

INITIAL CREDIT RATING REPORT JUTE ALLIANCE LIMITED

Ref. no.: FR/2022/027820



Report Contents:

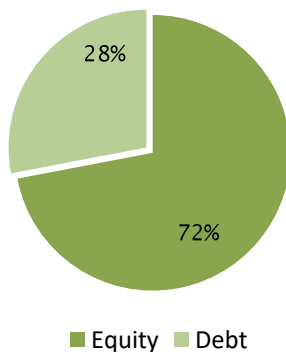
Particulars	Page
Rating Rationale	1
Corporate Profile	2
Associated Companies	2
Brief about Key Sponsors of The Company	3
Analysis of Industry Dynamics	3
Business Analysis	5
Financial Risk Factor	6
Rating Observations	8

Project Cost:

Tk. in million

Items of Cost	Cost
Land Lease advance	96.00
Civil construction	67.50
Machineries Modification	70.70
Machineries Import	176.00
Utility & Security	55.00
Furniture & Office equipment	10.00
Miscellaneous preliminary exp.	47.50
Contingency	9.50
Total Cost of Project	532.20

Capital Structure



Analysts:

Monira Islam
monira@wasocreditrating.com

Md. Alamin Jewel
jewel@wasocreditrating.com

Project Rating	Long Term Rating	Date of Declaration	Date of Expiration
	BBB3 (Indicative)*	18 December 2022	17 December 2023

*This assigned rating given up to debt amount of Tk. 203.50 million.

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

RATING RATIONALE

WCRCL has assigned “BBB3 (Indicative)” (pronounced Triple B Three Indicative) in the long term to **Jute Alliance Limited** (hereinafter referred as JAL” or “The Company” or “The Project”) based on both relevant qualitative and quantitative information up to date of rating declaration. The rating reflects that JAL is subject to medium credit risk. This is considered to be medium grade and as such may possess certain speculative characteristics.

Jute Alliance 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 jute industry now favorable in Bangladesh. Project will enjoy some location advantage like near high way and industrial area of Ghorashal, Polash, Norsinde. The company has bank loan for the running project (according to the creditability confirmation report). Despite these positive factors few speculative elements like–funding and implementation pose substantial credit risk. Project cost structure revealed medium 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 twelve month period. Total project cost is estimated at Tk. 532.20 million of which Tk. 203.50 million will be financed by Bank borrowings. The assigned rating is given only for debt financing which amount is Tk. 328.70 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.