

INITIAL CREDIT RATING REPORT RAFIA APPARELS LIMITED



Ref. no.: FR/2023/30097

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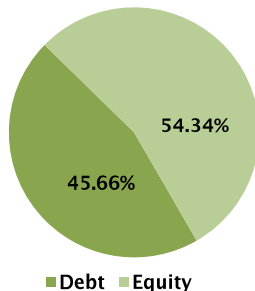
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Project Cost:

BDT. in million

Particulars	Total
Land	7.95
Building	60.28
Working Capital	58.98
Others Civil works	0.05
Importable Machineries	18.62
Local Machineries	63.42
Bank Loan	18.62
Preliminary expenses	30.00
Total Fixed Cost of the Project	91.32

Capital Structure



Analysts:

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Project Rating	Long Term Rating	Date of Declaration	Date of Expiration
	BBB3 (Indicative)*	16 January 2023	15 January 2024

*This assigned rating is given up to debt amount of BDT. 41.70 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 **Rafia Apparels Limited** (hereinafter referred as “RAL” or “The Company” or “The Project”) based on both relevant qualitative and quantitative information up to date of rating declaration. The rating reflects that RAL is subject to medium credit risk. This is considered to be medium grade and as such may possess certain speculative characteristics.

Rafia Apparels 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 textile industry now favorable in Bangladesh. Management also has considerable experience in line with business. Land already procured and developed and title of the land transfers to the Company name. Project will enjoy some location advantage like near high way and industrial area of Gazipur. The company has no bank loan for the running project (according to the management). Despite these positive 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. 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 been assigned investment grade for next one year period. Total project cost is estimated at Tk. 91.30 million which Tk. 41.70 million will be financed by bank borrowing and rest of Tk. 49.60 million will be financed by the sponsors. The assigned rating is given only for debt financing which amount is Tk. 41.70 million. In case of any increment in debt finance, this assigned rating will not be valid.

This rating may be revised subject to 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, there are risks associated with efficient utilization of bank finance for the project, and project implementation within due time frame