.7	7.1	7.6	11.2	11.3
Net Profit (after tax) Margin (%)	1.6	3.3	3.8	5.3	6.5
Return on Average Asset (%)	0.7	2.2	2.3	2.4	n.a
Return on Average Equity (%)	1.3	3.7	3.9	3.9	n.a
Current Ratio (x)	1.4	1.7	1.9	2.4	2.3
Quick Ratio (x)	0.7	0.7	0.9	1.3	1.0
Liquidity					
Inventories	3,599.9	3,738.2	3,391.1	3,099.8	2,669.6
Average Inventory Processing Period (Days)	217	155	183	270	192
Accounts Receivables	632.6	1,297.6	1,236.5	470.6	535.0
Average Receivable Collection Period (Days)	47	47	40	37	34
Total Payables	974.1	1,185.4	999.0	866.5	916.5
Average Payable Payment Period (Days)	64	48	53	84	67
Operating Cycle (Days)	265	202	223	307	226
Cash Conversion Cycle (Days)	201	154	170	223	159
Leverage					
Total Equity	8,857.4	8,811.2	8,662.2	6,827.4	6,763.8
Total Liability	7,496.7	6,717.5	5,834.1	5,140.5	3,532.8
Total Assets	16,354.1	15,528.6	14,496.3	11,968.0	10,296.6
Total Borrowed Fund	5,801.3	4,899.1	4,274.2	3,766.7	2,264.3
Total Long Term Borrowed Fund	1,990.6	2,428.4	2,148.0	2,289.2	1,172.0
Fund Flow from Operation (FFO)	388.7	582.1	543.3	498.6	565.0
Cash Flow from Operation (CFO)	-290.5	318.3	-291.7	-23.3	-163.6
Total Liability to Total Equity (x)	0.8	0.8	0.7	0.8	0.5
Total Borrowed Fund to Total Equity (x)	0.7	0.6	0.5	0.6	0.3
Total Borrowed Fund to EBITDA (x)	6.7	5.0	4.9	4.5	2.7
Coverage					
FFO to Total Borrowed Fund (%)	6.7	11.9	12.7	13.2	25.0
CFO to Total Borrowed Fund (%)	-5.0	6.5	-6.8	-0.6	-7.2
EBIT to Interest Expense (x)	1.6	2.2	2.4	2.2	3.0

WORK IN HAND UP TO DECEMBER 2023: \$21.25 million (BDT 2337.5 million considering \$1=110 BDT)

CRAB RATING SCALES AND DEFINITIONS -Long Term (Corporate)

Long Term Rating	Definition
AAA Triple A	Companies rated in this category have extremely strong capacity to meet financial commitments. These companies are judged to be of the highest quality, with minimal credit risk.
AA₁, AA₂, AA₃* 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.
A₁, A₂, A₃ 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.
BBB₁, BBB₂, BBB₃ 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.
BB₁, BB₂, BB₃ 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.
B₁, B₂, B₃ Single B	Companies rated in this category have weak capacity to meet financial commitments. These companies have speculative elements, subject to high credit risk.
CCC₁, CCC₂, CCC₃ Triple C	Companies rated in this category have very weak capacity to meet financial obligations. These companies have very weak standing and are subject to very high credit risk.
CC Double C	Companies rated in this category have extremely weak capacity to meet financial obligations. These companies are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
C Single C	Companies rated in this category are highly vulnerable to non-payment, have payment arrearages allowed by the terms of the documents, or subject of bankruptcy petition, but have not experienced a payment default. Payments may have been suspended in accordance with the instrument's terms. These companies are typically in default, with little prospect for recovery of principal or interest.
D (Default)	D rating will also be used upon the filing of a bankruptcy petition or similar action if payments on an obligation are jeopardized.

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

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

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

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

SHORT-TERM CREDIT RATING: LOANS/FACILITIES OF BANKS/FIS
(All loans/facilities with original maturity within one year)

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

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