

SURVEILLANCE CREDIT RATING REPORT ARGON SPINNING LIMITED

Ref. no.: FR/2022/026070



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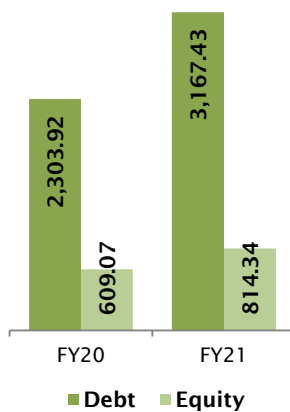
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Financial Highlight:

Tk. in Million

Particulars	FY'21	FY'20
Revenue	2,028	1,851
EBIT	369.04	351.91
Net Profit	205.27	127.09
Total Assets	3,981	2,913
Total Equity	814.34	609.07
Total Debt	3,167	2,303
Net Profit Margin (%)	10.12	6.90
Current Ratio (X)	1.02	1.05
Debt/Equity (X)	3.89	3.78
ICR (X)	1.85	1.76

Capital Structure (Tk. in million)



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Entity Rating	Long Term	Short Term	Outlook	Date of Declaration	Date of Expiration
	BBB1	ST-3	Stable	11 October 2022	02 September 2023

Tk. in Million

Bank/NBFIs	Facilities	Disbursed/ Limit Amount	Outstanding Amount	Bank Loan Ratings
ONE Bank Limited [31.08.2022]	Term Loan	959.64	694.54	blr BBB1
	LC (R)	800.00	39.51	blr ST-3
	Acceptance (R)	(800.00)	0.00	
	LTR (R)	(400.00)	0.00	
	PAD EDF	(800.00)	131.18	
	EDF Loan	(800.00)	486.95	
	Time Loan	(250.00)	130.36	
	OD	40.00	29.55	
	Stimulus	70.00	32.08	
	LC (S)	350.00	0.00	
	Acceptance (S)	(350.00)	8.32	
	L/C	471.20	325.25	
	Acceptance	(471.20)	0.00	
	BG	23.15	23.15	
	LDBP	390.00	22.03	
Dhaka Bank Limited [04.09.2022]	Term Loan	96.38	44.59	blr BBB1
IDLC Finance Ltd. [30.06.2022]	Syndicated Term Loan	103.00	37.73	blr BBB1
Mercantile Bank Limited [30.06.2022]	Syndicated Term Loan	96.38	44.32	blr BBB1
Mutual Trust Bank Limited [31.08.2022]	Term Loan	142.09	62.57	blr BBB1
	Rev. L/C	800.00	356.93	blr ST-1
	LTR	(800.00)	4.40	
	EDF	(800.00)	706.22	
	SOD (G)	40.00	17.63	
	IDBP	200.00	100.21	
NRB Commercial Bank Ltd. [30.06.2022]	Loan General	128.60	58.11	blr BBB1
NRB Global Bank Limited [30.09.2022]	Term Loan	96.38	36.14	blr BBB1
Pubali Bank Limited [30.09.2022]	Term Loan	107.10	40.79	blr BBB1
SABINCO [30.06.2022]	Term Loan	147.95	52.01	blr BBB1
Trust Bank Limited [05.09.2022]	Term Loan (Industrial)	214.30	87.70	blr BBB1
Midland Bank Limited [24.08.2022]	L/C (Sight/Deferred)	500.00	75.48	blr ST-3
	LTR	(487.50)	0.00	
	EDF	(487.50)	433.12	
	Overdraft	30.00	20.19	
	LDBP	100.00	46.07	

Financial Status- Audited financial statement up to 30 June 2021.

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

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RATING RATIONALE

WCRCL has upgraded **BBB1** (pronounced as Triple B One) rating in the long term and **ST-3** (pronounced as Short Term Three) 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 upgraded **blr BBB1** (pronounced as Bank Loan rating Triple B One) rating in the long term loan outstanding and **blr ST-3** (pronounced as Bank Loan Rating Short Term Three) rating in the short term loan limit.

The above ratings have been assigned based on the fundamentals of the company which include experience of promoter in spinning industries, sponsors have depth knowledge about RMG and textile business, financial flexibility arising from Evince Group, increased trend of revenue, available power backup, good infrastructural arrangement, availability of the supply of raw materials, industrial area may endow with the location advantage, presence of fire insurance policy, satisfactory banking relationship.

However, the above factors are constrained to operational bottleneck due to vulnerable market condition, highly levered capital structure, stressed liquidity position considering long cash conversion cycle, low interest coverage position, high inventory pile-up affecting working capital and average 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 an acceptable ability to repay short term debt obligations from internal sources. However, it is expected to rely on external sources of committed financing due to downturn in economic or industry circumstances.

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 ---