

INITIAL CREDIT RATING REPORT
ETHICS MERCANTILE LIMITED



Ref. no.: FR/2023/034116

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| SME Rating | Rating Notch | Outlook | Date of Declaration | Date of Expiration |
|------------|--------------|---------|---------------------|--------------------|
| | WCRSME3 | Stable | 03 October 2023 | 02 October 2024 |

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

RATING RATIONALE

WCRCL has assigned ‘WCRSME3’ (pronounced as WASO Credit Rating Small and Medium Company Three) rating under the SME Rating to Ethics Mercantile Limited (hereinafter referred as “EML” or “The Company”) based on its financial and other relevant qualitative and quantitative information up-to the date of the rating issuance.

Key Snapshot:

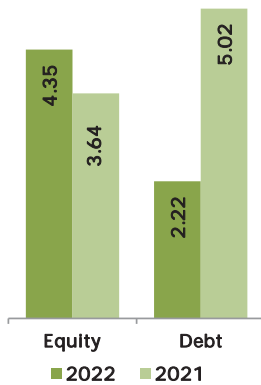
BDT. In million

| Particulars | 2022 | 2021 |
|-----------------------|--------|-------|
| Revenue | 101.17 | 48.08 |
| EBIT | 1.28 | 1.31 |
| Net Profit | 0.71 | 0.51 |
| Total Assets | 6.57 | 8.66 |
| Total Equity | 4.35 | 3.64 |
| Total debt | 2.22 | 5.02 |
| Net Profit Margin (%) | 0.7 | 1.1 |
| CCC (Days) | 8 | 35 |
| ICR (X) | 7.00 | 2.52 |

The above rating has been assigned based on the fundamentals of the company which includes:

- Long business experiences of the proprietor in the business
- Good business network
- Maintained sound business relation with supplier & buyer
- Good profitability margin
- Low levered capital structure
- Good liquidity position with short cash conversion cycle
- Comfortable interest coverage position

Capital Structure (BDT. In million)



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

- Low disclosure in the financial statements
- No insurance coverage for the inventory in stock
- Manual accounting system

The SME rating implies that the company is adjudged to above average credit quality.

WCRCL also viewed the company with “Stable” outlook and believes that EML will be able to maintain its good fundamentals in the foreseeable future.

This rating may be revised in case of any extraordinary changes in line with the sponsor’s equity investment, debt obligations, management, business operations and/or changes in any macro and micro factors in the economy.

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