

CREDIT RATING REPORT

HI-TECH CERAMIC INDUSTRIES LIMITED (SURVEILLANCE)



Ref. no.: FR/2022/025862

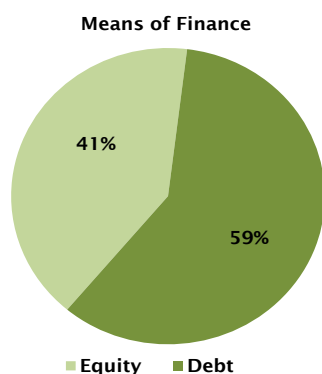
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Project Cost:

BDT. in million

Items of Cost	Total Cost
Project Land	59.80
Land Development	16.30
Building & Civil	558.10
Other Civil Works	56.30
C&F of Imported Machinery	1,420.60
Local Machinery & Equipment	482.00
Duty & other charges	71.00
Internal Freight	5.00
Erection & Installation	35.00
Office & Furniture & Fixture	10.00
Security Deposit	20.00
Pre-Production Exp.& training	2.00
IDCP	46.00
Total Project Cost	2,782.10



Analysts:

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Project Rating	Long Term Rating	Date of Declaration	Date of Expiration
	BBB2 (Indicative)*	19 September 2022	18 September 2023

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

RATING RATIONALE

WCRCL has reaffirmed **BBB2 (Indicative)** (pronounced Triple B Two Indicative) in the long term to **Hi-Tech Ceramic Industries Limited** (hereinafter referred as “HTCIL” or “The Company” or “The Project”) based on both relevant qualitative and quantitative information up to date of rating declaration. The rating reflects that HTCIL is subject to medium credit risk. This is considered to be medium grade and as such may possess certain speculative characteristics.

Hi-Tech Ceramic Industries Limited is rated in investment grade is subject to medium credit risk due to favorable condition regarding market outlook, management experience, land procurement, credibility, and location advantage. Earlier mentioned variables are considered positive factors while assigning the rating, because market outlook of Ceramic industry now favorable in Bangladesh. Management also has considerable experience in line with business. Land already procured and developed and title of the land yet not transfers to the Company name. Project will enjoy some location advantage like near high way and industrial area of Madhupur, Tangail. The company has bank loan for the running project. Despite these positive factors few speculative elements like-funding and implementation pose substantial credit risk. 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 not 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. 2,782.10 million of which BDT. 1,646.00 million will be financed by Bank borrowings. The assigned rating is given only for debt financing which amount is BDT. 1,646.00 million. This rating may be revised subject to credibility of the sponsors, successful implementation and debt proportion in line with the Sponsor’s equity investment or changes in any macro factors along with micro factors in the economy.

However, the ratings are constrained by relatively high leverage, related party documentation on progress, risk associated with arranging finance for the project, and risk associated with project implementation.