

4th SURVEILLANCE CREDIT RATING REPORT SONAR MADINA SPINNING MILLS LIMITED

Ref. no.: CRAR-5136/2023



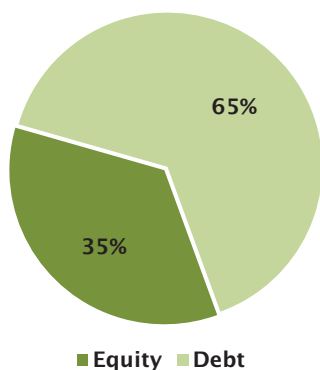
Report Contents:

Particulars	Page
Rating Rationale	1
Corporate Profile	2
Sponsors of the Company	2
Industry Dynamics	3
Business Analysis	4
Banking Relationship	6
Risk factor Analysis	6
Rating Observations	8

Project Cost:

Particulars	Value
Land & Development	151.25
Building & Civil Works	349.63
Machinery & Equipment	843.54
Erection & Installation	10.00
Furniture & Fixtures	2.00
Electric Power gas	44.6
Vehicles	10.00
IDCP	40.63
Total	1,424.79

Capital Structure



Analysts:

Md. Rafiul Bary
rafi@wasocreditrating.com

Maharan Nasrin
mahran@wasocreditrating.com

Project Rating	Long Term Rating	Date of Declaration	Date of Expiration
	BBB3 (Indicative)*	21 November 2023	19 November 2024

*This assigned rating given up to debt amount of Tk. 684.40 million.

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

RATING RATIONALE

WCRCL has reaffirmed “BBB- (Indicative)” (Pronounced as Triple B minus Indicative) in the long term to Sonar Madina Spinning Mills Limited (hereinafter referred to as “SMSML”) based on both relevant qualitative and quantitative information up to date of rating declaration. The rating reflects that SMSML is subject to medium credit risk. This is considered to be medium grade and as such may possess certain speculative characteristics.

Sonar Madina Spinning Mills Limited, rated in investment grade is subject to medium credit risk due to favorable condition regarding market outlook, management experience, land procurement, credibility, project implementation, and location advantage. Earlier mentioned variables are considered positive factors while assigning the rating, because market outlook of spinning industry now favorable in Bangladesh. Management also has considerable experience in this line of business. Project cost structure revealed high portion of debt may expose high risk in response to equity investment. It may reduce the exposure if debt size proportionate to equity investment becomes low.

Considering all the favorable measures and susceptibility of negative outcome this project has assigned investment grade for next six month period. Total project cost is estimated at Tk. 1424.79 million of which Tk. 943.57 million will be financed by bank borrowing. The assigned rating is given only for debt financing which amount is Tk. 943.57 million. The company will borrow fund from bank at the ratio of debt-equity: 65:35. The loan amount will be expensed on importing capital machinery. The long term rating implies that the entity is subject below average credit quality.

However, the ratings are constrained by Highly levered proposed capital structure, Market production may hinder to achieve of 75% capacity utilization of production in the first year of the operation, Uncertainty of project implementation in due time. 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