

# AlphaRating

## PARAMOUNT TEXTILE LIMITED

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

(Corporate)

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09<sup>th</sup> March, 2017

Managing Director  
Paramount Textile Limited  
Navana Tower(Level 7/C), Gulshan-1,  
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 to **Paramount Textile Limited**

Date of Declaration	Valid Till	Long Term Rating	Short Term Rating	Outlook
09 <sup>th</sup> March, 2017	08 <sup>th</sup> March, 2018	A+	ST-2	Stable

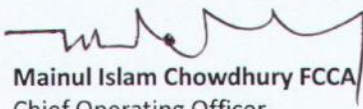
The long term and short term rating is valid up to the earlier of 08<sup>th</sup> March, 2018 or the limit expiry date of respective credit facility. The rating may be changed or revised prior to expiry, if warranted by extraordinary circumstances in the management, operations and/or performance of the entity rated.

We, Alpha Credit Rating Limited, while assigning this rating to the entity rating of **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,

  
Mainul Islam Chowdhury FCCA  
Chief Operating Officer

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



PARAMOUNT TEXTILE LIMITED

A+ Long Term Rating

ST-2 Short Term Rating

Stable Outlook

Date of Declaration 09 March, 2017

Valid Till 08 March, 2018

Rating Action Initial

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.

### Contact Analysts

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### Date of Incorporation:

12<sup>th</sup> June, 2006

### Board Chairman:

Mrs. Anita Haque

### Managing Director:

Mr. Shakhawat Hosssain

### Total Asset:

BDT 4819.30 million (As on 30.06.2016)

### Financial/Other Institutions:

Pubali Bank Limited  
HSBC Bank Limited  
Woori Bank Limited

### Loan Limit:

BDT 5736.17 million

### Loan Outstanding:

BDT 3248.09 million

## Rationale


AlphaRating assigns long term rating of "A+" (pronounced as "Single A plus") and short term rating of "AR-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 rating assigned to Paramount Textile Limited was mainly justified by increased revenue, comfortable liquidity profile and positive cash flow from operation. The company's overall demand was enhanced among the existing & potential customer base which helped the revenue to increase. Moreover improved operational efficiency, interest paying capacity and more efficient use of debt finance has also influenced the rating to a great extent. The rating is also inspired by the well-qualified and experienced management team, strong parentage (a subsidiary of renowned Paramount Group). AlphaRating also considered 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 deteriorating capital structure, low profitability position along with prolonged working capital cycle. 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 composite facilities from Pubali Bank Limited, Principle Branch, Woori Bank Limited, Dhaka Branch and HSBC Limited, Dhaka Main Office. The Stable Outlook assessed by AlphaRating reflects that, upside and downside risks to the rating are currently well balanced.

### Key Performance Indicator

	2016	2015	2014
Revenue (BDT in Millions)	3018.25	2935.28	2893.06
COGS (BDT in Millions)	2487.22	2352.56	2284.21
Gross Profit (BDT in Millions)	531.03	582.73	608.85
Operating Profit (BDT in Millions)	342.54	395.69	440.96
Profit After Tax (BDT in Millions)	201.69	193.99	186.97
CFO (BDT in Millions)	280.20	381.21	335.44
Gross Profit Margin (%)	17.59	19.85	21.05
Operating Profit Margin (%)	11.35	13.48	15.24
Net Profit Margin (%)	6.68	6.61	6.46
Current Ratio (x)	1.30	1.27	1.49
Quick Ratio (x)	0.71	0.70	0.70
Cash Conversion Cycle (Days)	236.50	231.41	236.79
Debt to Equity (x)	0.82	0.64	0.52
Interest Coverage (x)	3.13	2.47	1.93
Net Asset Value (BDT in Millions)	2348.71	2324.50	2131.64

  
Mainul Islam Chowdhury FCCA  
Chief Operating Officer  
Alpha Credit Rating Limited



**Company Profile**

Bank Facilities

Industry Overview

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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 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 Spinning Ltd.
- Paramount Agro Ltd.

**Ownership Pattern**

Paramount Textile Limited is public limited company listed on Dhaka & Chittagong Stock exchange. Following the ownership pattern of PTL as on 30<sup>th</sup> June, 2016:

Shareholders	Number of Shares	Percentage (%)
Paramount spinning Ltd.	18,933,600	17.27
Paramount Holdings Ltd.	12,622,400	11.51
Mr. Shakhawat Hossain	9,640,680	8.79
Mr. Alock Kumar Das	9,640,680	8.79
Mrs. Samsun Nahar	7,889,000	7.20
Mrs. Aparna Ghosh	7,889,000	7.20
Mrs. Anita Haque	2,192,820	2.00
Mrs. Anita Das	2,192,820	2.00
General Public & Others	38,640,000	35.24
<b>Total Number of Shares</b>	<b>109,641,000</b>	<b>100.00</b>

**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 r f 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 weting 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:

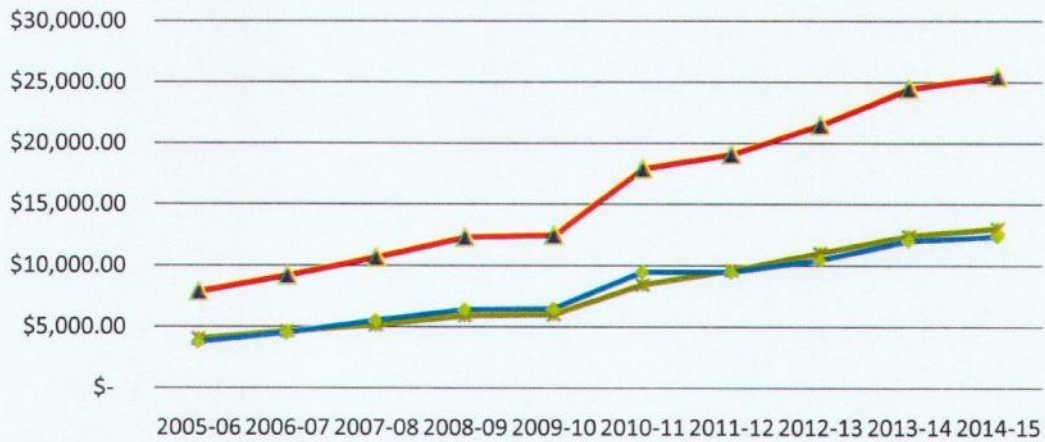
The role RMG sector in Bangladesh economy is remarkable. It's seen that, from the last decade, RMG sector contributes to the national economy in considerable rate. About 82% of total export earnings come from RMG sector. From a statistics it's known that, in FY 2003-04 RMG sector of Bangladesh earned 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.



### % of RMG to total export



### Total Apparel export in Million US \$



Data Source: Export Promotion Bureau Compiled by BGMEA.



*Company Profile**Industry Overview****Business Risk****Financial Analysis**Bank Facilities**Management & Other Qualitative Factor**Company Information*

## ***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 through use of foreign exchange limit from HSBC Limited, Dhaka Main office. So impact of this substantial risk is considered low by AlphaRating.



*Company Profile**Industry Overview****Business Risk****Financial Analysis**Bank Facilities**Management & Other Qualitative Factor**Company Information****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

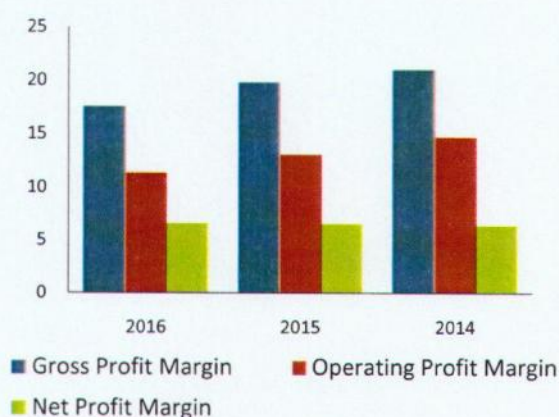
The company is engaged in 100% export oriented yarn dyed fabric and dyed yarn. Being a major foreign remittance earner, textile industry always enjoyed special consideration from all successive government body. Due to having low labor cost, production cost is low in Bangladesh. Moreover in recent years 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. As a consequence revenue trend of the company has achieved positive growth since FY 2014. On the other hand, production costs of the company has increased exponentially as the company was unable to hold control over factory overhead, salary & wages which is further reflected in slightly deteriorating gross profit margin trend. Depreciation expense relating to production has risen by 22.66% due to huge investment in capital plant & machineries. Production efficiency is expected to improve in future years upon successful orientation of those newly established plant & machineries into cash generating unit.

Due to the nature of operation, distribution and administrative expense of PTL is moderate as reflected in the graph (gap between gross profit margin & operating profit margin). In depth analysis reveals that, total administrative and distribution cost has increased by only 0.78% despite substantial increased advertising expense (422.12%), stationery (61.01%) & office maintenance (112.53%) in FY 2016. Lower growth rate of administrative expense compared to revenue implies efficient control on expenses. Dependency on debt finance has forced the company bear heavy finance cost which has eroded significant portion of net profit each year since FY 2014 as indicated by the gap between operating and net profit margin in the graph. It is observed that, finance cost has decreased by 31.74% in FY 2016 whereas closing balance of loan is showing an increase of 29.21%. This favorable movement of finance cost, along with operational efficiency has offset the adverse impact of higher COGS on PTL's profitability position. Moreover the company had some other income in form of dividend and with the combined impact of all these factors; net profit margin has become almost same as last year. Due to investment in fixed asset and working capital, total asset of PTL has risen by 17.53% in FY 2016 than that of previous year. Besides this, operating profit of that year has fallen by 10.55%. Consequently, Return on Asset (ROA) has dropped to a small extent in FY 2016. On the other hand Return on Equity (ROE) has slightly stagnated due to increased cumulative retained earnings despite

Exhibit 1: Selected Indicators: Paramount Textile Limited

FYE 30 June	2016	2015	2014
<b>Revenue (BDT in Millions)</b>	3,018.24	2,935.28	2,893.06
<b>Revenue Growth (%)</b>	2.83	1.46	-
<b>COGS (BDT in Millions)</b>	2,487.22	2,352.56	2,284.21
<b>COGS Growth (%)</b>	5.72	2.99	-
<b>Gross Profit (BDT in Millions)</b>	531.03	582.73	608.85
<b>Operating Profit (BDT in Millions)</b>	342.53	395.69	440.96
<b>Gross Profit Margin (%)</b>	17.59	19.85	21.05
<b>Operating Profit Margin (%)</b>	11.35	13.48	15.24
<b>Net Profit Margin (%)</b>	6.68	6.61	6.46
<b>ROA (%)</b>	7.68	10.23	11.66
<b>ROE (%)</b>	8.59	8.35	8.77

Data obtained from the audited financial statements of 2014-2016



3.51% higher net profit amount. Considering current level of risk free interest rate (interest on govt. bond with 1 year maturity), PTL is generating comparatively higher return for shareholders.



Company Profile  
Bank Facilities

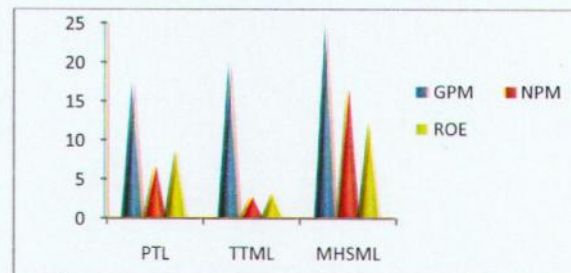
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### Peer Comparison

Peer group analysis, 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. If we compare peer group performance with that of PTL in FY 2016, it is noticed that the performance of the company is quite lower in terms of all profitability ratios in consideration compared to its one of the main stock listed competitor MHSML. TTML has achieved slight better gross profit margin than PTL although fallen far behind in terms of net profit margin and return on equity.



PTL= Paramount Textile Limited

TTML= Thermax Textile Mills Limited

MHSML= Mozaffar Hossain Spinning Mills Limited

### Liquidity Analysis

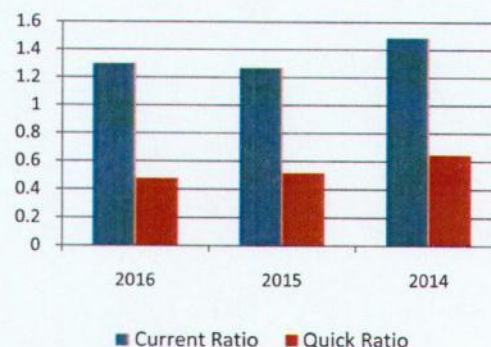
Significant portion of current assets consists of inventory (45.71%) & Trade Receivable (36.44%). Closing balance of those reported 33.95% & 20.86% growth respectively from last year. On the other hand main component of short term obligations was bank loan (75.64%) which has also increased by 16.37% in FY 2016. However, as the total liquid assets of the company have increased to a higher pace (31.73%) than that of short term obligations (28.81), current ratio has slightly improved in FY 2016. Current ratio of that year was higher than standard which indicates good liquidity strength as well as sufficient capacity to meet all short term obligations in full by current assets that PTL holds.

Above table reflects that, receivables of PTL took longer period to settle their debt each year and consequently Trade Receivable Days became quite high in FY 2016. Moreover it is observed that significant portion of the working capital cycle is inventory turnover period, which has slightly deteriorated in FY 2016. This ratio is also high since FY 2014 and implies risk of damaged inventory and increased storage cost. The company has low trade payable period as the company procures raw materials from abroad by using LC facility. Moreover trade receivable days has also slightly increased in FY 2016 which suggest longer period of time needed to recover cash from customer. It also indicates increased risk of irrecoverable debt, but in case of PTL, credit provided to foreign customers on 100% confirmed letter of credit basis on fixed maturity dates which reduces the relevant risk. Adverse movement of receivable days & inventory turnover period have effectively raised PTL's working capital cycle in FY 2016 which suggests that the company is taking almost 8 months time to recycle relevant tied cash. However, AlphaRating considered Cash Conversion Cycle for that year as high & it may act as a limitation in liquidity position analysis of PTL.

### Exhibit 2: Selected Indicators: Paramount Textile Limited

FYE 30 June	2016	2015	2014
<b>Current Ratio (x)</b>	1.30	1.27	1.49
<b>Quick Ratio (x)</b>	0.71	0.70	0.70
<b>Trade Receivable Period (Days)</b>	116.44	109.15	133.79
<b>Trade Payable Period (Days)</b>	49.36	39.51	84.64
<b>Inventory Turnover Period (Days)</b>	169.41	161.77	165.13
<b>Cash Conversion Cycle (Days)</b>	236.50	231.41	214.79

Data obtained from the audited financial statements of 2014-2016





Company Profile  
Bank Facilities

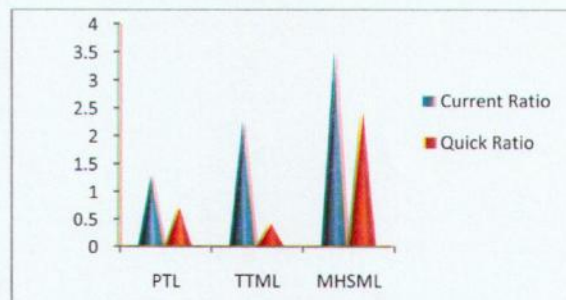
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### Peer Comparison

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

The operating cash flow is one of the most important parameters to measure credibility and financial strength of any company. Since FY 2014, the company was able to generate positive cash from operation due to efficient working capital management and credit collection. CFO of the company has notably decreased in FY 2016 mainly due to increased amount of cash tied up in form of receivables and inventory than that of previous year. However CFO of the company was fully capable of paying its entire finance cost and significant portion of short term bank loan in each three years of consideration.

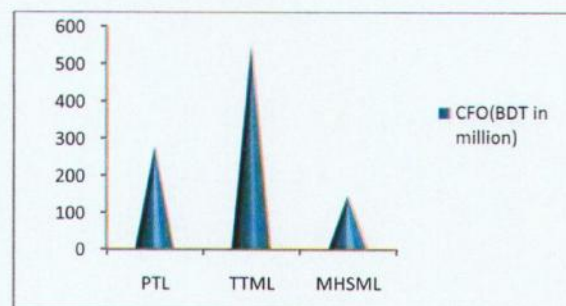
Exhibit 3: Selected Indicators: Paramount Textile Limited

FYE 30 June	2016	2015	2014
CFO (BDT in millions)	280.20	381.21	335.44
CFO Interest Coverage (x)	3.85	3.45	2.63
CFO Debt Coverage (x)	0.17	0.26	0.33

Data obtained from the audited financial statements of 2014-2016

### Peer Comparison

AlphaRating observed better CFO position of Paramount Textile Limited compared to Mozaffar Hossain Spinning Mills Limited although CFO of MHSML was taken based on 09 months management report, which must be taken into consideration. On the other hand CFO of TTML was way better than that of PTL. Moreover total asset base of TTML is almost half compared to PTL. CFO of PTL indicates substandard performance of the company if we consider situation of TTML.



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



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### Leverage & Capital Structure

In spite of increased cumulative retained earnings (reflected in net asset value) and infusion of fresh share capital, 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 54.98% capital introduced by the shareholders 39.34% short term & 5.68% long term finance from different sources. Current capital structure indicates that external finance provider has a greater stake on company's assets and financial risk associated with PTL is moderate. High debt to equity ratio reduces lenders confidence and increases the temptation to go into liquidation. However, to fulfill the commitment of expansion, the company had to rely on long term finance.

Debt Service Coverage ratio of the company has slightly fallen in FY 2016 and the ratio suggests that, the company is capable of paying off only 19.00% of total short term financial obligation from its profit from operation.

Interest coverage ratio confirms the ability of the business to pay off its finance charge from operating profit. This ratio has improved a little in FY 2016 due to decreased finance cost which we mentioned earlier. Interest Coverage of FY 2016 reflects that finance charge can be met more than three times by operating profit of PTL which was considered sufficient by AlphaRating.

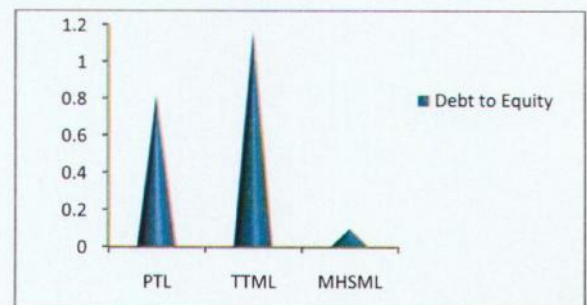
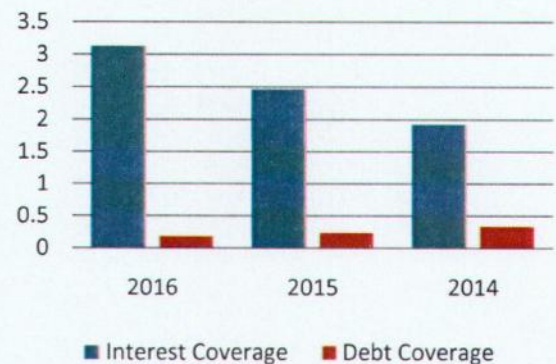
### Peer Comparison

Among three companies in the peer group, debt to equity ratio of PTL stood at moderate zone. However still the ratio is much higher compared to MHSML. In this regard Mozaffar Hossain Spinning Mills Limited has also achieved better result like most other performance indicators. On the contrary TTML was more dependent on debt, which is why the gearing ratio is higher and indicates more risky capital structure than that of PTL.

Exhibit 3: Selected Indicators: Paramount Textile Limited

FYE 30 June	2016	2015	2014
Debt-to-Equity (x)	0.82	0.64	0.52
Debt Service Coverage (x)	0.19	0.24	0.34
Net Asset Value (BDT in millions)	2348.71	2324.50	2131.64
Interest coverage (x)	3.13	2.47	1.93

Data obtained from the audited financial statements of 2014-2016



PTL= Paramount Textile Limited

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## Bank Facilities & Credit History

**Exhibit 4:** Loan from Financial & Other Institutions

Bank	Loan Mode	Total Limit	Outstanding
(BDT in Millions)			
	Term Loan	997.00	270.00
	Over Draft	500.00	473.90
	Revolving L/C	1200.00	1006.10
	Specific L/C	558.00	517.50
Pubali Bank Limited (As on 10.01.2017)	LATR	100.00	Nil
	BBL/C	50.00	21.90
	Ex. Bill Negotiation	470.10	321.60
	BG	11.70	11.70
	Revolving BG	30.00	Nil
Woori Bank Limited (As on 10.01.2017)	Bill Discounting	625.52	385.97
	Import Line		Nil
	Import cash Limit		Nil
	Demand Loan		50.03
	OBU Loan	380.00	85.59
	UPAS		33.86
	Loan Line		Nil
HSBC Limited (As on 31.12.2016)	Bills Discounting		68.61
	Guarantee		Nil
	Overdraft	50.00	1.33
	Bills Discounting	390.95	Nil
	Credit Card Limit	8.00	Nil
	Foreign Exchange Limit	65.00	Nil
	Term Loan	300.00	Nil
<b>Total:</b>		<b>5736.17</b>	<b>3248.09</b>

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.



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#### 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	2016-2017	Up to date
Tax		Assessment completed for 2015-2016
BTMA Membership	31.12.2017	Up to date
BGCCI Membership	08.11.2017	Up to date
EPB Enrollment Certificate	30.06.2017	Up to date
ERC	2016-2017	Up to date
IRC	2016-2017	Up to date
Fire License	2016-2017	Up to date
Environmental Certificate	18.11.2016	Applied & paid fees for renewal
Insurance	08.10.2017	Up to date
VAT		Registered

**End of the Report**



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**Company Information****COMPANY INFORMATION: (As on 30-06-2016)****Board of Director**

SL No.	Name	Designation
1	Mrs. Anita Haque	Chairman
2	Mr. Shakhawat Hossain	Managing Director
3	Mr. Alock 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. Mritunjay 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 .

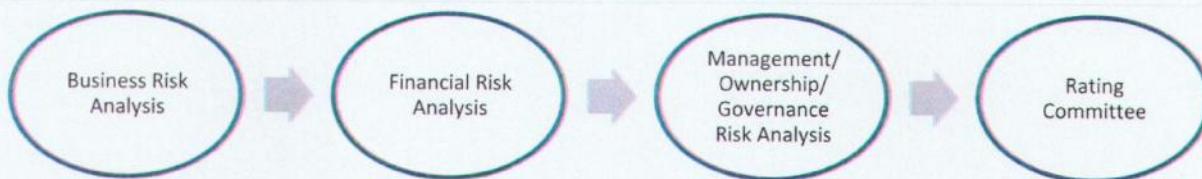
**Factory**

Gilarchala, Sreepur, Gazipur, Bangladesh

**Auditor****Statutory Auditor:** Siraj Khan Basak & Co. Chartered Accountants**Address:** R.K. Tower (Level-10), 86, Bir Uttam C.R. Dutta Raod, Dhaka-1205**Compliance Auditor:** Atik Khaled Chowdhury Chartered Accountants**Address:** Hasan Court (1<sup>st</sup> Floor), 23/1 Motijheel C/A, Dhaka-1000, Bangladesh.**Company Website**[www.Paramountgroupbd.com](http://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	<b>AAA</b>	D
B	AA	CCC

BB	A	BBB
CC	<b>AAA</b>	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
Credit	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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