

CREDIT RATING REPORT
ARGON SPINNING LIMITED (SURVEILLANCE)

Ref. no.: FR/2018/06552



Report Contents:

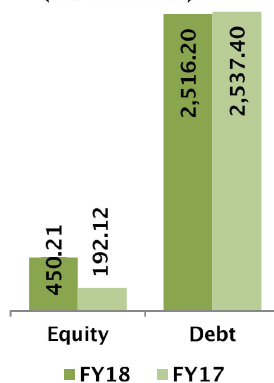
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Financial Highlight:

Tk. in Million

Particulars	FY2018	FY2017
Revenue	1906.5	1258.7
EBIT	335.07	132.62
Net Profit	159.55	41.97
Total Assets	2966.4	2729.5
Total Equity	450.21	192.12
Total Debt	2516.2	2537.4
Net Profit Margin (%)	8.37	3.33
Current Ratio (X)	0.76	0.76
ICR (X)	2.27	1.59

Capital Structure (Tk. in million)



Entity Rating	Long Term	Short Term	Outlook	Date of Declaration	Date of Expiration
	BBB2	ST-4	Stable	13 November 2018	02 September 2019

Tk. in Million

Name of the Bank and NBFIs	Mode of Investment	Disbursed or Limit Amount	Outstanding Amount	Bank Loan Rating
One Bank Limited (31.08.2018)	Term Loan	240.41	179.60	blr BBB2
	LC (R)	400.00	0.97	blr ST-4
	Acceptance (R)	(400.00)	92.86	
	LTR (R)	(400.00)	26.94	
	PAD EDF	(400.00)	--	
	EDF Loan	(400.00)	38.74	
	Time Loan	(211.02)	189.32	
	OD	40.00	39.97	
	LC (S)	82.50	--	
	Acceptance (S)	(82.50)	--	
	Time Loan (S)	(85.06)	85.66	
	LC	311.30	--	
	Acceptance	(311.30)	262.30	
	EDF Loan	(311.30)	49.06	
LC	270.00	107.72		
Acceptance	(270.00)	--		
EDF Loan	(270.00)	--		
BG	32.85	33.14		
LDBP	390.00	36.97		
Dhaka Bank Limited (17.10.2018)	Term Loan	96.38	75.81	blr BBB2
IDLC Finance Limited (30.09.2018)	Syndicated Term Loan	150.00	70.64	blr BBB2
Mercantile Bank Limited (30.09.2018)	Syndicated Term Loan	96.38	75.19	blr BBB2
Mutual Trust Bank Limited (30.09.2018)	Term Loan	142.09	101.23	blr BBB2
	LC	400.00	--	blr ST-4
	LTR	(400.00)	258.88	
	Acceptance	(400.00)	--	
	SOD	20.00	20.64	
NRB Commercial Bank Ltd. (27.10.2018)	Loan General	128.60	102.03	
NRB Global Bank Limited (30.09.2018)	Term Loan	96.38	77.00	blr BBB2
Pubali Bank Limited (31.10.2018)	Term Loan	107.10	73.18	blr BBB2
SABINCO (30.09.2018)	Term Loan	147.95	115.78	blr BBB2
Trust Bank Limited (30.09.2018)	Term Loan (Industrial)	214.30	150.83	blr BBB2

Financial Update- Unaudited financial statement up to 30 June 2018

Methodology: Corporate rating methodology published on the WCRCL website at www.wasocreditrating.com

RATING RATIONALE

WCRCL has reaffirmed **BBB2** (pronounced as Triple B Two) rating in the long term and **ST-4** (pronounced as Short Term Four) rating in the short term to **Argon Spinning Limited** (hereinafter referred as "ASL" or "The Company") based on both relevant qualitative and quantitative information up to date of rating declaration. WCRCL has also reaffirmed **blr BBB2** (pronounced as Bank Loan rating Triple B Two) rating in the long term loan outstanding and **blr ST-4** (pronounced as Bank Loan

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Rating Short Term Four) rating in the short term loan limit.

The above ratings have been assigned based on the fundamentals of the company which include experienced and skilled management, sponsors have depth knowledge about RMG and textile business, financial flexibility arising from Evinnce Group, available power backup, presence of fire insurance policy, good infrastructural arrangement, availability of the supply of raw materials, industrial area may endow with the location advantage. However, the above factors are constrained to operational bottleneck due to vulnerable market condition, highly levered capital structure, tight liquidity positing and long cash conversion cycle, high inventory pile-up affecting working capital and low disclosure of financial statements.

The long term rating implies the company is subject to medium credit risk. And considered medium grade and as such may possess certain speculative characteristics. The short term rating implies that the company has regarded as having significant speculative characteristics. The obligor currently has the capacity to meet its financial commitment on the obligation; however, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

WCRCL also viewed the company with "Stable" outlook and believes that ASL will be able to maintain its good fundamentals in the foreseeable future.

--- End of Rationale ---