SURVEILLANCE CREDIT RATING REPORT

ARMADA SPINNING MILLS LIMITED

Ref. no.: FR/2022/024714

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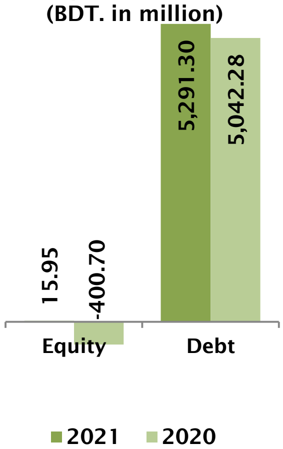
Key Snapshot:

Tk. in million

Particulars	FY21	FY20
Revenue	2,373	2,204
COGS	1,995	1,854
Gross Profit	377.6	350.8
Operating Exp.	53.44	40.38
EBIT	360.4	346.1
Financial Exp.	313.5	318.2
Net Profit	27.76	15.55
Total Assets	5,307	4,641
Total Equity	15.94	-400
Debt	5,291	2,347
Net Profit Margin (%)	1.20	0.71
Current Ratio (X)	1.33	1.30
CCC (Days)	260	222
Debt/Equity (X)	331.7	-12.5
ICR (X)	1.15	1.09

Capital Structure (BDT. in million)



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Entity Rating	Long Term	Short Term	Outlook	Date of Declaration	Date of Expiration
	BBB3	ST-4	Stable	18 July 2022	04 July 2023

Tk. in Million

Bank	Mode	Limit/Disbursed Amount	Outstanding Amount	Bank Loan Rating
First Security Islami Bank Limited (30.06.2022)	HPSM-Industrial	650.00	819.58	blr BBB3
	HPSM-Industrial	150.00	168.34	
	HPSM-Machinery	50.00	56.26	
	HPSM-Machinery	760.00	770.24	
	HPSM-Machinery	450.00	392.14	
	LC/EDF (Sight)	1,300.00	2,108.76	blr ST-4
	Bai-Murabaha TR	100.00	68.64	
	Bai-Murabaha (H)	200.00	177.85	
	IDBP	500.00	0.00	
	BG	5.00	0.00	

Financial: *Based on Audited financial statements up to 30 June 2021.*

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

RATING RATIONALE

WCRCL has reaffirmed 'BBB3' (pronounced as Triple B Three) rating for the Long Term and 'ST-4' (pronounced as Short Term Four) rating for Short Term to **Armada Spinning Mills Limited** (hereinafter referred to as '**ASML**' or '**The company**') based on its financial and other relevant qualitative and quantitative information up-to the date of the rating declaration. WCRCL has also reaffirmed 'blr BBB3' (pronounced as Bank Loan Rating Triple B Three) rating to the long term loan outstanding and "blr ST-4" (pronounced as Bank Loan Rating Short Term Four) rating to the aggregate short term limit.

The above ratings have been assigned based on the fundamentals of the company which include experience of promoter in spinning industries, experienced and proactive management, established market position and stable customer profile which reflects healthy turnover, revenue was in increased trend, good infrastructural arrangement with state of art machineries and presence of fire insurance policy, availability of the supply of raw materials, industrial area may endow with the location advantage.

However, the above factors are constrained to operational bottleneck due to average disclosure in the financial statements, highly levered capital structure originated from high bank loan, stressed liquidity position considering long cash conversion cycle, high inventory and trade debtors affecting working capital, poor interest coverage position and volatile market price of the raw cotton, higher financial risk.

The long term rating implies that the entity rated in this category is subject to medium credit risk. And considered medium grade and as such may possess certain speculative characteristics. The short term rating implies that the entity has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitment on the obligation; however, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation**.**

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