

SURVEILLANCE CREDIT RATING REPORT PAUL HARDWARE



Ref. no.: FR/2022/027178

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SME Rating	WCRSE/WCRME	Outlook	Date of Declaration	Date of Expiration
	WCRSE 3	Stable	20 November 2022	19 November 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

Bank Name	Mode of Investment	Sanctioned Amount	Outstanding Amount	Tk. in million Date of Outstanding
Uttara Bank Limited	CC (Hypo)	35.00	7.79	17.11.2022

Financial Based on-unaudited financial statements up to 31 December 2021.

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

Key Snapshot:

Particulars	Tk. in million 2021
Revenue	152
EBIT	19.11
Net Profit	10.24
Total Assets	78.98
Total Equity	49.15
Total debt	29.83
Net Profit Margin (%)	6.7%
CCC (Days)	155
ICR (X)	2.88

RATING RATIONALE

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

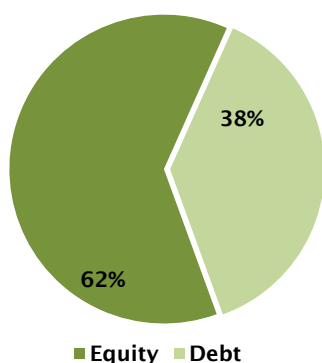
The above rating has been assigned based on the fundamentals of the enterprise which includes:

- Experienced and skilled management
- Satisfactory banking relationship
- Good mortgage security coverage against loan
- Good business network
- Good Net Worth of the Proprietor
- 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

**Capital Structure
(BDT. in million)**



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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 PH will be able to maintain its good fundamentals in the foreseeable future.

BUSINESS PROFILE

*Started operation in the
year of 1995*

Paul Hardware (hereinafter referred as “PH” or “The Enterprise”), is a sole proprietorship business established in the year of 1995. Protap Chandra Paul is the proprietor of the enterprise involved as a trader of different hardware items. PH received the trade license from sremangal powrasava. The enterprise is located at AP Mansion, Habigonj Road, Sreemangal, Moulvibazar.

Owner's Synopsis

*The proprietor has 27 years
of experience*

Paul Hardware has been operated under the leadership of Protap Chandra Paul who has total 26 years of experience in the relevant business arena. The successor of the business is the proprietor's wife, who is not directly involved in the business. A brief profile of the proprietor is delineated below:

Particulars		Details
Owner's Name	:	Protap Chandra Paul
Age	:	58 years
Profession	:	Business
Trade License No	:	00074 (2021-2022)
TIN	:	237406562286
Successor	:	Wife

BUSINESS MANAGEMENT

Protap Chandra Paul, 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 08 people. The enterprise has been maintaining its accounts on traditional manner.

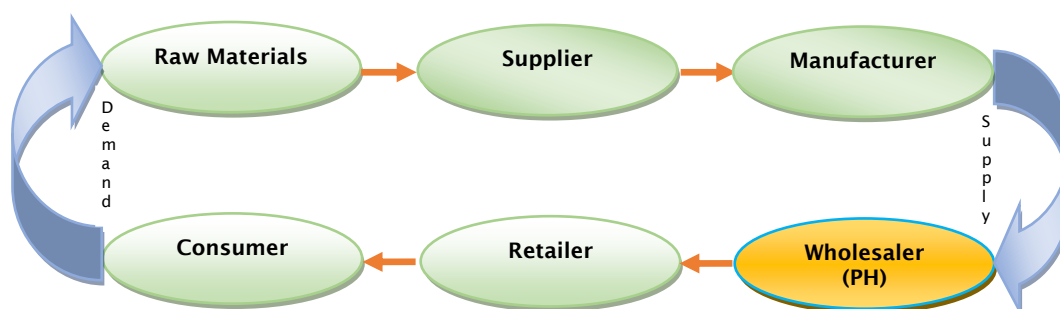
BUSINESS ANALYSIS

Operations and Business Network

*The enterprise is involved in
wholesale and retail trading*

Paul Hardware is involved in trader of different hardware items. The enterprise engaged in the business since 1995 in Sreemangal. In the revenue composition the enterprise has both cash and credit transaction. The enterprise maintains a good bonding with its suppliers and buyers. 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, PH procures products from local market and sales by targeting local area and all over the county. The enterprise procures the products by its own transportation costs.

Supply chain cycle of the Enterprise:



The nature of business allowed the enterprise to hold on the stock for certain period, Inventory (stock) value stood at BDT. 73.63 million.

Infrastructural Arrangement

Paul Hardware is operating the business at rented 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 using warehouse to store the products.

Rented business premises

FINANCIAL STRENGTH 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.

Financial Position		Significance
Indicators	2021	
Sales Revenue (Tk. in Million)	151.86	The Revenue Stream has Found Moderate Position.
Profit Before Interest and Tax (Tk. in Million)	19.11	
Profit After Tax (PAT) (Tk. In Million)	10.24	
COGS/ Sales (%)	86.03%	
Financial Cost/ Sales (%)	4.36%	
Administrative Expense/ Sales (%)	1.38%	
Profitability Analysis		
Gross Profit Margin (%)	13.97%	Overall Profitability Ratio has found Moderate Position.
Operating Profit Margin (%)	12.59%	
Net Profit Margin (%)	6.74%	
Return on Average Assets (ROAA) (%)	12.96%	
Return on Average Equity (ROAE) (%)	20.83%	
Liquidity Analysis		
Current Ratio (X)	2.27	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.
Quick Ratio (X)	0.29	
Average No. of Days Inventory in Stock (Days)	165	
Average No. of Days Receivables Outstanding (Days)	19	
Average No. of Days Payable Outstanding (Days)	30	
Cash Conversion Cycle (Days)	155	
Leverage and Capital Structure		
Debt to total asset(X)	0.38	Capital Structure is LOW LEVERED, since leverage is measly, equity may cushion when liquidity will be Stressed.
Debt to Equity Ratio (X)	0.61	
Short term Debt to Equity Ratio(X)	0.61	
Long term Debt to Equity Ratio(X)	0.00	
Internal Capital Generation (%)	15.95%	

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Credibility		
Debt Service Coverage Ratio (X)	2.89	ICR has measured the Credibility of the Enterprise and the ratio has found GOOD Position.
Interest Coverage Ratio (X)	2.88	
FFO (in Million)	10.24	
FFO/Debt (X)	0.34	
FCF/Debt (X)	0.34	

BANKING RELATIONSHIP & SECURITY

Banking Relationship

Paul Hardware have been maintaining the banking relationship with Uttara Bank Limited, Sreemangal 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 highly satisfactory without any overdue.

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

BDT. in Million				
Bank Name	Mode of Investment	Sanctioned Amount	Outstanding Amount	Date of Outstanding
Uttara Bank Limited	CC (Hypo)	35.00	7.79	17.11.2022

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	▪ Mortgage of 25.50 decimal land with 2 Storied Building.

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.

Interest Rate Risk

The interest rate has been volatile for the last couple of years in Bangladesh. Because the enterprise has availed loan from external bank, the lenders would revise the interest rates for particular loans with ups and downs of the overall interest rates.

Political Risk

Stability in political and economic sectors of an enterprise plays a fundamental role in the performance of the business. Political turbulence can distress the growth of the business operation by increasing risk and cost level by transportation, deferred payments due to delayed delivery, collection delay and so on.

RATING OBSERVATIONS

Rating Strength

- Experienced and skilled management
- Satisfactory banking relationship
- Good mortgage security coverage against loan
- Good business network
- Good Net Worth of the Proprietor
- 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.