

AlphaRating

PARAMOUNT TEXTILE LIMITED

(Chaklader House (Level-2,5,6,7), house #22, Road #113/A, Gulshan-2, Dhaka-1212)

(Corporate)

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16th July, 2020

Managing Director
Paramount Textile Limited
Chaklader House (Level-2,5,6,7), house #22, Road #113/A, Gulshan-2,
Dhaka-1212

Subject: Credit Rating of Paramount Textile Limited

Dear Sir,

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

| Date of Declaration | Valid Till | Rating Action | Long Term Rating | Short Term Rating | Outlook |
|-----------------------------|-----------------------------|----------------------|-------------------------|--------------------------|----------------|
| 16 th July, 2020 | 15 th July, 2021 | Surveillance | AA | ST-1 | Stable |

The Short-term and Long-term rating is valid up to the earlier of 15th July, 2021 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 Bangladesh 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**AA** Long Term Rating**ST-1** Short Term Rating**Stable** Outlook**Date of Declaration** 16th July, 2020**Valid Till** 15th July, 2021**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.

Contact Analysts

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

Mrs. Anita Haque

Managing Director:

Mr. Shakhawat Hosssain

Authorized Share Capital: BDT 2000.00 million**Issued Share Capital:** BDT 1,476.95 million**Total Asset:**

BDT 8,245.08 million (As on 30.06.2019)

Financial/Other Institutions:

Pubali Bank Limited

HSBC Bank Limited

Woori Bank Limited

IDLC Finance Limited

Lankabangla Finance Limited

Eastern Bank Limited

Loan Limit:

BDT 10,201.77 million

Loan Outstanding:

BDT 5,985.20 million

Other Liability

Limit (Bond): BDT 430.00 million

Outstanding: BDT 221.25 million

Rationale

AlphaRating re affirms the long term rating to AA (pronounced as "Double A") and short term rating "ST-1" 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, capacity to pay interest 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 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 | 2019 | 2018 | 2017 |
|--|----------|----------|----------|
| Revenue (BDT in Millions) | 5,673.85 | 4,119.60 | 3,351.65 |
| COGS (BDT in Millions) | 4,818.81 | 3,427.06 | 2,787.96 |
| Gross Profit (BDT in Millions) | 855.04 | 692.54 | 563.69 |
| Operating Profit (BDT in Millions) | 585.36 | 486.88 | 370.77 |
| Profit After Tax (BDT in Millions) | 411.55 | 277.53 | 224.93 |
| CFO (BDT in Millions) | 596.64 | 344.42 | 425.58 |
| Gross Profit Margin (%) | 15.07 | 16.81 | 16.82 |
| Operating Profit Margin (%) | 10.32 | 11.82 | 11.06 |
| Net Profit Margin (%) | 7.25 | 6.74 | 6.71 |
| Current Ratio (x) | 1.05 | 1.09 | 1.11 |
| Quick Ratio (x) | 0.24 | 0.30 | 0.59 |
| Cash Conversion Cycle (Days) | 192.00 | 224.00 | 234.00 |
| Debt to Equity (x) | 1.62 | 1.65 | 1.02 |
| Interest Coverage (x) | 2.48 | 2.84 | 3.24 |
| Net Asset Value (BDT in Millions) | 3,003.86 | 2,681.78 | 2,469.15 |


Mainul Islam Chowdhury FCCA
Chief Operating Officer
Alpha Credit Rating Limited

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 (Level #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 Trac Energy Ltd.
- Paramount Agro Ltd.
- Paramount Spinning 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 147,694,815 shares of Tk. 10 each. Following the ownership pattern of the company:

| Shareholders | Percentage (%) |
|-------------------------------|----------------|
| Sponsor/ Directors | 60.75% |
| Institutes | 11.74% |
| Foreign | 4.16% |
| General Public & Others | 23.35% |
| Total Number of Shares | 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 110,000 yards per day
- Dyed Yarn 32 ton per day
- Printing 10 ton per day

Company Profile

Industry Overview

Business Risk

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Management & Other Qualitative Factor

Company Information

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 wetting 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 doobby 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 doobby 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.

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.

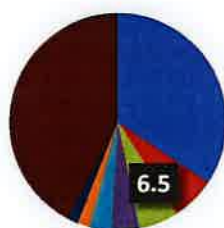
INDUSTRY ANALYSIS

The readymade garments industry acts as a catalyst for the development of Bangladesh. The "Made in Bangladesh" tag has also brought glory for the country, making it a prestigious brand across the globe. Bangladesh, which was once termed by cynics a "bottomless basket" has now become a "basket full of wonders." Although more than half of GDP is generated through the services sector, almost half of Bangladeshis are employed in the agriculture sector, with rice as the single-most-important product. Garment exports, the backbone of Bangladesh's industrial sector, accounted for more than 80% of total exports of Bangladesh. In the Fiscal year 2017 Bangladesh remained second in the global market shares of the RMG exporters. Following is the list of top RMG exporting countries with their market share percentage and export earnings in billions.

| Country | Global Market Share in % | Export earnings in \$billion |
|------------|--------------------------|------------------------------|
| China | 34.4 | 158 |
| Bangladesh | 6.5 | 29 |
| Vietnam | 5.9 | 27 |
| India | 4.1 | 18 |
| Turkey | 3.3 | 15 |
| Indonesia | 1.8 | 8 |
| Cambodia | 1.6 | 7 |

Source: World Trade Organization (WTO)

Global Market Share in %



- China
- Bangladesh
- Vietnam
- India
- Turkey

Company Profile

Industry Overview Business Risk

Financial Analysis

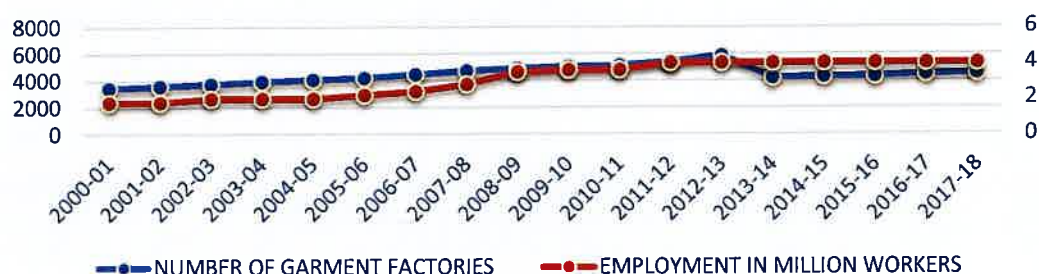
Bank Facilities

Management & Other Qualitative Factor

Company Information

The industry that has been making crucial contribution to rebuilding the country and its economy is none other than the readymade garment (RMG) industry which is now the single biggest export earner for Bangladesh. The sector accounts for 81% of total export earnings of the country.

Number of factories and Number of employees



The following table is the number of garments factories in our country and the total number of employee being employed (in million)

| YEAR | NUMBER OF GARMENT FACTORIES | EMPLOYMENT IN MILLION WORKERS |
|---------|-----------------------------|-------------------------------|
| 2000-01 | 3480 | 1.80 |
| 2001-02 | 3618 | 1.80 |
| 2002-03 | 3760 | 2.00 |
| 2003-04 | 3957 | 2.00 |
| 2004-05 | 4107 | 2.00 |
| 2005-06 | 4220 | 2.20 |
| 2006-07 | 4490 | 2.40 |
| 2007-08 | 4743 | 2.80 |
| 2008-09 | 4925 | 3.50 |
| 2009-10 | 5063 | 3.60 |
| 2010-11 | 5150 | 3.60 |
| 2011-12 | 5400 | 4.00 |
| 2012-13 | 5876 | 4.00 |
| 2013-14 | 4222 | 4.00 |
| 2014-15 | 4296 | 4.00 |
| 2015-16 | 4328 | 4.00 |
| 2016-17 | 4482 | 4.00 |
| 2017-18 | 4560 | 4.00 |

Source: BGMEA

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.

*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

Paramount Textile Limited is a 100% export oriented yarn dyed fabric and dyed yarn Company. 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 2017. 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. Apart from this the overall price growth in raw material & accessories has also affected the cost of goods sold. However the company had some capital WIP assets which may have positive impact on the Production efficiency upon successful conversion into cash generating unit.

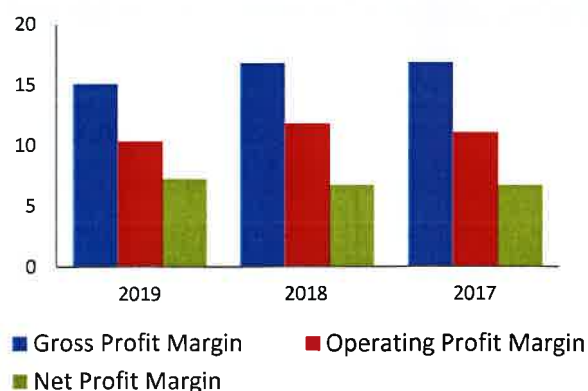
Due to the nature of operation, distribution and administrative expense of PTL is moderate as reflected in the graph (gap between gross profit margin & operating profit margin). In depth analysis reveals that, total administrative and distribution cost has increased by 31.13% in FY 2019, which includes substantially increased donation & subscription, remuneration & travel expenses. Still lower growth of administrative expense compared to revenue implies improved operational efficiency. Dependency on debt finance has forced the company bear heavy finance cost which has eroded significant portion of net profit each year since FY 2017. It is observed that, finance cost has increased by 37.80% in FY 2019 whereas closing balance of loan is showing an increase of 10.21%. This adverse movement of finance cost, along with high COGS has ultimately affected PTL's profitability position. But the company had some other income in form of house rent & profit from associates which mainly had positive impact on net profit margin.

Due to investment in fixed asset and working capital, total asset of PTL has risen by 12.19% in FY 2019 than that of previous year. Along with rising operating profit, Return on Asset (ROA) has slightly improved in FY 2019. Similarly, Return on Equity (ROE) has increased due to higher net profit in the same year. Considering current level of risk free interest rate (interest on govt. bond with 1 year maturity), PTL is generating comparatively higher return for shareholders compared to risk free rate of return.

Exhibit 1: Selected Indicators: Paramount Textile Limited

| FYE 30 June | 2019 | 2018 | 2017 |
|---|----------|----------|----------|
| Revenue (BDT in Millions) | 5,673.85 | 4,119.60 | 3,351.65 |
| Revenue Growth (%) | 37.73 | 22.91 | 11.05 |
| COGS (BDT in Millions) | 4,818.81 | 3,427.06 | 2,787.96 |
| COGS Growth (%) | 40.61 | 22.92 | 12.09 |
| Gross Profit (BDT in Millions) | 855.04 | 692.54 | 563.69 |
| Operating Profit (BDT in Millions) | 585.36 | 486.88 | 370.77 |
| Gross Profit Margin (%) | 15.07 | 16.81 | 16.82 |
| Operating Profit Margin (%) | 10.32 | 11.82 | 11.06 |
| Net Profit Margin (%) | 7.25 | 6.74 | 6.71 |
| ROA (%) | 7.51 | 7.49 | 7.08 |
| ROE (%) | 14.48 | 10.78 | 9.34 |

Data obtained from the audited financial statements of 2017-2019



Liquidity Analysis

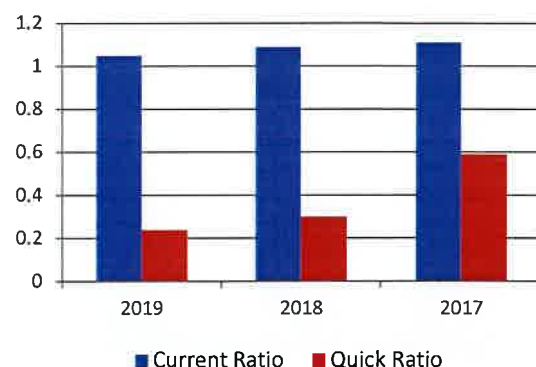
While analyzing financial statements, AlphaRating noticed that current ratio has followed an deteriorating trend as liquid assets of the company has risen to a slower pace than that of short term liabilities since FY 2017. Current ratio of recent year was higher than one indicating strong solvency position and sufficient capacity to meet all short term obligations by current assets of the company. A company with a current ratio higher than one has enough resources on hand to meet its short-term obligations if they were all due at once. Therefore, in this regard, PTL was able to achieve good result although the relative trend is deteriorating. Cash ratio of FY 2017 has decreased and stood at poor level. Although it is not wise for a company to maintain high level of idle cash to cover current liabilities as it can be returned to shareholders or can be invested elsewhere to ensure better profitability. Considering this, it can be said that, closing cash balance can pay less than 1% current liabilities in FY 2019 which is quite risky. Above scenario suggests that, increased dependency on debt finance has effectively deteriorated the liquidity ratios of in all considered year.

AlphaRating observed that Inventory turnover days is most significant element of working capital cycle & appeared to decrease in recent year. It reduces the extent of storage cost as well. Further scrutiny reveals that, inventory comprises 92.13% as a percentage of total working capital finance. Any decrease in the inventory has a positive impact on the cash conversion cycle. On the contrary, it will also contribute to improve the profitability, liquidity & gearing, because outstanding working capital loan will be repaid & finance cost will reduce in consequence. Again controlled working capital cycle will led the company to achieve another advantage which is improved cash flow. Above scenario suggests, that PTL have many ways to improve working capital efficiency. Doing so will enable the company to achieve a fine tuned performance in every possible way.

Exhibit 2: Selected Indicators: Paramount Textile Limited

| FYE 30 June | 2019 | 2018 | 2017 |
|---|--------|--------|--------|
| Current Ratio (x) | 1.05 | 1.09 | 1.11 |
| Quick Ratio (x) | 0.24 | 0.30 | 0.59 |
| Cash Ratio (x) | 0.0077 | 0.0045 | 0.0015 |
| Trade Receivable Period (Days) | 26.00 | 66.00 | 116.00 |
| Trade Payable Period (Days) | 13.00 | 36.00 | 68.00 |
| Inventory Turnover Period (Days) | 179.00 | 194.00 | 186.00 |
| Cash Conversion Cycle (Days) | 192.00 | 224.00 | 234.00 |

Data obtained from the audited financial statements of 2017-2019



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. Without a positive cash flow from operations a company cannot remain solvent in the long run. Above table suggests that, PTL was able to generate positive CFO in all years. In the FY 2019, CFO improved because of higher revenue & profitability. Although CFO was still low compared to the extent of operation as it can only meet finance cost 3 times and cannot fully meet short term debt obligation. Cash flow position of PTL would improve further if reduced dependency on debt & efficient working capital management can be ensured, as we mentioned earlier. However, AlphaRating observed some investment in the fixed asset/capacity increase to rationalize the expected improvement in future cash flow.

Leverage & Capital Structure

Debt to equity ratio of the company is observed to remain stable last year due to debt dependency despite increased cumulative retained earnings (as depicted in net asset value). PTL's current finance structure includes less portion of shareholder's equity which is outweighed by debt finance indicating highly geared capital structure. A company should always maintain low debt balance as possible because higher percentage of debt than equity reduces lenders confidence & tends to increase the finance cost due to risky debt investment. Considering significant portion of noncurrent debt (42.29%), it is expected that the company will enjoy low geared capital structure through continuous repayment if existing operations can be perused with a profitable manner. However, Operating performance & liquidity strength is visible in gearing position of the company. As previously mentioned, efficient management of liquidity & debt utilization will take the company's performance to a whole new level.

Interest coverage ratio measure capacity of a company to pay finance cost by operating profit. Because of rising finance cost, this ratio has decreased in FY 2019. This ratio indicate finance cost can be fully paid only twice by the operating profit in FY 2019 which is really low.

Exhibit 3: Selected Indicators: Paramount Textile Limited

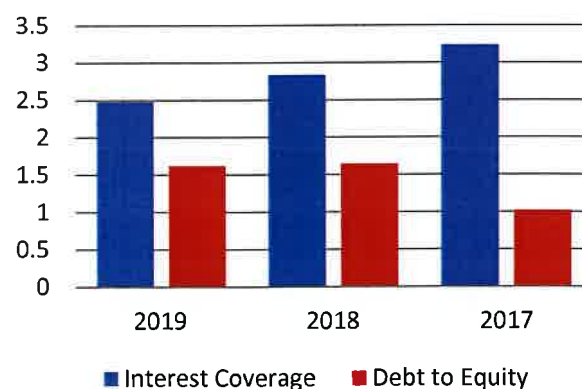
| FYE 30 June | 2019 | 2018 | 2017 |
|----------------------------------|--------|--------|--------|
| CFO (BDT in millions) | 596.64 | 344.42 | 425.58 |
| CFO Interest Coverage (x) | 3.74 | 2.01 | 3.72 |
| CFO Debt Coverage (x) | 0.12 | 0.08 | 0.12 |

Data obtained from the audited financial statements of 2017-2019

Exhibit 4: Selected Indicators: Paramount Textile Limited

| FYE 30 June | 2019 | 2018 | 2017 |
|--|----------|----------|----------|
| Debt-to-Equity (x) | 1.62 | 1.65 | 1.02 |
| Net Asset Value (BDT in millions) | 3,003.86 | 2,681.78 | 2,469.15 |
| Interest coverage (x) | 2.48 | 2.84 | 3.24 |

Data obtained from the audited financial statements of 2017-2019



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 31.05.2020) | LC(Rev.) | 1,750.00 | 956.83 |
| | Specific LC | 501.77 | 180.80 |
| | BG(Rev) | 50.00 | 24.25 |
| | BBLC | 400.00 | 136.00 |
| | LATR | 100.00 | 41.85 |
| | Over Draft | 650.00 | 631.13 |
| | Ex. Bill Negotiation | 839.00 | 468.32 |
| | Term Loan | 1064.10 | 704.01 |
| | Term Loan(FC) | 569.30 | 304.63 |
| | BG (Spec) | 23.20 | 23.20 |
| | Sub Total | 5,947.37 | 3,471.02 |
| Woori Bank Limited (As on 31.05.2020) | Bill Discounting | 500.94 | 488.61 |
| | Short Term Loan | 162.80 | 162.80 |
| | Sub Total | 663.94 | 651.41 |
| HSBC Limited (As on 31.05.2020) | Import Loan | 1,000.00 | 472.73 |
| | Accepted Bills | | 85.02 |
| | Bills Discounting | 100.00 | 87.33* |
| | Installment Loan | 260.00 | 265.86 |
| | Demand Loan | 210.00 | 101.43 |
| | Sub Total | 1,670.00 | 925.04 |
| IDLC Finance Limited (As on 22.06.2020) | Term Loan | 510.46 | 154.04* |
| | Sub Total | 510.46 | 154.04 |
| Lankabangla Finance Limited (As on 31.05.2020) | Term Loan | 450.00 | 241.66** |
| | Sub Total | 450.00 | 241.66 |
| Eastern Bank Limited (As on 31.05.2020) | ULC | 640.00 | Nil |
| | Acceptance | (400.00) | Nil |
| | SLC | (400.00) | 130.00 |
| | EDF Loan | (400.00) | 309.22 |
| | Demand Loan | (100.00) | 101.56 |
| | OD | 20.00 | Nil |
| | LBPD | 300.00 | 1.25 |
| | Sub Total | 960.00 | 542.03 |
| | Total: | 10,201.77 | 5,985.20 |

*Has overdue of BDT 18.88 million

**Has Overdue of BDT 13.50 Million

Exhibit-5: Other Liability: Secured Zero Coupon Bond

| Issue Manager | Loan Mode | Sponsor | Total Limit (BDT in Millions) | Outstanding (BDT in Millions) | As on |
|----------------------|--------------------------|---------------------------|-------------------------------|-------------------------------|------------|
| IDLC Investment Ltd. | Secured Zero Coupon Bond | Janata Jute Mills Limited | 110.00 | | |
| | | IPDC Finance Limited | 120.00 | 221.25 | 31.05.2020 |
| | | IDLC Securities Limited | 200.00 | | |
| | Total: | | 430.00 | 221.25 | |

The company has issued 1st secured zero coupon bond on 08th November, 2018 @ 7.75% coupon rate (p.a.), 2nd secured zero coupon bond on 16th August, 2018 @ 10.50% coupon rate (p.a.) and 3rd secured zero coupon bond on 19th August, 2018 @ 10.50% coupon rate (p.a.).

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. The company had a little amount of overdue as shown in the above table. AlphaRating considered above banking facilities only while assigning the rating. 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 930.90 million & force sale value of BDT 465.50 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 1,500.00 million
- First charge over company's plant & machineries with RJSC on Pari Passu basis with other lenders. HSBC's share being BDT 1000.00 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 430.00 million over 206.75 decimal factory land & building in the name of Paramount Textile Limited situated in Sreepur, Gazipur to secure the term loan facilities.
- Personal Guarantee executed by Mr. Shakhawat Hossain , Mr. Alock Das, , Mrs Anita Haque & Mrs. Anita Rani Das for BDT 1,915.00 each supported by personal net worth statement.
- Personal Guarantee executed by Ms. Samsun Nahar, Ms. Aporna Ghosh Das for BDT 1,233.00 each

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
- One cheque covering Bill Discount facility
- Lien of fdr of BDT 181.27 million

Eastern Bank Ltd. , Head Office , Dhaka

- 1st registered hypothecation (1st charge on PPSSA basis with HSBC and Pubali Bank)
- Personal Guarantee(s), Corporate Guarantee
- Standard Charge document, Un-dated cheque(s)

IDLC Finance Limited

- Personal Guarantee from Mr. Shakhawat Hossain, Mr. Alock Kumar Das, Mrs. Anita Haque and Mrs. Anita Das. to be signed separately without using the seal.
- Hypothecation (fixed/floating charge) on plant & machineries
- One undated cheque for the full amount with authorization letter

Lankabangla Finance Limited

- Pledge of CDBL Shares
- Hypothecation (fixed/floating charge) on plant & machineries
- 100% Insurance Coverage
- Personal Guarantee & post Dated Cheque

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.

Compliance Issues

| Particulars | Valid till | Status |
|----------------------------|------------|------------|
| Trade License | 2019-2020 | Up to date |
| Factory License | 2018-2019 | Up to date |
| Tax | 2018-2019 | Up to date |
| BTMA Membership | 31.12.2020 | Up to date |
| BGCCI Membership | 08.11.2019 | Up to date |
| EPB Enrollment Certificate | 30.06.2019 | Up to date |
| ERC | 2019-2020 | Up to date |
| IRC | 2019-2020 | Up to date |
| Fire License | 2019-2020 | Up to date |
| Environmental Certificate | 23.12.2020 | Up to date |
| Insurance | 08.10.2020 | Up to date |
| VAT | | Registered |

End of the Report

COMPANY INFORMATION:

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. A.B.M. Delwar Hossain | Executive Director (Operation) |
| 2 | Mr. Mohammad Jahidul Abedin | Chief Financial Officer |
| 3 | Mr. Md. Abdul Halim | Head of Internal Audit |
| 4 | Mr. Md. Shah Aziz, ACMA | DGM, Accounts & Finance |
| 5 | Mr. Md. Robiul Islam FCS | 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 : famesl622@gmail.com

shahadatrashid67@gmail.com

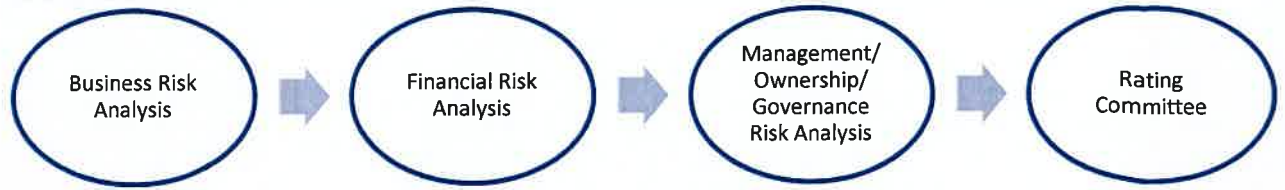
Compliance Auditor: Atik Khaled Chowdhury Chartered Accountants

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:

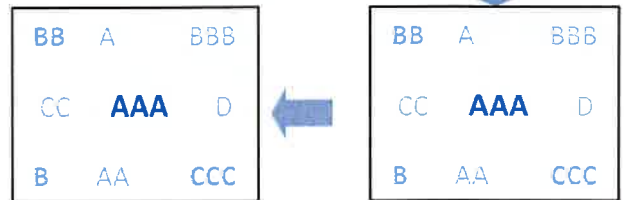
- ▶ Earnings
- ▶ Cash Flow Generating Ability & Debt Servicing Capacity
- ▶ Capital Adequacy
- ▶ Financial Flexibility

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



| | |
|------------|--|
| 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 Above Average Credit Quality |
| A | Average Credit Quality Slightly Below Average |
| BBB | Average Credit Quality Slightly Below Average |
| BB | Credit Quality Weak Credit Quality |
| B | Weak Credit Quality |
| CCC | Very Weak Credit Quality Extremely 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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