

INITIAL CREDIT RATING REPORT FORMULA 1 SPINNING LIMITED

Ref. no.: FR/2023/030491



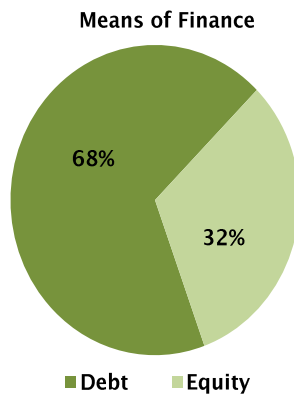
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Project Cost:

Tk. in million

Items of Cost	Cost
Land and Land development	260.00
Building & Civil Works	514.45
Imported machineries	2313.46
Local Machineries	165.30
Furniture & Fixture	10.00
Fire Fighting Equipment	20.00
Vehicle	13.00
Machinery Erection & Installation	11.91
Preliminary Expense	10.00
Total Cost of Project	3,387.52



Analysts:

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Project Rating	Long Term Rating	Date of Declaration	Date of Expiration
	A3 (Indicative)*	28 March 2023	27 March 2024

*This assigned rating given up to debt amount of Tk. 2313.46.00 million.

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

RATING RATIONALE

WCRCL has assigned “A3 (Indicative)” (pronounced Single A Three Indicative) in the long term to **Formula 1 Spinning Limited** (hereinafter referred as F1SL” or “The Company” or “The Project”) based on both relevant qualitative and quantitative information up to date of rating declaration. The rating reflects that F1SL is subject to medium credit risk. This is considered to be medium grade and as such may possess certain speculative characteristics.

Formula 1 Spinning 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 RMG industry now favorable in Bangladesh. Project will enjoy some location advantage like near high way and industrial area of Sreepur, Gazipur. The company has bank loan for the running project (according to the creditability confirmation report). Despite these negative 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.

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. 3,387.52 million of which Tk. 2,313.46 million will be financed by Bank borrowings. The assigned rating is given only for debt financing which amount is Tk. 2,313.46 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 ongoing.