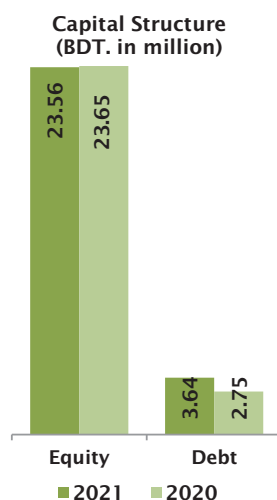


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Key Snapshot:

BDT. in million		
Particulars	2021	2020
Revenue	75.00	240.00
EBIT	2.25	8.90
Net Profit	2.00	8.74
Total Assets	27.20	26.40
Total Equity	23.56	23.65
Total debt	3.64	2.75
Net Profit Margin (%)	2.7%	3.6%
CCC (Days)	121	37
ICR (X)	8.88	56.25



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SME Rating	WCRSE/WCRME	Outlook	Date of Declaration	Date of Expiration
	WCRSE 3	Stable	11 October 2022	10 October 2023

WCRSE 3 rating is equivalent to Bangladesh Bank SME rating scale of SME 3 under BRPD circular number BRPD(BIC)661/14B(P)/2014/2093

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

RATING RATIONALE

WCRCL has assigned 'WCRSE 3' (pronounced as WASO Credit Rating Small Enterprise Three) rating under the SME Rating to Arpita Traders (hereinafter referred as "AT" or "The Enterprise") based on its financial and other relevant qualitative and quantitative information up-to the date of the rating issuance.

The above rating has been assigned based on the fundamentals of the enterprise which includes:

- Experienced and skilled management
- Owned business premises and storage facility
- Satisfactory banking relationship
- Good mortgage security coverage against loan
- Good business network
- Good interest coverage position
- Low levered capital structure

However, the above rating has been moderated to some extent due to some factors like:

- Tight liquidity position with long cash conversion cycle
- Low disclosure of financial statements
- Low management information system (MIS) and Manual accounting system

The SME rating implies that the enterprise is adjudged to above average level of credit worthiness in relation to other small enterprises.

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

ENTITY PROFILE

Inception in 1997

Arpita Traders (hereinafter referred to as AT or The Enterprise) is a sole proprietorship business was established in 1997, under the leadership of Mr. Ashok Kumar Saha. The enterprise is engaged in trading of Different kinds of cloth items. Currently, the enterprise is owned and operated by the proprietor himself, who has sound knowledge of and experience in this particular business. The enterprise has received the trade license from 4 No. Capair Union Parishad to operate the business. The enterprise is located at Kaliakoir Bazar Road, Kaliakoir, Gazipur.

OWNER'S PROFILE

Proprietor has experience of 25 years

Arpita Traders is a well-known trading entity in that region, which was established under the leadership of Mr. Ashok Kumar Saha. The proprietor has sufficient knowledge and experience in this particular business. The proprietor's Wife will be the successor in the business, who is not directly engaged in the business.

A brief profile of the proprietor is delineated below:

Particulars		Details
Owner's Name	:	Mr. Ashok Kumar Saha
Father's Name	:	Ganesh Chandra Saha
Mother's Name	:	Shefali Shaha
Age	:	44 years
Profession	:	Business
Trade License No	:	80
TIN	:	619315431511
Successor	:	Mira Shaha

BUSINESS MANAGEMENT

Ashok Kumar Saha, being the sponsor, directly supervises different planning and operational management aspects of the enterprise. To facilitate the business, he has appointed employees to different position in different operational arena of the business for smooth operation.

The proprietor is the key decision maker of the business

The proprietor formulates the long-term plans and strategies of the enterprise and solves any strategic problem that arises. The enterprise has recruited a good blend of qualified and experienced people for support the business. To maintain a smooth operation the enterprise has recruited total 06 people. The enterprise has been maintaining its accounts on traditional manner.

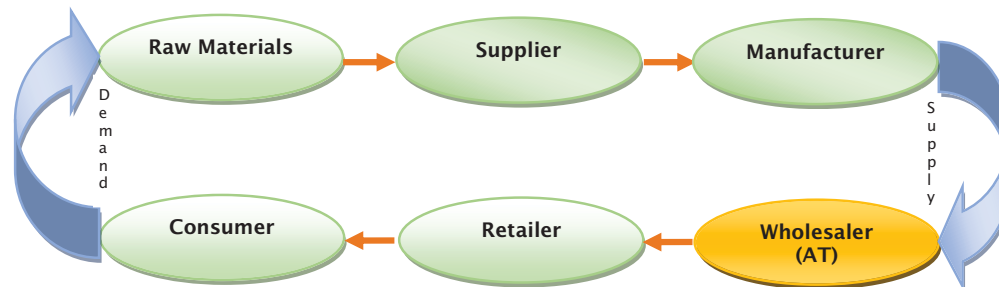
BUSINESS ANALYSIS

Operations and Business Network

The enterprise is involved in wholesale trading

Arpita Traders is involved in wholesale trading of Different kinds of cloth items. The enterprise engaged in the business since 1997 in at Kaliakoir Bazar Road, Kaliakoir, Gazipur. In the revenue composition the enterprise has both cash and credit transaction. The enterprise maintains a good bonding with its suppliers and buyers.

Supply chain cycle of the Enterprise:



The market is highly competitive due to easy entry and exit barrier. The proprietor is directly involved in setting the marketing strategies for the business and carries out the marketing activities as well. Basically, AT procures products from Dhaka and sales by targeting local area. The enterprise procures the products by its own transportation costs. The nature of business allowed the enterprise to hold on the stock for certain period and as on 13 July 2022, Inventory (stock) value stood at BDT. 5.27 million.

Infrastructural Arrangement

Owned business premises

Arpita Traders is operating the business at owned business premises. Storing capacity of the enterprise is one of the key operational factors. Because of the nature of the business, smooth operation of the largely depends on the storage facilities. The enterprise is not using warehouse to store the products. The enterprise has not owned transportation facilities.

FINANCIAL ANALYSIS

The enterprise does not maintain formal accounting system and WCRCL has found narrow space to analyze the true financial attributes of the enterprise. Hence, WCRCL has gathered financial data and tries to justify management prepared financial statements up to 2021. [Detailed financial ratios are Annexed].

Financial Position			Significance
Indicators	2021	2020	
Sales Revenue (Tk. in Million)	75.00	240.00	Revenue has found Decreasing Trend & Moderate Position.
Profit Before Interest and Tax (Tk. in Million)	2.25	8.90	
Profit After Tax (PAT) (Tk. In Million)	2.00	8.74	
COGS/ Sales (%)	95.00%	95.00%	
Financial Cost/ Sales (%)	0.34%	0.07%	
Administrative Expense/ Sales (%)	2.00%	1.29%	
Profitability Analysis			Overall Profitability Ratio has found Decreasing Trend with Moderate Position.
Gross Profit Margin (%)	5.00%	5.00%	
Operating Profit Margin (%)	3.00%	3.71%	
Net Profit Margin (%)	2.66%	3.64%	
Return on Average Assets (ROAA) (%)	7.45%	33.11%	
Return on Average Equity (ROAE) (%)	8.46%	36.97%	
Liquidity Analysis			Liquidity position was TIGHT evident by LONG CCC, if the liability is adjusted any lingering of receivable days or stock storing days would put pressure on working capital management.
Current Ratio (X)	7.42	9.52	
Quick Ratio (X)	3.02	3.89	
Average No. of Days Inventory in Stock (Days)	81	25	
Average No. of Days Receivables Outstanding (Days)	43	13	
Average No. of Days Payable Outstanding (Days)	3	1	
Cash Conversion Cycle (Days)	121	37	

Leverage and Capital Structure			
Debt to total asset(X)	0.13	0.10	Capital Structure is LOW LEVERED, since leverage is measly, equity may cushion when liquidity will be Stressed.
Debt to Equity Ratio (X)	0.15	0.12	
Short term Debt to Equity Ratio(X)	0.15	0.12	
Long term Debt to Equity Ratio(X)	0.00	0.00	
Internal Capital Generation (%)	8.46%	36.97%	
Credibility			
Debt Service Coverage Ratio (X)	8.88	56.25	ICR has measured the Credibility of the Enterprise and the ratio has found GOOD Position.
Interest Coverage Ratio (X)	8.88	56.25	
FFO (in Million)	2.00	8.74	
FFO/Debt (X)	0.55	3.18	
FCF/Debt (X)	0.40	3.18	

BANKING RELATIONSHIP & SECURITY

Banking Relationship

Arpita Traders have been maintaining the banking relationship with National Bank Limited, Kaliakoir Branch. The purpose of the loan is to meet up working capital requirement. So far, the entity has good banking relationship without having any rescheduling or default experience with this bank. According to banker's the repayment behavior of the enterprise is satisfactory without any overdue.

The details of the banking facilities of the enterprise are given below:

Bank Name	Mode of Investment	Sanctioned Amount	Outstanding Amount	BDT. in Million
				Date of Outstanding
National Bank Limited	CC (H)	3.00	3.04	10.10.2022

Security coverage

As per sanction letter a brief of security coverage is following:

Particulars	Security Arrangement
Primary Security	Hypothecation of all stock of goods
Collateral Security	Registered Mortgage of 25.00 decimal land
Market Value	BDT. 6.30 million
Forced Sale Value	BDT. 5.04 million
Forced Sale Value to Loan Ratio	1.2 Times

RISK FACTOR ANALYSIS

Operational Risk

The enterprise has received the trade license to operate and the business operates in a safe environment. The enterprise does not have insurance coverage to mitigate the uncertain risk, which ultimately arise operational risk of the enterprise.

Market Risk

There are many players operating in the same market. Many enterprises exist which are bigger in size and have larger network than the enterprise. In this viewpoint, the enterprise is exposed to moderate market risk.

Pandemic Risk

Covid-19 pandemic is a rapidly spreading infectious disease that pose a global threat and creates social and economic chaos. It severely upsets business operations by disrupting the supply chain and causing

high absenteeism. Managing the threats is posed by the pandemic is critical for business survival. A business continuity plan can help the Enterprise to manage the impacts of the pandemic and meet the obligations and sustainability but the Enterprise yet to take necessary steps.

RATING OBSERVATIONS

Rating Strength

- Experienced and skilled management
- Owned business premises and storage facility
- Satisfactory banking relationship
- Good mortgage security coverage against loan
- Good business network
- Good interest coverage position
- Low levered capital structure

Rating Concerns

- Tight liquidity position with long cash conversion cycle
- Low disclosure of financial statements
- Low management information system (MIS) and Manual accounting system

Business Threat

- Low Products diversification
- High competition in the market
- Volatile price
- Increased competition in the business
- Political turmoil which influence business

Business Potentials

- Potential large market
- Scope of enhancing capacity utilization
- Scope of expansion of product line

END OF THE REPORT

Disclaimer: Information used herein was obtained from sources believed to be accurate and reliable. However, WCRCL does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. The rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities or to finance in a project. All rights of this report are reserved by WCRCL. The contents may be used by the news media and researchers with due acknowledgement.

SME RATING SCALE & DEFINITION

WCRCL SME Rating Scale	
RATING	DEFINITION
WCRME 1/ WCRSE 1	Assigned rating is adjudged highest level of credit worthiness in relation to other SEs/MEs.
WCRME 2/ WCRSE 2	Assigned rating is adjudged high level of credit worthiness in relation to other SEs/MEs.
WCRME 3/ WCRSE 3	Assigned rating is adjudged above average level of credit worthiness in relation to other SEs/MEs.
WCRME 4/ WCRSE 4	Assigned rating is adjudged average level of credit worthiness in relation to other SEs/MEs.
WCRME 5/ WCRSE 5	Assigned rating is adjudged below average level of credit worthiness in relation to other SEs/MEs.
WCRME 6/ WCRSE 6	Assigned rating is adjudged inadequate credit worthiness in relation to other SEs/MEs.
WCRME 7/ WCRSE 7	Assigned rating is adjudged poor credit worthiness in relation to other SEs/MEs.
WCRME 8/ WCRSE 8	Assigned rating is adjudged lowest level of credit worthiness in relation to other SEs/MEs. Such entities may also be in default.