

CREDIT RATING REPORT

HS FOOTWEAR & LEATHER CRAFT LIMITED (SURVEILLANCE)



Ref. no.: FR/2022/022129

Report Contents:

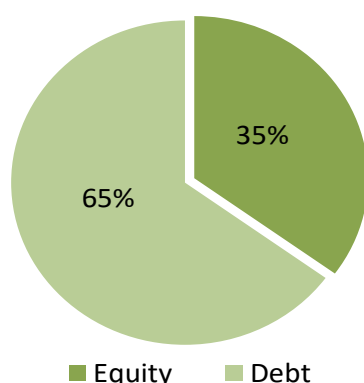
| Particulars | Page |
|---|------|
| Rating Rationale | 01 |
| Corporate Profile | 02 |
| Brief About Key Sponsors Of The Company | 02 |
| Industry Analysis | 03 |
| Business Analysis | 04 |
| Risk Factor Analysis | 06 |
| Rating Observation | 08 |

Project Cost:

BDT. in Million

| Particulars | Total |
|------------------------------------|---------------|
| Land & Development | 77.04 |
| Buildings | 223.23 |
| Other Civil Work | 35.00 |
| Importable Machinery | 330.61 |
| L/C | 16.53 |
| Charges/Insurance/C&F | |
| Security Deposit for Power | 2.00 |
| Local Machinery | 30.00 |
| Documentation & Financial expenses | 9.00 |
| ERP Solution | 15.00 |
| Furniture & fixture | 8.00 |
| Vehicle | 6.00 |
| Machinery erection & installation | 3.00 |
| Preliminary expenses | 8.00 |
| Contingency for Machinery 2.5% | 9.43 |
| Contingency for Building 2.5% | 6.46 |
| Total | 779.29 |

Means of Finance



Analysts:

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| Project Rating | Long Term Rating | Date of Declaration | Date of Expiration |
|----------------|--------------------|---------------------|--------------------|
| | BBB3 (Indicative)* | 15 March 2022 | 14 March 2023 |

*This assigned rating given up to debt amount of BDT. 506.54 million.

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

RATING RATIONALE

WCRCL has reaffirmed “BBB3 (Indicative)” (pronounced Triple B Three Indicative) in the long term to HS Footwear & Leather Craft Limited (hereinafter referred as “HSFLCL” or “The Company” or “The Project”) based on both relevant qualitative and quantitative information up to the date of rating declaration. The rating reflects that HSFLCL is considered to be in medium grade and subject to low credit risks due to favorable condition regarding market outlook and locational advantage.

HS Footwear & Leather Craft Limited is rated in investment grade is subject to medium credit risk due to favorable condition regarding market outlook, management experience and location advantage. Moreover, this is a thrust sector of Bangladesh and government is providing incentive to patronize the sector. Earlier mentioned variables are considered positive factors while assigning the rating. Management also has considerable experience in different business. Land already procured and title of the land has been transferred to the company name. The project will enjoy some location advantage like near high way and industrial area of Tangra, Sreepur, Gazipur. The company has no bank loan for the running project, according to management. Despite these positive factors few speculative elements like-project implementation on due time. Project cost structure revealed high portion of debt may expose high risk in response to equity investment. It may reduce the exposure if debt size proportionate to equity investment becomes low. Finally, the implementation action plan is very inadequate, since, significant portion of project implementation tasks have been accomplished excluding land procurement.

Considering all the favorable measures and susceptibility of negative outcome this project has assigned investment grade for next six month period. Total project cost is estimated at BDT. 779.29 million of which BDT. 506.54 million will be financed by bank borrowing. The company will borrowed fund at the ratio of 65:35. However, there are risks associated with efficient utilization of finance for the project, and project implementation within due time frame.