CREDIT RATING REPORT

ARCO WASHING

Ref. no.: FR/2022/32728

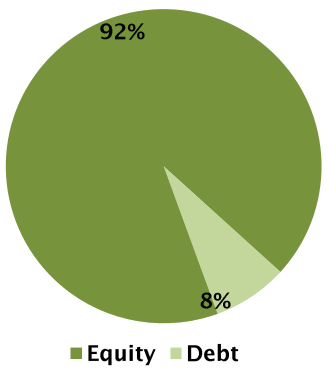
Report Contents:

Project Cost:

Tk. in Million

Particulars	Value
Land with Land Development (Approx. 17.00 Decimal Land)	25.500
Building & civil construction (Shed) & Other Civil Works	4.875
Machinery & Equipment	12.985
Erection & Installation	2.500
Office Furniture & Fixture with firefighting equipment	0.700
Preliminary & Pre-operating Expenses	1.500
Total Fixed Cost	**48.060**

Capital Structure (BDT. in million)



Analysts:

Nazrul Islam
nazrul@wasocreditrating.com

Md. Al Amin Jewel
jewel@wasocreditrating.com

Project Rating	WCRSE/WCRME	Outlook	Date of Declaration	Date of Expiration
	WCRSE 4	Indicative	29 August 2022	28 August 2023

** This assigned rating given up to debt amount of Tk. 3.70 million*

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

RATING RATIONALE

WCRCL has assigned 'WCRSE 4' (Indicative)" (pronounced as WASO Credit Rating Small Enterprise Four Indicative) in the Small Enterprise to **Arco Washing** (hereinafter referred to as **"AW" or "The Project or The Enterprise**") based on both relevant qualitative and quantitative information up to date of rating declaration. The rating reflects that AW is subject to medium credit risk. This is considered to be medium grade and as such may possess certain speculative characteristics.

Arco Washing, rated in investment grade is subject to average credit risk due to favorable condition regarding experienced and knowledgeable sponsors, high local and foreign demand of the products and advanced technology which is complies with Govt. regulation, location advantage, project set up on their own land. Project will enjoy some location advantage like project site is close to highway, availability of raw material and utility connections. However, the ratings are constrained by relatively risk associated with project implementation, risk associated with arranging finance for the project, DSCR is marginal to moderate subject to adverse situation, business network and market penetration may hinder achievement of 70% capacity utilization of production in the first year of the operation, industry nature imposes high competiveness, so fluctuation in sales or raw material price may impact debt servicing capacity, land not yet handover in company name.

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. 48.06 million which Tk. 3.70 million will be financed by bank borrowing and rest of Tk. 3.70 million will be financed by the sponsors. The assigned rating is given only for debt financing which amount is Tk. 3.70 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.