

3rd SURVEILLANCE CREDIT RATING REPORT L K BROTHERS



Ref. no.: CRAR-9644/2023

Report Contents:

Particulars	Page
Rating Rationale	1
Entity Profile	2
Business Management	2
Business Analysis	2
Financial Position Analysis	3
Banking Relationship	4
Risk Factor Analysis	4
Rating Observation	5

SME Rating	Rating Notches	Outlook	Date of Declaration	Date of Expiration
	WCRSME3	Stable	25 October 2023	24 October 2024

BDT. in million

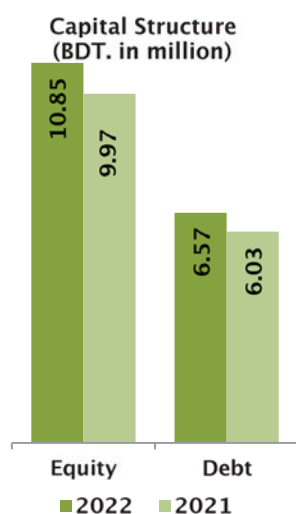
Bank Name	Mode of Investment	Sanctioned Amount	Outstanding Amount	Date of Outstanding
Islami Bank Bangladesh PLC	Bai-Murabaha TR	4.00	4.38	11.09.2023
	Stimulus fund	0.50	0.024	

Financial Based on—unaudited financial statements for 31st December 2022.

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

Key Snapshot:

Particulars	2022	2021
Revenue	54.05	47.00
EBIT	3.25	2.46
Net Profit	3.14	2.35
Total Assets	17.43	16.00
Total Equity	10.85	9.97
Total debt	6.57	6.03
Net Profit Margin (%)	5.8%	5.0%
CCC (Days)	101	112
FFO (In Million)	3.14	2.35



RATING RATIONALE

WCRCCL has re-affirmed 'WCRSME3' (pronounced as WASO Credit Rating Small & Medium Enterprise Three) rating under the SME Rating to **L K Brothers** (hereinafter referred as "LKB" or "The Enterprise") 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 enterprise which includes:

- Experienced and skilled management
- Good business network
- Low levered capital structure
- Highly satisfactory banking relationship
- Good mortgage security coverage against loan
- Owned business premises & storage facility

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

- Poor disclosure of financial statements
- Tight liquidity position with long cash conversion cycle
- No insurance coverage for the inventory in stock
- Manual accounting system

The rating implies that the enterprise has above average credit quality.

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WCRCCL also viewed the enterprise with "**Stable**" outlook and believes that LKB 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.