

INITIAL CREDIT RATING REPORT MOHONA STEEL INDUSTRIES LIMITED



Ref. no.: FR/2022/27787

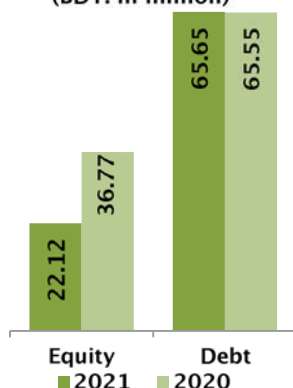
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Key Snapshot:

BDT. in million		
Particulars	2021	2020
Revenue	316.05	319.24
EBIT	15.93	18.15
Net Profit	9.63	12.42
Total Assets	87.77	102.32
Total Equity	22.12	36.77
Total debt	65.65	65.55
Net Profit Margin (%)	3.0	3.9
CCC (Days)	59	66
ICR (X)	16.65	20.88

Capital Structure
(BDT. in million)



Analysts:

Md. Akter Hossain
akter@wasocreditrating.com

Md. Rafiul Bary
rafi@wasocreditrating.com

SME Rating	WCRSE/WCRME	Outlook	Date of Declaration	Date of Expiration
	WCRME 3	Stable	06 December 2022	05 December 2023

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

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

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 Medium Enterprise Three) rating under the SME Rating to Mohona Steel Industries Limited (hereinafter referred as "MSIL" or "The Company") 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 company 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 Profitability margin
- Comfortable interest coverage position
- Insurance coverage for the inventory in stock
- Maintained sound business relation with supplier & buyer

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

- Tight liquidity position with long cash conversion cycle
- Highly levered capital structure
- Lack of disclosure in the financial statements
- Low management information system (MIS) and Manual accounting system

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

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