

12 April, 2018

Managing Director
Paramount Textile Limited
Navana Tower (Level#7),
Gulshan C/A, Dhaka-1212, Bangladesh.

Subject: Credit Rating of **Paramount Textile Limited**.

Dear Sir,

We are pleased to inform you that Alpha Credit Rating Limited (AlphaRating) has assigned the following rating in favor of **Paramount Textile Limited**.

Date of Declaration	Valid Till	Rating Action	Long Term Rating	Short Term Rating	Outlook
12 April, 2018	11 April, 2019	Surveillance	AA	ST-1	Stable

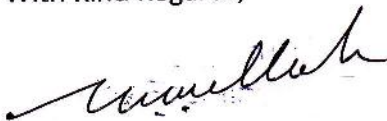
The Short Term and Long Term rating is valid up to the earlier of 11 April, 2019 or the limit expiry date of respective credit facility. The rating may be changed or revised prior to expiry, if warranted by extraordinary circumstances in the management, operations and/or performance of the entity rated.

We, Alpha Credit Rating Limited, while assigning this rating to **Paramount Textile Limited**, hereby solemnly declare that:

- (i) We, Alpha Credit Rating Limited as well as the analysts of the rating have examined, prepared, finalized and issued this report without compromising with the matters of our conflict of interest, if there be any; and
- (ii) We have complied with all the requirements, policy and procedures of these rules as prescribed by the Securities and Exchange Commission in respect of this rating.

We hope the rating will serve the intended purpose of your organization.

With Kind Regards,



Muhammed Asadullah
Managing Director & CEO



This letter forms an integral part of the credit rating report.

AlphaRating

PARAMOUNT TEXTILE LIMITED

(Navana Tower (Level#7), Gulshan C/A, Dhaka-1212, Bangladesh)

(Corporate)

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PARAMOUNT TEXTILE LIMITED

AA Long Term Rating

ST-1 Short Term Rating

Stable Outlook

Date of Declaration 12 April, 2018

Valid Till 11 April, 2019

Rating Action Surveillance

Business Risk	Liquidity Profile	Solvency	Industry Group	Sector
Moderate	Good	Good	Primary Textile	Fabric Manufacturer

Paramount Textile Limited is a 100% export oriented woven fabric manufacturer lead by qualified professional management team and has a smart financial profile.

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Date of Incorporation:12th June, 2006**Board Chairman:**

Mrs. Anita Haque

Managing Director:

Mr. Shakhawat Hossain

Authorized Share Capital: BDT 2000.00 million

Issued Share Capital: BDT 1,173.16 million

Total Asset:

BDT 5,652.99 million (As on 30.06.2017)

Financial/Other Institutions:

Pubali Bank Limited
HSBC Bank Limited
Woori Bank Limited
IDLC Finance Limited
Eastern Bank Limited

Loan Limit:

BDT 9326.00 million

Loan Outstanding:

BDT 5,830.70 million

Other Liability

Limit (Bond): BDT 110.00 million

Outstanding: BDT 103.12 million (As on 08.02.2018)

Rationale

AlphaRating upgrades the long term rating to AA (pronounced as "Double A") from "A+" (pronounced as "Single A plus") and upgrades short term rating to "ST-1" from "ST-2" in favor of **Paramount Textile Limited** (Hereinafter referred to as 'the company or PTL'). The company is one of the leading high quality woven fabric manufacturers in Bangladesh and is listed with both Dhaka Stock Exchange & Chittagong Stock Exchange.

The above rating reflects the exposure of the company to all financial and other risk, industry nature, long term experience of the management team, government policy, future prospects of woven fabric industry in Bangladesh and the pace of capital expansion of PTL of the company. It has been observed that the demand of woven fabrics of the company has been rising over the years among its existing & potential customer base which has assisted to generate healthy sales revenue since its establishment. But the high purchase costs of raw material has marked a negative sign on its overall profitability which has been reflected on merely declined gross profit margin. However, the company could secure its ultimate net profit margin in growing trend that indicates efficient managerial effort of the company. Moreover, improving interest paying capacity and up growing trend of net asset value has also influenced the rating to a great extent. The rating is also inspired by strong parentage (a subsidiary of renowned Paramount Group), strong control over internal activities, IT adherence, clean compliance status and application of corporate governance. On the contrary, strength of the rating has been resisted by unavailability of renewed sanction letter from IDLC Finance Ltd., lack of information gap for some bank loan and outstanding balance, highly geared capital structure, low profitability position along with poor working capital management. In addition, the rating has also taken into account increased production cost, competitive market of related products and the prevailing uncertainty associated with national macroeconomic environment.

PTL has been enjoying financing facilities from Pubali Bank Limited, Eastern Bank Limited, Woori Bank Limited, IDLC Finance Limited and HSBC Limited. Except IDLC Finance Ltd.'s information the company has been maintaining good transaction behavior with all of the financing institutions.

Key Performance Indicator

FYE 30 June	2017	2016	2015
Revenue (BDT in Millions)	3,351.65	3014.25	2935.26
COGS (BDT in Millions)	2,787.96	2487.22	2352.56
Gross Profit (BDT in Millions)	563.69	531.03	582.73
Operating Profit (BDT in Millions)	370.77	342.54	395.69
Profit After Tax (BDT in Millions)	224.93	201.69	193.99
CFO (BDT in Millions)	425.58	280.20	381.21
Gross Profit Margin (%)	16.82	17.59	19.85
Operating Profit Margin (%)	11.06	11.35	13.48
Net Profit Margin (%)	6.71	6.68	6.61
Current Ratio (x)	1.11	1.30	1.27
Quick Ratio (x)	0.59	0.71	0.70
Cash Conversion Cycle (Days)	233.88	236.50	231.41
Debt to Equity (x)	1.82	0.82	0.64
Interest Coverage (x)	3.24	3.13	2.47
Net Asset Value (BDT in Millions)	2,469.15	2,348.71	2,324.58


Muhammed Asadullah
Managing Director & CEO
Alpha Credit Rating Limited

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Company Profile

Paramount Textile Limited is one of the leading manufacturers of high quality woven fabric in Bangladesh. Having started the journey in 2006 they commenced commercial production on September 01, 2008. Later it converted to a public limited company on September 19, 2010. Paramount textile produces high quality yarn dyed woven fabric which include 100% cotton yarn dyed fabrics, cotton solid white fabrics, stripe & check shirts, stretch fabric. The products are consumed by 100% export oriented garment companies. Normally the products are designed based on specification and guideline of ultimate buyer. The company is an Oeko-Tex certified (Class#1) 100% export oriented woven fabric manufacturer equipped with state of the art Machineries sourced from Leading European and Asian manufacturers, producing 15 million yards of fabric annually. The Oeko-Tex label is a recognized benchmark for the manufacturers and serves as an additional credential of quality assurance. The main office of the company is situated at Navana Tower (Lvel #7), Gulshan C/A, Dhaka-1212. The Factory is located in Sreepur, Gazipur an hour drive from the Dhaka International Airport, Sprawled across 35 acre of factory premise and 4000 numbers of skilled worker and employees. Paramount Textile today is a name to be reckoned with both nationally and globally. Paramount aims to provide high quality fabric for the fashion retailers and fabric sourcing companies from across the globe ensuring an eco-friendly **GO FOR GREEN** (GFG) environment.

Group Profile

Paramount is one of the most successful group of companies rapidly expanding national and international Trade and Industry which has grown significantly since its beginning with Sunrise Chemicals in 1986. They have focused on world class infrastructure, best-in-class technology, uncompromising quality standards and dynamic product innovation. In target of serving people Paramount industries have been diverting business to various industries and sectors; achieved immense attention of a wide range of stakeholders. Businesses under paramount group are given below:

- Paramount Textile Limited
- Paramount Insurance Company Ltd.
- Sunrise Chemical Industries Ltd.
- Paramount Holdings Limited
- Foodex International Ltd.
- Paramount B Track Energy Ltd.
- Paramount Agro Ltd.

Ownership Pattern

Paramount Textile Limited is public limited company listed on Dhaka & Chittagong Stock exchange. The company has authorized 200,000,000 shares of Tk. 10 each and Issued 117,315,870 shares of Tk. 10 each. Following the ownership pattern of the company:

Shareholders	Number of Shares	Percentage (%)
Paramount Textile Ltd.	15,556,084	13.26%
Paramount Holdings Ltd.	13,503,057	11.51%
Mr. Shabbir Hossain	10,312,065	8.79%
Mr. Alock Kumar Das	10,312,065	8.79%
Mrs. Samsun Nahar	8,446,743	7.20%
Mrs. Aparna Ghosh	8,446,743	7.20%
Mrs. Anita Haque	2,346,317	2.00%
Mrs. Anita Das	2,346,317	2.00%
General Public & Others	46,006,879	39.25%
Total Number of Shares	117,315,870	100.00

Product Range

The product range of PTL includes 100% cotton yarn dyed fabrics from plain weave to structured twills, dobby & satins. Product range includes the following:

- 100% cotton yarn dyed woven fabric
- 100% cotton solid white fabric
- PFD/RFD woven fabric for garment dyeing/printing
- Dyed yarn for circular knitting
- Sweater yarn or flat knitting dyed yarn

Their special finishing facility gives a distinct advantage to produce different types of finishes such as:

- Silky soft
- Easy care, wrinkle free, post mercerize
- Teflon, Water repellent, oil repellent, Soil release
- Peach & carbon peach finish

Installed Production Capacity

- Yarn Dyed Fabric 66000 yards per day
- Dyed Yarn 25 ton per day



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Dyeing Plant

Their dyeing plant has introduced sets of world's top equipment such as rf dryer machine from STALAM, Italy; stenter machine from EU & China; singeing & de-sizing machine, scouring, bleaching, washing & sanforising machine from RED FLAG.

Yarn Dyeing Machineries	Number
Soft & hard Winding	1728 spindles
Yarn Dyeing	32 Sets
Hydrostructor	05 Sets
RF Dryer	03 Sets
Sectional Wrapping	04 Sets
Direct Wrapping	01 Set
Sizing & pre-wring system	02 Sets
Air jet loom	210 Sets
Dye House & Finishing Machineries	
Singeing/De-sizing	01 Set
Scouring, Bleaching & Washing	01 Set
Stenter	01 Set
Sanforising	01 Set
Carbon Finish	01 Set

Weaving Plant

In their weaving plant, they have brand new TSUDAKOMA wrapping machine and sizing winder, combination of TSUDAKOMA, TOYOTA, PINACOL air jet looms with world's renowned French cam-motion and dobby motion machines from STAUBLI, Sectional machine from Korean manufacturer UKIL & JUPITER and Knotting machine from STAUBLI. PTL also has high level of experimental equipment and full range sampling & powered handloom machines to produce high quality yarn dyed fabrics.

Design & Quality Control

To ensure safe and consumer friendly fabric, Paramount has its own high-tech laboratory and computer data processing system. The laboratory is fully equipped with modern testing equipments and machinery to enable checking of fabrics in all stages to comply with all testing criteria and performance indicators. The testing lab equipments are sourced from renowned brands of USA and UK. The company has its own design studio equipped with Tex Tronic dobby and Koppermann software for creating fabric designs. This enables buyers to choose ready designs straight which can be put into bulk production thereby reducing the lead-time of sampling and handloom making. To support the design studio Paramount has complete automatic/powerd sampling unit.



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ETP & WTP

Paramount Textile Limited takes great care to conserve the environment they operate in. Their sophisticated effluent treatment plant (ETP) treats, purifies & releases waste water through a biological treatment. It has been established covering an area of 70000 sqft along with a 1500 feet long drain.

The company also built water treatment plant (WTP) capable to reduce iron level in water so that it can help to produce high quality fabric consistently in term of color levels and the strength of the yarn as well as helps environment minimizing the use of pre treatment chemicals.

Apart from that, PTL ensures eco-friendly GFG (Go for Green) environment for their products. The factory premises has been carefully planted with trees offsetting carbon emission and ensuring a healthy environment for all.

Utilities

Paramount Textile Limited has its own captive power plant and generates its own power resulting uninterrupted production through GE Jenbacher gas engines. The factory generates own power through 4 GE Jenbacher gas fired generators which have cumulative generation capacity of 5 MW. World's leading compressors ATLAS COPCO has been installed and SIEMENS substations & bus bars is used to support the production flow. The company also uses LOOS Boiler from Germany & chillers from other renowned manufacturers.

INDUSTRY ANALYSIS

The ready-made garment (RMG) industry of Bangladesh started in the late 1970s and became a prominent player in the economy within a short period of time. The industry has contributed to export earnings, foreign exchange earnings, employment creation, poverty alleviation and to the empowerment of women.

Bangladesh, the southern Asian country has a population of approximately 164 million people. The economy of Bangladesh is significantly dependent on agriculture. But it's a great news for the country that, readymade garments(RMG) sector of Bangladesh has raised as the biggest earner of foreign currency. This sector creates about 4.2 million employment opportunities and contributes significantly to the GDP. Readymade garments (RMG) of Bangladesh are powered by young, urbanizing, workers, where most of them are women.

In RMG sector of Bangladesh, there are more than 5000 garment factories (private statistics) at the current time, employing more than 12 lack labours, where 85% of the labour force is women. But, according to BGMEA the number of garment factories in Bangladesh around 4000. Now, RMG industry is the country's largest export earner with the value of over \$25491.40 million of exports in FY 2014-15. It's great news for us that, Bangladesh is clearly ahead from other South Asian suppliers in terms of capacity of the readymade garments industry.

Though, there are various types of garments are manufactured in Bangladesh, but all the readymade garments are classified into two broad categories, where one is woven products and another one is knitted products. A woven product includes Shirts, Pants and Trousers. On the other hand, knitted product includes T-Shirts, Polo Shirts, Undergarments, Socks, Stockings and Sweaters. Woven garments still dominate the export earnings of the country. From BGMEA website it's seen that, Day by day knitted items production is increasing in considerable rate and now about 40% export earnings has achieved from knitted products.

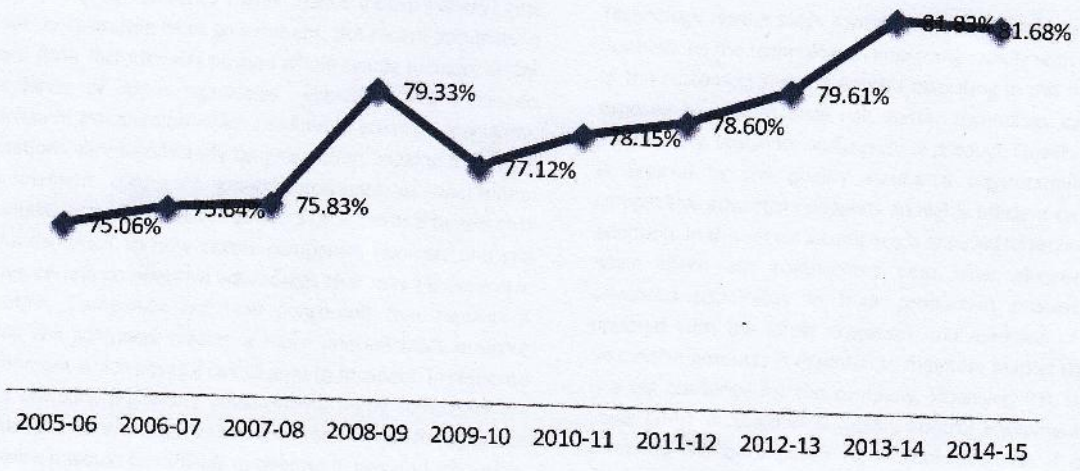
Contribution of RMG Sector to the National Economy:

The role RMG sector in Bangladesh economy is remarkable. It's seen that, from the last decade, RMG sector contributes to the national economy in considerable rate. About 82% of total export earnings come from RMG sector. From a statistics it's known that, in FY 2003-04 RMG sector of Bangladesh earned US\$ 5,686.06 million, in FY 2004-05 the value was US\$ 6,417.67.67 million, in FY 2005-06 the value was US\$ 7900.80 million, in FY 2006-07 the value was US\$ 9,211.23 million, in FY 2007-08 the value was US\$ 10,699.80 million, in FY 2008-09 the value was US\$ 12.35 billion and finally in FY 2014-15 the value stands at \$25491.40 million. The government is sending many trade delegations to the new potential markets like China, Japan, Africa and Latin American countries to reduce the dependency on EU and US market.

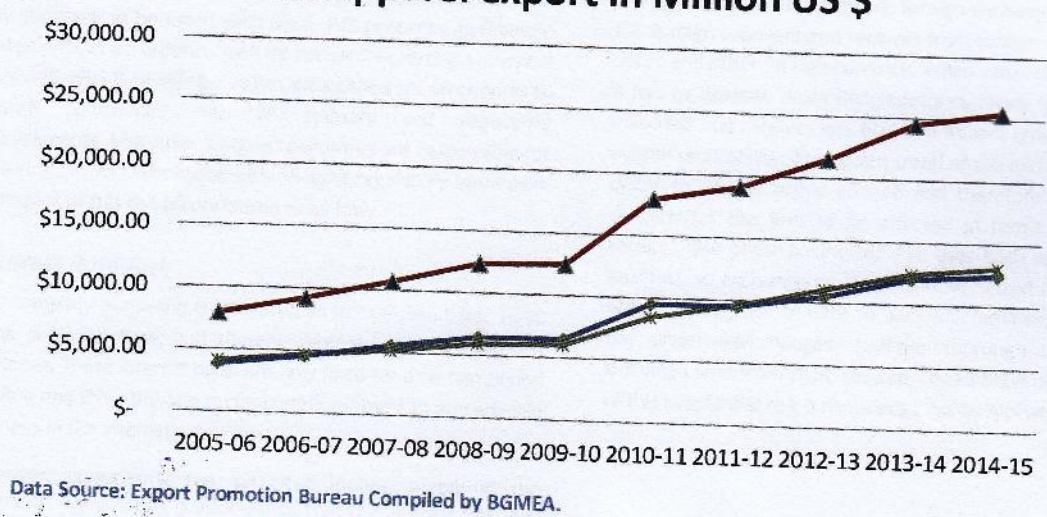


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% of RMG to total export



Total Apparel export in Million US \$



Business Risk Analysis

Regulatory Risk

As a major foreign currency earner, textile industry always gets special consideration from government. But recent accidents in several RMG factories has pushed whole textile industry under surveillance of more aggressive regulation and increased government intervention which resulted in greater uncertainty. Regulations vary significantly by jurisdiction, making it difficult to implement consistent growth strategies or operational capabilities across markets. Regulators often control factors that are fundamental to how textile companies operate, and can remove certain competitive advantages that may be expensive to obtain. Companies are now concerned that regulators' shifting the goalposts creates a more unpredictable business environment which poses a risk to growth prospect. In response to the changing regulatory environment, many companies are providing additional resources to monitor changes in regulation otherwise it would be difficult to operate in certain jurisdiction, in extreme case a company may have to stop doing business.

However PTL operates its business within the frame of applicable laws & regulation which is a primary requirement for any company to be listed with BSEC. PTL prepares its financial statements in accordance with all relevant reporting standards (IAS, BAS, IFRS & BFRS). It also has established set procedures to ensure compliance with all statutory and regulatory requirements. Moreover assigned personnel are responsible for ensuring proper compliance with relevant regulatory framework so impact of this risk is considered to be low.

Interest Rate Risk

The company is availing credit facilities from Pubali Bank, HSBC Bank & Woori Bank and thereby required to make interest payment. These interest rates are only fixed for a certain period of time and the company is completely exposed to any adverse changes in the interest rates.

However, considering the sufficient money supply in the economy, AlphaRating is anticipating that the interest rate may not go up in next one year.

Technology Risk

Technology always plays a vital role for each and every type of business. As the technology is improving rapidly with the change of the customers test, all entities operating in this industry are exposed to obsolescence risk. Better technology can increase productivity, efficiency and quality of product. Quality of product is assured by the quality assurance organizations but the competitive advantage depends on highly efficient technological adoption. In this sector a company is exposed to technology risks when there are competitors who have already adopted advanced technology in their production process. Keeping updated with the latest processes and methods of providing innovative products is essential to maintain market share which is a big challenge for the company. However, PTL is currently using latest production & quality control equipment. But the company will be exposed to technological risk if one of its competitors introduces updated technology in their operations.

Foreign Exchange Risk

The company faces significant foreign exchange risk as it pays the foreign suppliers and receives from foreign customers in US dollar and other foreign currency. When value of US Dollar rises, it has to expense more Bangladeshi currency (BDT) to procure materials and receives less BDT that impact growth of sales and overall profitability. The recent trend of the exchange rate of US dollar to BDT is highly volatile and therefore it is a relative concern for the firm to be affected in terms of payment & receipt. Like other businesses PTL uses both export & import facilities, so exchange rate risks can be netted off against each other through use of back to back L/C facilities. Moreover PTL has undertaken hedging facilities thorough use of foreign exchange limit from HSBC Limited, Dhaka Main office. So impact of this substantial risk is considered low by AlphaRating.



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Environmental Risk

Textile industry is considered as one of the biggest environment polluter of the country. The overall manufacturing process of the industry makes harmful effect on the environment by evaporating unsafe chemicals that contaminate the surface water. Acetic acid and formaldehyde are two major emissions of concern in textiles industries. This industry uses high volumes of water throughout its operations, from the washing of fibers to bleaching, dyeing and washing of finished products. There are almost 1,700 factories producing fabric for Bangladesh's booming textile industry. Most of them are located in Dhaka and on its fringe. These factories, known as "wet processors," consume as much as 300 liters of water to produce one kilogram of fabric. That's about six times more water than what is considered international best practice. All told, the sector devoted to washing, dyeing and finishing fabrics consumes 1,500 billion liters of groundwater a year. According to a recent world bank report, the textile mills in and around Dhaka city consume as much groundwater as goes to all of Dhaka's residents. The good news is that, government has decided to make this industry green and to encourage the owner to adapt eco-friendly manufacturing process.

However PTL strongly adheres to the concept of eco-friendly environment and hence implemented various measures to lower Carbon Dioxide emission. The heat generated by their capture power plant is recycled and reused as cogeneration energy to operate the chiller & boiler which otherwise would have consumed about 3000 cft natural gas and 1000 kw conventional electrical power. Moreover PTL has its own ETP (Effluent Treatment Plant) and WTP (Water Treatment Plant) which presents the discharge of waste water to the surrounding water bodies. The plant also has a rain harvesting project which provides natural water to their in house reservoir. This way PTL minimizes environmental consequences of its operations.

Price Fluctuation Risk

PTL Along with other companies in the industry faces price fluctuation risk due to volatility of yarn price in the market emanating from fluctuation of raw cotton price in international market. In recent times the price of yarn has considerably fluctuated in local and global market and the continuance of this will put pressure on the cost of production as well as price of finished goods. PTL procures raw materials (yarn, dyes and chemicals) from abroad and provides finished goods (fabric) to some export oriented local garments & buyers. So considering the volatility of raw material price as well as finished goods price in international market, AlphaRating foresees that the company is exposed to price fluctuation risk.



Financial Risk Analysis

AlphaRating performs financial analysis by dividing the financial portion into different categories which are Profitability Analysis, Liquidity Analysis Cash Flow Analysis and Capital Structure. Detailed analysis is presented below:

Profitability

Paramount Textile Limited is a 100% export oriented yarn dyed fabric and dyed yarn Company. The textile industry is playing a great role in our economy to earn foreign remittance. Thus, this organization always enjoyed special consideration from all successive government body. Moreover, availability of man power in Bangladesh is an advantage to keep the production costs in minimum. In addition, over the years Bangladeshi textile industry has substantially improved its technical knowledge and managers became more efficient in producing high quality fabric at very competitive price. Many global buyers are now shifting their orders to Bangladesh from other countries such as India and China.

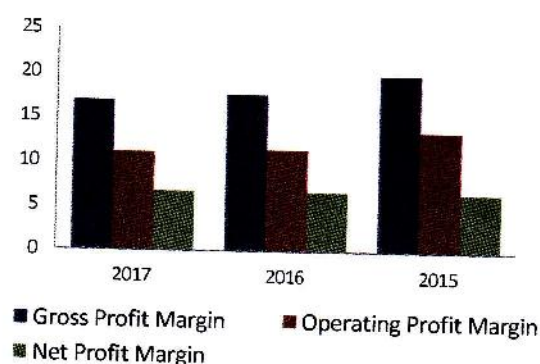
Due to fall in the competitiveness of China products in recent years the customers are switching to buy woven products locally thus our country could successfully take this advantage to boost the textile industries revenue. As a consequence, PTL has been experiencing above 10% revenue growth in current financial year. The detailed analysis has discovered that, purchase cost of raw material has increased by around 26% and labor costs has enhanced by around 22% in this year which has fully offset the revenue growth of PTL. As a consequence, Gross Profit Margin has been fallen down to some extent in recent year than that of FY 2016. Further scrutiny revealed that, along with other administrative costs Donation & Subscription costs have risen by BDT 15.07 million and Audit & Professional fees have risen by around 80% which has consumed around 0.61% of total admin costs. All of these issues have adversely impacted on the company's profit from operation which has been reflected on slightly deteriorated Operating Profit Margin so far. On the other hand, Net Profit Margin showed better result despite of having lower profit from operation and high finance costs. It has been observed that, increased debt utilization has resulted significant improvement in finance costs obligation which was around 24% in FY 2017 compared to FY 2016. However, the growth rate of other income was about 111% higher in the same year which has contributed to achieve merely better Net Profit Margin.

The return on assets ratio measures how effectively a company can earn a return on its investment in assets whereas return on equity measures profitability as a percentage of the Company's total equity base. In FY 2017, Return on Asset has dropped down to a small extent due to the effect of lower operating profit as well as additional investment in fixed asset and working capital. The company can expect better asset turnover in future years causing by additional investments. PTL has risen its investment on fixed assets by 25% in present year. However, Return on Equity (ROE) showed upward trend since FY 2015 as a result of flourishing profit after tax over the years.

Exhibit 1: Selected Indicators: Paramount Textile Limited

FYE 30 June	2017	2016	2015
Revenue (BDT in Millions)	3,351.65	3,018.24	2,995.28
Revenue Growth (%)	11.05	2.83	-
COGS (BDT in Millions)	2,782.96	2,487.22	2,352.56
COGS Growth (%)	12.09	5.72	-
Gross Profit (BDT in Millions)	568.69	531.03	582.73
Operating Profit (BDT in Millions)	370.77	342.53	395.69
Gross Profit Margin (%)	16.82	17.59	19.85
Operating Profit Margin (%)	11.06	11.35	13.48
Net Profit Margin (%)	6.71	6.68	6.61
ROA (%)	7.08	7.68	10.23
ROE (%)	9.34	8.59	8.35

Data obtained from the audited financial statements of 2015-2017



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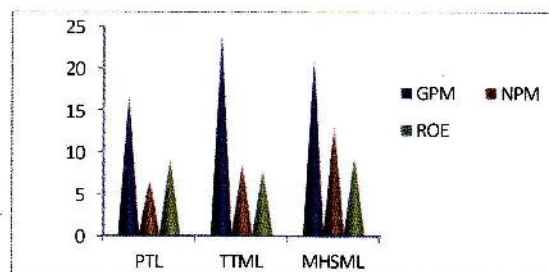
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Peer Comparison

The Peer group analysis is a logical method to compare financial performance of a company with its competitors. AlphaRating has considered this while analyzing the profitability performance of PTL with private & public sector leaders. The comparison of financial performance among three company discovered that Thermax Textile Mills Ltd (TTML) has reached at the highest position in terms of GPM but MHSML has sited on top position in terms of Net profit Margin in FY 2017. On the other hand, performance of PTL is quite lower in terms of all profitability ratios in consideration compared to its one of the main stock listed competitor MHSML.



PTL= Paramount Textile Limited

TTML= Thermax Textile Mills Limited

MHSML= Mozaffar Hossain Spinning Mills Limited

Liquidity Analysis

The liquidity ratio is an indicator of whether a company's current assets will be sufficient to meet the company's current liabilities when they become due. A high ratio suggests a company with a low risk of default. In FY 2017, current ratio of PTL has merely fallen down compared to last financial year due to the effect of increased trade payables and other liabilities and around 41% enhancement of short term borrowing.

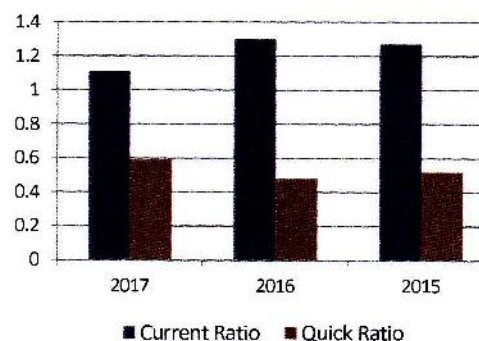
However, current level of liquidity ratio demonstrates good solvency position of the company. Further scrutiny revealed that, a major portion of current assets has been consumed by inventory that was around 47% in FY 2017. As a consequence, a huge difference has been noticed between current ratio and quick ratio. Furthermore, the company has risen its finished goods and WIP inventory in present year which has assisted to boost the inventory holding period by 16 days in the same year. The increase of inventory holding days has implied risk of damaged inventory and increased storage cost. The company can implement a standard method like EOQ (Economic Order Quantity) to reduce the risks regarding inventory. Reduction of Trade Receivables Days denotes that, the company has been maintaining an efficient debt collection procedure. On the other hand, trade payables days has been growing up over last three financial year. This growth rate represents the company has been continuing sound relationship with its suppliers and making payments on regular basis hence its suppliers are relaxed enough to give them longer credit period. As PTL took longer period to settle their payables amount the Trade Payable Days became quite high in FY 2017 which has spotted a positive sign on the company's cash conversion cycle so far.

Instead of having a longer inventory holding period, cash conversion cycle of the company has improved by 3 days in current financial than that of FY 2016 as a result of enlarged trade payables days and stability of trade receivables days which represents the company has developed its capacity to convert its most liquid assets into cash. Overall, the above scenario symbolizes efficient working capital management of PTL.

Exhibit 2: Selected Indicators: Paramount Textile Limited

FYE 30 June	2017	2016	2015
Current Ratio (x)	1.11	1.30	1.27
Quick Ratio (x)	0.59	0.71	0.70
Trade Receivable Period (Days)	116	127	109
Trade Payable Period (Days)	68	49	40
Inventory Turnover Period (Days)	185.78	169.41	161.77
Cash Conversion Cycle (Days)	233.88	236.50	231.41

Data obtained from the audited financial statements of 2015-2017



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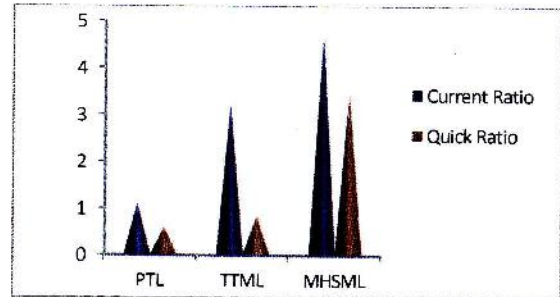
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Peer Comparison

While comparing performance of the company with peer group, it is observed that Paramount Textile Limited is lagging behind in terms of various liquidity ratios. PTL has achieved lower current ratio & quick ratio compared to one of its public listed rival, MHSML. Both ratios in consideration were also far lower than that of Thermax Textile Mills Limited as depicted in the graph. PTL should focus on improving liquidity strength through insightful managerial decision.



PTL= Paramount Textile Limited
TTML= Thermax Textile Mills Limited
MHSML= Mozaffar Hossain Spinning Mills Limited

Cash Flow Analysis

Operating cash flow (OCF) is a measure of the cash generated or used by a company in a given period solely related to core operations. Operating cash flow is important because it provides the analyst insight into the health of the core business or operations of the company. Without a positive cash flow from operations a company cannot sustain in long run. A negative operating cash flow would mean the company could not continue to pay its bills without borrowing money (financing activity) or raising additional capital (investment activity). However, CFO of PTL showed positive result in each financial year and in FY 2017 it showed remarkable improvement than that of FY 2016. The reason behind this, improvement was the huge cash inflows compared to cash outflows which has been further justified by reduced trade receivables days and increased sales revenue in current year.

Besides, the company has enough capability to recover its finance costs by using the CFO quite comfortably. On the other hand, CFO debt coverage ratio showed decreasing trend since FY 2015 that suggests the company's short term bank loan paying capability has been weakening day by day.

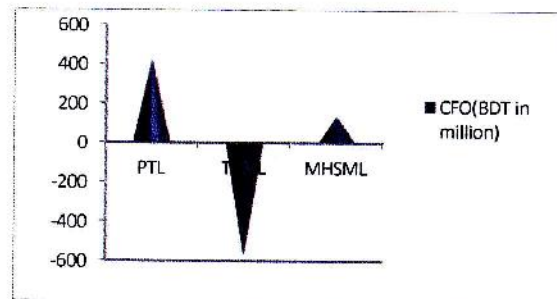
Peer Comparison

It has been observed that, Paramount Textile Limited could achieve the high ranking position while AlphaRating made comparison among three companies. Furthermore, Mozaffar Hossain Spinning Mills Limited has generated satisfactory cash from operating activities through which the company could meet its operating cash demand securely. But, the different scenario has been reported on the cash flow position of Thermax Textile Mills Limited. The company has been facing difficulties to gather positive cash from operating activities that indicates poor performance in this regard.

Exhibit 3: Selected Indicators: Paramount Textile Limited

FYE 30 June	2017	2016	2015
CFO (BDT in millions)	425.58	280.20	581.21
CFO Interest Coverage (x)	3.72	3.85	3.45
CFO Debt Coverage (x)	0.12	0.17	0.26

Data obtained from the audited financial statements of 2015-2017



PTL= Paramount Textile Limited
TTML= Thermax Textile Mills Limited
MHSML= Mozaffar Hossain Spinning Mills Limited

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Leverage & Capital Structure

The calculation of gearing position of the company represents the organization has becoming dependent on external fund over the years. In FY 2017, debt to equity ratio has risen by 24 percent compared to FY 2016 which imposes extra burden on its overall profitability as well as exposes high gearing risk profile of PTL. Further scrutiny revealed that, the company has increased additional share capital in recent year. Instead of having, fresh share capital and increased cumulative retained earnings (reflected in net asset value), gradual deterioration is noticed in gearing ratio of the company mainly due to increased dependency on debt finance. The capital structure of the company is composed by the 43.68% capital introduced by the shareholders, 40.45% short term loan, 4.29% long term finance from different sources & rest of the percentage is from other sources.

The current level of leveraging practice spotted that finance risk associated with investors of the company are quite high. Moreover, highly geared capital structure reduces lenders confidence and increases the temptation to go into liquidation. Therefore, the company should devote more attention to maintain well balanced capital structure as well as to protect the shareholders return and confidence so far.

Enhanced debt utilization has reduced the company's short term obligation paying capability to some extent. On the other hand, interest coverage ratio shows increasing trend since FY 2015 that suggests the company has been generating enough profit from operation to recover its finance costs quite comfortably.

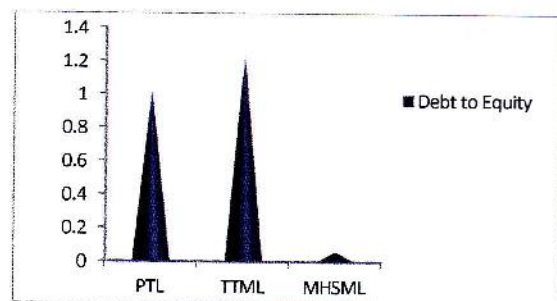
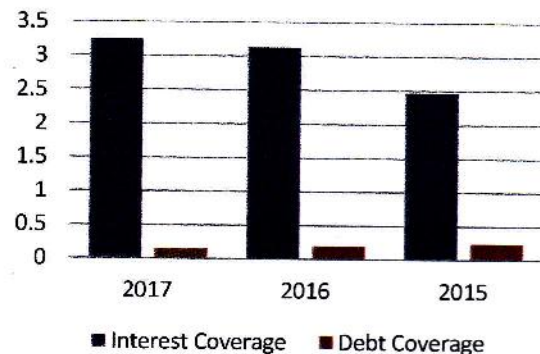
Peer Comparison

The comparison of gearing ratio among three companies represents Mozaffar Hossain Spinning Mills Limited (MHSML) stood at top position in FY 2017 while Thermax Textile Mills Limited (TTML) dropped down to lowest position. Though, PTL is maintaining a moderate position among the three peers still the ratio is much higher compared to MHSML. Overall, current level of leveraging practice suggests high gearing risk profile of the company which might create a negative impression on the company's investors.

Exhibit 3: Selected Indicators: Paramount Textile Limited

FYE 30 June	2017	2016	2015
Debt to Equity (x)	1.02	0.82	0.64
Debt Service Coverage (x)	0.15	0.19	0.24
Net Asset Value (BDT in millions)	2469.15	2348.71	2324.50
Interest coverage (x)	3.24	3.13	2.47

Data obtained from the audited financial statements of 2015-2017



PTL= Paramount Textile Limited
TTML= Thermax Textile Mills Limited
MHSML= Mozaffar Hossain Spinning Mills Limited

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Bank Facilities & Credit History

Exhibit 4: Loan from Financial & Other financial Institutions

Bank	Loan Mode	Total Limit (BDT in Millions)	Outstanding (BDT in Millions)
Pubali Bank Limited (As on 28.02.2018)	LC	1,400.00	1,353.70
	Specific LC (Machinery)	1,201.40	1,201.40
	Specific LC (Machinery)	175.80	Not yet disburse
	BG	11.70	11.70
	BBLC	50.00	59.90
	LATR	100.00	82.00
	Over Draft	500.00	496.70
	Ex. Bill Negotiation	664.00	545.40
	Term Loan	98.30	38.90
	Term Loan	980.80	Not yet disburse
	Term Loan	81.40	54.49
	Term Loan	77.40	53.18
	Term Loan	88.50	61.15
Term Loan	48.90	33.85	
Term Loan	89.50	Not yet disburse	
Term Loan	141.80	Not yet disburse	
Sub Total		5,709.50	3,992.37
Woori Bank Limited (As on 28.02.2018)	Bill Discounting	654.72	21.83
	Short Term Loan	131.40	131.40
	Sub Total	786.12	153.23
HSBC Limited (As on 31.12.2017)	Installment Loan		158.57
	Import Loan	1,040.00	336.84
	Documentary Credit	(830.00+210.00)	580.67
	Overdraft	50.00	47.19
	Bills Discounting	413.35	132.15
	Fixed Term Loan	167.03	34.18
Sub Total		1,670.38	1,289.60
IDLC Finance Limited (As on 28.02.2018)	Term Loan	80.00	80.00
	Term Loan	420.00	200.00
	Sub Total	500.00	280.00
Eastern Bank Limited (As on 28.02.2018)	ULC	400.00	Nil
	Acceptance	(400.00)	Nil
	SLC	(400.00)	Nil
	EDF Loan	(400.00)	Nil
	Demand Loan	(100.00)	100.46
	OD	20.00	0.12
LBDP	240.00	14.92	
Sub Total		660.00	115.50
Total:		9,326.00	5,830.70

Exhibit-5: Other Liability: Secured Zero Coupon Bond

Issue Manager	Loan Mode	Total Limit (BDT in Millions)	Outstanding (BDT in Millions)	As on
IDLC Investment Ltd.	Secured Zero Coupon Bond	110.00	103.00	08.02.2018

The company has issued a secured zero coupon bond on November, 2018 @ 7.75% coupon rate p.a. The first installment has been made by PTL on 8th February 2018 amounting BDT 6.875 million. The second installment will be due on 8th May, 2018 by the same amount.



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Paramount Textile Limited has been enjoying composite banking facilities from Pubali Bank Limited, Principle Branch, HSBC Bank, Dhaka Main Office and Woori Bank Limited Dhaka Branch. Details of securities & collateral are given below:

Security/Mortgages:

Pubali Bank Limited, Principle Branch

- Hypothecation on fixed, movable & immovable assets including machinery, plant & equipment of the company
- Hypothecation on floating assets including receivable, raw material, wip, finished goods & book debts of the company
- Personal guarantee of all the directors of the company
- Corporate guarantee of Paramount Holdings Limited & Sunrise Chemicals Limited
- Usual Charge Documents
- Registered mortgaged of land measuring 1125.00 decimal land existing structure located at Mouza: Kewa, PS: Sreepur, Dist Gazipur which has a market value of BDT 635.89 million & force sale value of BDT 317.94 million.

HSBC Limited, Dhaka Main Office

- First charge over the company's stock of raw material, work in progress, finished goods and book debts/receivables with RJSC on Pari Passu basis with other lenders. HSBC's share being BDT 883.00 million
- First charge over company's plant & machineries with RJSC on Pari Passu basis with other lenders. HSBC's share being BDT 350.00 million.
- Registered mortgage over 1125 decimal land & existing building in the name of Paramount Textile Limited, Paramount Spinning Mills Limited, Mr Shakhawat Hossain & Mr. Alock Das situated at Sreepur, Gazipur on Pari Passu basis with other lenders. HSBC's Share being BDT 1233.00 million.
- Registered mortgage for BDT 300.00 million over 195.00 decimal factory land & building in the name of Paramount Textile Limited situated in Sreepur, Gazipur to secure the term loan facilities.
- Demand promissory note for BDT 1233.00 million with letter of continuity & revival
- Personal Guarantee executed by Mr. Shakhawat Hossain , Mr. Alock Das, Ms. Samsun Nahar, Ms. Aporna Ghosh, Mrs Anita Haque & Mrs. Anita Rani Das for BDT 1233.00 each supported by personal net worth statement.

Woori Bank Limited, Dhaka Branch

- Lien of acceptance from different scheduled commercial banks in Bangladesh.
- Personal guarantee to be executed by all shareholding directors of the company covering the credit facility
- Usual charge documents



Management & Other Qualitative Factors

Board of Directors & its Responsibilities

The board comprises eight members, A good blend of executives and non executives and independent directors having diverse and professional skill & experiences. The non executive directors from varied businesses and professional backgrounds and their experience enable them to execute independent judgments on the board where their view carries substantial weight in the process of decision making. They contribute to the company strategy and policy formulation in addition to maintaining its performance as well as executive management. The board is collectively responsible to the company's members as laid down in its article of association. The board approves annual budget and reviews the business plan of the company and gives guideline for improvement wherever necessary. The board also ensures strict compliance on the regulatory requirements by timely submission of financial statements or any other related information for protecting shareholders wealth.

Corporate Governance

As a part of growth strategy, the company believes in adopting best practices that are followed in the area of corporate governance to ensure full transparency and accountability in all its activities, in order to protect the interest of stakeholders. In this task the board of directors considers itself as a trustee of its shareholders and acknowledges its responsibilities towards them through creating & building long term value for the shareholders.

Audit Committee

The company formed audit committee as a subcommittee of the board, has been constituted by one of the independent director as chairman and two other members of the board for ensuring good governance practices within the company. Mr. Mritunjay Kumar Saha FCMA is the chairman of the committee who has twenty five years practical knowledge & professional experience in the field of accounting and finance, audit and corporate management. The company secretary is the secretary of the audit committee. This committee assists the board to ensure that the financial statements reflect true & fair view of the state of the affairs of the company. The audit committee is responsible to board of directors for its role & responsibilities that are clearly set forth by the company.

MIS & Internal Control System

The information system of the company is at developing stage. Currently IT related aspects of the company are taken care of by 5 IT professionals. The company uses Tally software for accounting and most of the cases use packaged software for daily activities of the management. Currently PTL has a total of 263 desktop & laptops in head office and factory for daily operation. Moreover, the company also has separate 10 members internal audit team to ensure structured internal control procedure, safeguard of assets, and promote operational efficiency and compliance with applicable policies and regulations. Internal control system is maintained and reviewed by the internal audit team This team directly reports to the audit committee, Chairman & Managing Director.

Human Resource Management

PTL has implemented a well-structured service rule for the human resources. Moreover, the company provides training facilities to the employees to improve their individual skills to meet up the business objectives. The company facilitates good working environment for its employees. It has a day care center, the babies of female workers are looked after while their mothers are busy at work. To ensure sound health of employees, PTL has a sophisticated medical facility attended by qualified doctors. Paramount Textile Limited also has a primary school for children of workers children which is situated near to the factory. The company exhibits a performance evaluation system and performance incentives for its employees. As part of this, the company introduced Workers Profit Participation Fund (WPPF) to increase the benefit of their workers. The human resource base of the company stands at 2138.



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Compliance Issues

Particulars	Valid till	Status
Trade License	2017-2018	Up to date
Factory License	2017-2018	Up to date
Tax	2016-2017	Up to date
BTMA Membership	31.12.2018	Up to date
BCCI Membership	08.11.2017	Up to date
EPB Enrollment Certificate	30.06.2017	Up to date
ERC	2017-2018	Up to date
IRC	2017-2018	Up to date
Fire License	2017-2018	Up to date
Environmental Certificate	23.12.2018	Up to date
Insurance	08.10.2018	Up to date
VAT		Registered

End of the Report

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COMPANY INFORMATION:**Board of Director**

SL. No.	Name	Designation
1	Mrs. Anita Haque	Chairman
2	Mr. Shakhawat Hossain	Managing Director
3	Mr. Alok Kumar Das	Director
4	Mrs. Anita Das	Director
5	Mr. A. H.M. Haibur Rahman	Director
6	Mr. A.H.M. Abdur Rahman	Director
7	Mr. Minunjay Kumar Saha FCMA	Independent Director
8	Mr. Kazi Md. Firoze Morshed FCMA	Independent Director

Management Team

SL. No.	Name	Designation
1	Mr. Md. Alamgir Hossain Bhuiyan	Executive Director (Operation)
2	Mr. A.B.M. Delwar Hossain	Sr. GM & Head of Technical & Planning
3	Mr. Mohammad Jahidul Abedin	Chief Financial Officer
4	Mr. Md. Abdul Halim	Head of Internal Audit
5	Mr. Md. Robiul Islam ACS	Company Secretary

Company Address**Registered Office**

Navana Tower (Level-7/C), Gulshan-1, Dhaka-1212, Bangladesh.

Corporate Office

House No-22 (Level-2, 5-7), Road No. 113/A, Gulshan-2, Dhaka-1212, Bangladesh.

Factory

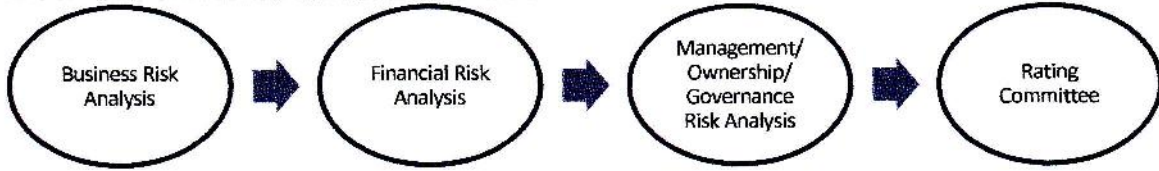
Gilarchala, Sreepur, Gazipur, Bangladesh

Auditor**Statutory Auditor:** Fames & R. Chartered Accountants**Address:** Mohakhali DOHS, House# 424 (4th Floor), Road#30, Dhaka-1206.**Mobile :** 01715-001622, 01783294818, 01706446010**Email :** fames1622@gmail.com

shahadatrashid67@gmail.com

Compliance Auditor: Atik Khaled Chowdhury Chartered Accountants**Address:** Hasan Court (1st Floor), 23/1 Motijheel C/A, Dhaka-1000, Bangladesh.**Company Website**www.Paramountgroupbd.com

AlphaRating's Research Methodology for Determining Corporate Credit Rating



Analysis is segmented into two or three sub sectors:

- ▶ Industry Outlook
- ▶ Competitive Position
- ▶ Operational Analysis

Analysis is segmented into four sub sectors:

- ▶ Earnings
- ▶ Cash Flow Generating Ability & Debt Servicing Capacity
- ▶ Capital Adequacy
- ▶ Financial Flexibility

It is one of the key elements of the rating methodology since management decides what businesses to be in, what strategies should be pursued and how these activities should be financed.

Senior personnel review each company to determine the appropriate final credit rating.

- ▶ Review Modeling Assumption
- ▶ Approve Company-Specific Adjustments

Rating Outlook

BB	A	BBB
CC	AAA	D
B	AA	CCC

BB	A	BBB
CC	AAA	D
B	AA	CCC

POSITIVE	Rating may be raised
NEGATIVE	Rating may be lowered
STABLE	Rating is likely to remain unchanged
DEVELOPING	Rating may be raised, Lowered or remain unchanged.

ST-1	Strongest ability to meet Short term financial commitments
ST-2	Above average ability to meet short term financial commitments
ST-3	Average ability to meet Short term financial commitments
ST-4	Below Average ability to meet short term financial commitments y
ST-5	Well below average ability to meet short term financial commitments
ST-6	Failed to meet short term financial commitments

AAA	Strongest Credit Quality
AA	Very Strong Credit Quality
A	Above Average Credit Quality
BBB	Average Credit Quality
BB	Slightly Below Average Quality
B	Weak Credit Quality
CCC	Very Weak Credit Quality
CC & C	Extremely Weak Credit Quality
D	Failed to Meet Rated Financial Commitment On Time or When Due

Note: Long term rating from AA to B may be modified by the inclusion of a plus (+) or minus (-) sign to indicate relative strength within the rating category.



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