

AlphaRating

PARAMOUNT TEXTILE PLC

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

(Corporate)

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26 September, 2022

Managing Director

Paramount Textile PLC

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

Subject: Credit Rating of Paramount Textile PLC

Dear Sir,

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

Date of Declaration	Valid From	Valid Till	Rating Action	Long Term Rating	Short Term Rating	Outlook
26 September, 2022	09 September, 2022	08 September, 2023	Surveillance	AA	ST-1	Stable

The Short-term and Long-term rating is valid up to the earlier of 08 September, 2023 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 PLC**, 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,



Muhammed Asadullah

Managing Director & CEO

This letter forms an integral part of the credit rating report

PARAMOUNT TEXTILE PLC

AA Long Term Rating

ST-1 Short Term Rating

Stable Outlook

Date of Declaration 26 September, 2022

Valid From 09 September, 2022

Valid Till 08 September, 2023

Rating Action Surveillance

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

Paramount Textile PLC 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 5000.00 million

Issued Share Capital: BDT 1,628.34 million

Total Asset:

BDT 10,967.05 million (As on 30.06.2021)

Financial/Other Institutions:

Pubali Bank Limited
 HSBC Bank Limited
 Woori Bank Limited
 IDLC Finance Limited
 Lankabangla Finance Limited
 Eastern Bank Limited
 Uttara Bank Ltd.,
 Community Bank Bangladesh Limited
 United Finance Limited
 BRAC Bank Limited

Loan Limit:

BDT 19,263.87 million

Loan Outstanding:

BDT 13,482.01 million

Rationale

AlphaRating affirms long term rating AA (pronounced as "Double A") and short term rating "ST-1" in favor of **Paramount Textile PLC** (Hereinafter referred to as 'the company or PTP'). 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 risks, 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 PTP. It has been observed that the demand of woven fabrics of the company has been rising over the years among its existing and potential customer base which has assisted to generate healthy sales revenue since its establishment. However, the company could secure its ultimate net profit margin in growing trend that indicates efficient managerial effort of the company. Moreover, improved revenue, sound profitability, positive CFO, sound liquidity position, audit report, most of the updated compliances, 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 percentage (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, fall ROA, ROE, prolonged cash conversion cycle. In addition, the rating has also taken into account competitive market of related products and the prevailing uncertainty associated with national macroeconomic environment.

Key Performance Indicator

FYE 30 June	2021	2020	2019
Revenue (BDT in Millions)	5,020.71	5,153.73	5,673.85
COGS (BDT in Millions)	4,246.97	4,357.66	4,818.81
Gross Profit (BDT in Millions)	773.74	796.08	855.04
Operating Profit (BDT in Millions)	534.58	551.63	585.36
Profit After Tax (BDT in Millions)	661.89	658.81	411.55
CFO (BDT in Millions)	797.20	633.23	596.64
Gross Profit Margin (%)	15.41	15.45	15.07
Operating Profit Margin (%)	10.65	10.70	10.32
Net Profit Margin (%)	13.18	12.78	7.25
Current Ratio (x)	1.14	1.06	1.05
Quick Ratio (x)	0.37	0.31	0.24
Cash Conversion Cycle (Days)	289	238	192.00
Debt to Equity (x)	1.53	1.34	1.62
Interest Coverage (x)	2.49	2.52	2.48
Net Asset Value (BDT in Millions)	4,224.79	3,582.63	3,003.86

Data obtained from the audited financial statements of 2019-2021


 Muhammed Asadullah
 Managing Director & CEO
 Alpha Credit Rating Limited

Company Profile

Paramount Textile PLC 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 over 4000 numbers of skilled workers 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 PLC
- Paramount Insurance Company Ltd.
- Sunrise Chemical Industries Ltd.
- Paramount Holdings Limited
- Foodex International Ltd.
- Paramount B Trac Energy Ltd.
- Paramount Agro Ltd.
- Paramount Spinning Mills Ltd.
- Intra Co. Solar Power Limited

Ownership Pattern

Paramount Textile PLC is Public Limited Company listed on 2013 under Dhaka & Chittagong Stock exchange. The company has authorized 5,000.00 million shares of Tk. 10 each and Issued BDT 1,628.34 million shares of Tk. 10 each. Following the ownership pattern of the company:

Shareholders	Percentage (%)
Sponsor/ Directors	60.95%
Institutes	9.55%
Foreign	4.20%
General Public	25.30%
Total Number of Shares	100.00

Product Range

The product range of PTP includes 100% cotton yarn dyed fabrics from plain weave to structured twills, doobby & 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

Dyeing Plant

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

Weaving Unit	Number
Sectional Warping	4 sets
Direct Warping	7 sets
Sizing & pre-wetting system	2 sets
Air jet loom	318 sets
Warping Machine	12 sets
Rapier Machine	52 sets
Knottting Machine	7 sets
Sample Loom	7 sets
Yarn Dyeing Unit	
Soft & Hard Winding Machine	1,728 spindles
Yarn Dyeing Machine	106 sets
Hydroextractor	10 sets
RF Dryer	4 sets
Finishing Unit	
Singeing/de-sizing Machine	01 set
Scouring, Bleaching & Washing Machine	01 set
Printing Unit	
Stenter (all types)	5 sets
Sanforising	4 sets
Utility Unit	
Generator	9 pieces
Boiler	5 pieces
Air Compressor	22 pieces
Water Circulation Pump	6 pieces

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 Knottting machine from STAUBLI. PTP 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 equipment is sourced from renowned brands from 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 away 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/powered sampling unit.

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

ETP & WTP

Paramount Textile PLC 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 produce high quality fabric consistently in term of color levels and the strength of the yarn as well as help environment minimizing the use of pretreatment chemicals.

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

Utilities

Paramount Textile PLC 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 and bus bars are used to support the production flow. The company also uses LOOS Boiler from Germany & chillers from other renowned manufacturers.

INDUSTRY ANALYSIS

Overview

Bangladesh has become home of the world's second largest garment industry. The country follows behind China and Vietnam for exporting all kinds of garments. (<https://www.dhakatribune.com/business/2021/07/31/vietnam-overtakes-bangladesh-becomes-2nd-largest-rmg-exporter>) The sector contributes 20% to Bangladesh's gross domestic product and clothing manufacturers in Bangladesh are leading the economic growth in the country. (<https://ipsnews.net/business/2021/01/06/the-rise-of-bangladeshs-apparel-and-textile-industry/>)

Bangladesh has gained attention in RMG by earning revenue starting from \$19 billion and growing to more than \$30 billion during past seven years. It is indeed an outstanding achievement by an increase of 79% in less than 10 years. The industry has survived through a dire crisis of losing workers in a number of accidents. However, this tragedy helped the industry gain a better environment that is more secure and healthy for workers, making the industry attractive in the global RMG market. (<https://ipsnews.net/business/2021/01/06/the-rise-of-bangladeshs-apparel-and-textile-industry/>)

Trends & Growth:

With agriculture as the country's primary employment, Bangladesh started to grow as a more significant garment exporter when the focus shifted to the export industry. In 2012, Bangladesh's textile industry contributed to 79% of the country's export income and by the end of 2021; Bangladesh plans to achieve a target of apparel exports worth \$50 billion. (<https://ipsnews.net/business/2021/01/06/the-rise-of-bangladeshs-apparel-and-textile-industry/>) To meet this projection, Bangladesh will have to outperform the global market by gaining market share from competitors like China and India. (http://www.projectsprofile.com/news/news_profile_eight.html)

The rise in Bangladesh's textile industry started as a consequence of the increasing wages in other countries. Countries, such as Korea, noticed the low manufacturing prices along with the low wages offered by the Bangladesh government to its garment workers and started venturing into the textile industry of Bangladesh. Now the country became the leading destination for outsourcing to overseas clothing manufacturers.



After experiencing 18% fall in apparel export in 2019-2020, garment export rose 13% to \$31.5 billion in 2020-2021 from a year earlier. This favorable change was owing to 21% surge in overseas sales of knitwear products such as t-shirts and sweaters. Nevertheless, according to the Export Promotion Bureau, this result is still 7% below the pre-pandemic period of 2018-19 financial year. (<https://www.reuters.com/world/asia-pacific/bangladesh-exports-up-15-global-demand-garments-rebounds-2021-07-06/>)

Challenges before the industry:

The RMG industry of Bangladesh has been disrupted by the Covid-19, and since the crisis is yet persisting, the recovery process became quite challenging. The first wave of the pandemic swamped the industry through the cancellation of orders, deferred payments/discounts by buyers, cash crunch. However, extension of wage assistance loan along with easing off and enhancement of the export development fund, retention of foreign currency in a single pool for Back-to-Back import payments, extending the tenure of realization of export proceeds, and most importantly suspension of loan classification enabled the industry participants to withstand the effect of the first wave. Nevertheless, major challenges that the industry still may face are slowdown in export order which can impact on uncertainty over confirmed business, shipment, payment and WIPs, allocation of capacity (utilized and unutilized), optimum management of supply chain and use of resources. Secondly, while the price decline has already been a trend in the global market for decades, the COVID-19 has further escalated the situation. Also, the industry has lost 6 billion dollars in export in FY2019-20, meaning that the capacity was seriously under-utilized. Acceptation of high discounts and delayed payments to clear the canceled goods affected the financial stability of this industry. Not to forget, 73% of Bangladesh's RMG exports enjoy duty-free access as an LDC (\$25 billion out of \$34 billion), which will be completely waived and the margin of preference will diminish for Bangladeshi products compared to our competitor countries, especially for Vietnam since Vietnam has signed FTA with EU. Finally, diversification of products within RMG as well as diversifying the export sectors will be key to Bangladesh's sustained industrial development. (<https://www.textiletoday.com.bd/2021-challenges-before-the-rmg-industry/>)

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 PTP operates its business within the frame of applicable laws & regulation which is a primary requirement for any company to be listed with BSEC. PTP 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

Interest rate risk is the risk borne by an interest-bearing asset, such as a loan, due to unfavorable movement of interest rates. The company is availing Loan facilities to meet up working capital for the business. The company is paying a significant amount as bank profit and charge as the capital structure of the company is mostly composed of debt financing. If the company fails to generate enough profit in future years to serve the loan repayment obligation, the company may expose to default risk. However, considering current monetary policy & money supply in Bangladesh economy, it is unlikely that interest rate will go up.

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, PTP 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 PTP 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 PTP 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.

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 PTP 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 PTP 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 PTP minimizes environmental consequences of its operations.

Price Fluctuation Risk

PTP 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. PTP 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 Analysis. Detailed analysis is presented below:

Profitability

Paramount Textile PLC 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 2019. However, cost of sales to revenue percentage has been increased to 84.59% from 84.55% in the last year which is ultimately little fall in Gross profit Margin (GPM) to 15.41% in FY 2021 from 15.45% in FY 2020. Moreover, In FY 2021, though operating expenses of the company has been decreased by 2.17% than the operating expenses of FY 2020. But operating expenses to revenue percentage has been deteriorated to 4.76% in FY 2021 from 4.74% in FY 2020; reflecting fall in OPM in FY 2021. Moreover, Net profit margin of PTP has increased to 13.18%, which is highest amount in last three years under review. This is due to increasing share of profit of associates, low amount of finance cost paid and increasing other non-operating income compared to that of FY 2020.

The return on assets ratio measures, how efficiently and effectively company is utilizing assets to generate economic benefits for the company whereas return on equity measures profitability as a percentage of the Company's net asset base. It has been observed that ROA has been decreased in FY 2021 due to fall OPM and increase capital working progress and investment in associates. At the same time, Return on Equity (ROE) has also been decreased noticeably in FY 2021 as a result of increasing equity.

Exhibit 1: Selected Indicators: Paramount Textile PLC

FYE 30 June	2021	2020	2019
Revenue (BDT in Millions)	5,020.71	5,153.73	5,673.85
Revenue Growth (%)	(2.58)	(9.17)	37.73
COGS (BDT in Millions)	4,246.97	4,357.66	4,818.81
COGS Growth (%)	(2.54)	(9.57)	40.61
Gross Profit (BDT in Millions)	773.74	796.08	855.04
Operating Profit (BDT in Millions)	534.58	551.63	585.36
Gross Profit Margin (%)	15.41	15.45	15.07
Operating Profit Margin (%)	10.65	10.70	10.32
Net Profit Margin (%)	13.18	12.78	7.25
ROA (%)	5.38	6.44	7.51
ROE (%)	15.67	18.39	14.48

Data obtained from the audited financial statements of 2019-2021

Liquidity Analysis

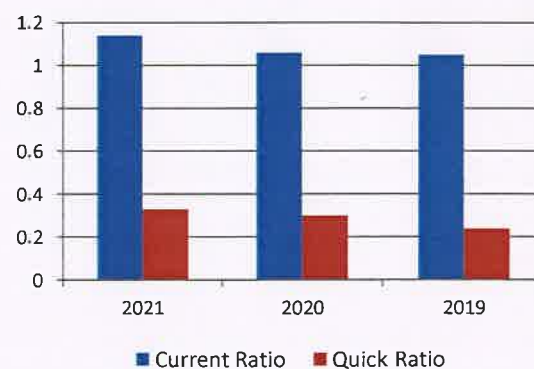
Liquidity ratios are used to determine a company's ability to meet its short-term obligations. Investors often take a close look at liquidity ratios when performing fundamental analysis on a firm. Liquidity ratios are a good measure to assess whether a company will be able to comfortably pay of its current liabilities with liquid assets. In FY 2021, current ratio of the company has been improved just because of increasing of current portion of assets i.e. advance, deposit & prepayments, inventory, investment and cash & cash equivalents compared to that of FY 2020. Current asset has increased at a higher rate compared to current liabilities. This ratio is more than 1 times, suggesting sound liquidity position to meet current obligation with liquid asset. Similarly, Quick ratio of the company has also been improved in FY 2021 due to increase quick assets by 37.01% compared to that of FY 2020. Cash & bank balances have increased by 39.31% and captured 1.64% of total current liabilities. This situation results cash ratio increase from 0.01 to 0.02 times. However, holding extra cash is not desired due to its opportunity cost.

It has been observed that, in FY 2021 the major portion of working capital of the company was used to finance inventory items. The inventory holding period was increased by more than 1 months in FY 2021 than that of last year and the company takes more than 8 months to sell its inventory items and such huge inventory holding period increases the opportunity cost of resources being used to finance inventory. However, textile industries follow trend to have higher inventory turnover days in comparison with other industries. As per ageing analysis from audit report, PTP accounts less than 6 months to account receivables and above table shows 49 days trade receivables. Overall, the adverse movement in inventory holding days and deteriorated receivables collection period has led to deterioration of cash conversion cycle of this organization. In FY 2021, the cash conversion cycle has been increased by more than 7 weeks which suggests PTP have to wait for almost 10 months to recover cash from working capital cycle.

Exhibit 2: Selected Indicators: Paramount Textile PLC

FYE 30 June	2021	2020	2019
Current Ratio (x)	1.14	1.06	1.05
Quick Ratio (x)	0.37	0.31	0.24
Cash Ratio (x)	0.02	0.01	0.0077
Trade Receivable Period (Days)	49	38	26
Trade Payable Period (Days)	16	22	13
Inventory Turnover Period (Days)	256	222	179
Cash Conversion Cycle (Days)	289	238	192

Data obtained from the audited financial statements of 2019-2021



Cash Flow Analysis

Positive cash flow indicates that a company's liquid assets are increasing. This enables it to settle debts, reinvest in its business, return money to shareholders, pay expenses, and provide a buffer against future financial challenges. In FY 2021, CFO of PTP has been positive & showing increasing trend since FY 2019 and reported amounting to BDT 797.20 million. This improvement was mainly due to increased cash received from customer, house rent and other income and decreased cash paid to suppliers, income tax and advance, security and deposit receipt compared to that of FY 2020. The operating cash flow surplus will make the company less dependent on external finance and increase lenders confidence. CFO Interest Coverage ratio reflects that the company was fully capable of paying its finance cost by generated CFO. CFO Debt Coverage ratio reflects that the company was partially able to fully repay its debt by generated CFO.

Leverage & Capital Structure

The debt to equity ratio is a leverage ratio that compares a company's total debt to total equity. The debt to equity ratio shows the percentage of company financing that comes from debt providers and investors. A higher debt to equity ratio indicates that more external financing (bank loans) is used than investor financing (shareholders).

Debt to equity ratio of the company is observed to be deteriorated in FY 2021 mainly due to increased closing balance of long & short-term loan in spite of increased cumulative retained earnings, share capital and holding gain reserve. However, in FY 2021 total debt exposure of the company has dramatically increased by 0.19 times which indicates highly leveraged capital structure. A company should always maintain low debt balance as possible because higher percentage of debt than equity reduces lenders confidence. 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. Interest coverage ratio reflects the finance charge paying full capacity of a company.

Exhibit 3: Selected Indicators: Paramount Textile PLC

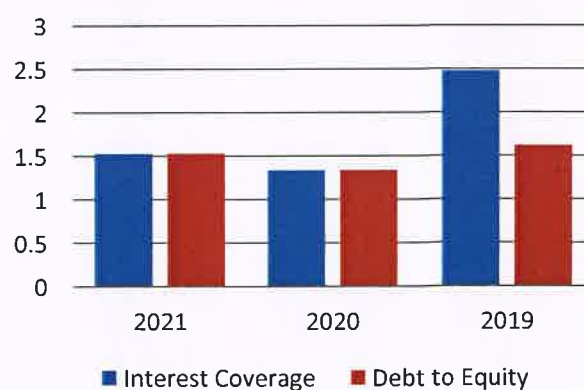
FYE 30 June	2021	2020	2019
CFO (BDT in millions)	797.20	633.23	596.64
CFO Interest Coverage (x)	3.72	2.89	3.74
CFO Debt Coverage (x)	0.12	0.13	0.12

Data obtained from the audited financial statements of 2019-2021

Exhibit 4: Selected Indicators: Paramount Textile PLC

FYE 30 June	2021	2020	2019
Debt-to-Equity (x)	1.53	1.34	1.62
Net Asset Value (BDT in millions)	4,224.79	3,582.63	3,003.86
Interest coverage (x)	2.49	2.52	2.48

Data obtained from the audited financial statements of 2019-2021



Bank Facilities & Credit History

Exhibit 4: Loan from Financial & Other financial Institutions

Bank	Loan Mode	Total Limit (BDT in Millions)	Outstandin g (BDT in Millions)	Overdue (BDT in Millions)	EOL (BDT in Millions)
Pubali Bank Limited (As on 30.06.2022)	LC (Rev.)		2,722.70		
	EDF	4,000.00	229.20	329.00	
	Specific LC	2,651.10	1,564.60	194.00	
	BG(Rev)	105.60	89.20		
	BBLC	400.00	45.10		
	LATR	100.00	79.20		
	Over Draft	650.00	662.00		12.00
	OD-WC	40.00	40.80		0.80
	Ex. Bill Negotiation	844.00	578.90	102.00	
	Term Loan	1,915.90	730.70	16.90	
	Term Loan(FC)	319.60	-		
	STL	400.00	367.30		
Sub Total		11,426.20	7,109.70	641.90	12.80
Woori Bank Limited (As on 30.06.2022)	Bill Discounting-	506.34	476.94		
Sub Total		506.34	476.94		
HSBC Limited (As on 30.06.2022)	Accepted Bills		716.82		
	LC	1,260.00	112.14		
	Clean Import Loan	700.00	605.90		
	Bills Discounting	475.25	277.44		
	Installment Loan	180.00	79.50		
	Demand Loan	560.00	550.11		
	OD	50.00	57.71		7.71
Sub Total		3,225.25	2,399.62		7.71
Community Bank Bangladesh Limited (As on 30.06.2022)	Overdraft	450.00	447.85		
	Time Loan	200.00	204.17		4.17
	BG	160.00	154.96		
Sub Total		810.00	806.98		4.17
IDLC Finance Limited (As on 30.06.2022)	Term Loan	700.00	700.00		
Sub Total		700.00	700.00		
Lankabangla Finance Limited (As on 30.06.2022)	Term Loan	300.00	106.02		
Sub Total		300.00	106.02		
Uttara Bank Ltd. (As on 30.06.2022)	Term Loan	500.00	549.02		49.02
Sub Total		500.00	549.02		
United Finance Limited (As on 30.06.2022)	Term Loan**	34.36	34.36		
	Syndicated Finance	100.00	100.00		
Sub Total		134.36	134.36		49.02

Exhibit 4: Loan from Financial & Other financial Institutions

Bank	Loan Mode	Total Limit (BDT in Millions)	Outstandin g (BDT in Millions)	Overdue (BDT in Millions)	EOL (BDT in Millions)
BRAC Bank Limited (As on 30.06.2022)	LC-1 Raw	1,400.00	643.41		
	Acceptance-1a (Inner of 1)	(1,400.00)	-		
	UPAS-1b (Inner of 1a)	(1,400.00)	-		
	EDF-1c (Inner of 1)	(1,400.00)	417.47		
	LATR-1d (Inner of 1c)	(250.00)	-		
	LC-2e (Inner of 1)	(150.00)	5.67		
	Acceptance-2 (Inner of LC-2)	(150.00)	-		
	UPAS-2 (Inner of Acceptance-2)	(150.00)	-		
	STL (Inner of LC-2)	(150.00)	-		
	Bill Purchased (Inner of UPAS-1)	(500.00)	-		
	RL	100.00	80.00		
	OD	40.00	31.27		
Sub Total		1,540.00	1,177.82		
Eastern Bank Limited (As on 14.09.2022)	Demand Loan	100.00	Nil		
	OD-Corporate	20.00	19.83		
	Loan against EDF	1.72	1.72		
Sub Total		121.72	21.55		
Total:		19,263.87	13,482.01	641.90	73.70

*Per USD in BDT 93.47 as on 30.06.2022

*Per USD in BDT 95.05 as on 05.09.2022

**Sanction not received

Paramount Textile PLC has been enjoying composite banking facilities from Pubali Bank Limited, Principal Branch, HSBC Bank, Dhaka Main Office and Woori Bank Limited, Uttara Bank Ltd., Community Bank Bangladesh Limited, Gulshan Branch, United Finance Limited, Tejgaon Branch, BRAC Bank Limited, Head office Branch, IDLC Finance Limited, Corporate Head Office, Lankabangla Finance Limited, Eastern Bank Limited, Head Office Branch, Dhaka. Though PTP has overdue amount, this was because, Pubali Bank Limited's due recognition system has a delay against Bangladesh Bank. Overdue amount of EDF was due to delay approval from BB which was not reflected into the system of PBL. Overdue of Ex. Bill Negotiation was due to overall USD crisis and overdue of Term Loan has already been paid off as on 30.08.2022. Overdue of Specific LC was due to the delay in extension process of Pubali Bank Limited as there was lack of USD currency in OBU. According to the FE circular No-18 dated 06 January, 2022 regarding extension of usance periods to 360 days from 180 days for import of industrial raw materials. AlphaRating considered above banking facilities only while assigning the rating.

Security/Mortgages:**BRAC Bank Limited**

- Hypothecation on fixed, movable & immovable assets including machinery, plant & equipment of the company
- Registered mortgage of land measuring 2,537.33 decimal land existing structure located at Mouza: Kewa, Faugain, Former, Dist Gazipur which has a market value of BDT 930.90 million & force sale value of BDT 465.50 million.
- Corporate Guarantee
- Personal guarantee of all directors
- Basic charge documents
- MICR cheque

Pubali Bank Limited, Principal Branch

- Hypothecation on fixed, movable & immovable assets including machinery, plant & equipment of the company
- Hypothecation on floating assets including receivables, raw materials, 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 mortgage 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 and force sale value of BDT 465.50 million.
- Corporate Guarantee
- Personal guarantee of all directors
- Lien of acceptance
- Cheque covering bill discount

HSBC Limited, Dhaka Main Office

- First charge over the company's stock of raw materials, 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 PLC, 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 PLC 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
- Pledge on 8744202 shares of PTP
- Corporate guarantee

Lankabangla Finance Limited

- Pledge of 8,000,000 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 skills & 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 regard, 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. Md. Jahangir Yahya is the chairman of the committee who has twenty seven years of 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 and fair view of the state of the affairs of the company. The audit committee is responsible to board of directors for its roles & 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 8 IT professionals. The company uses Tally software for accounting and most of the cases use packaged software for daily activities of the management. Currently PTP has a total of 285 desktop & laptops in head office and factory for daily operations. 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 and Managing Director.

Human Resource Management

PTP 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, where the babies of female workers are looked after while their mothers are busy at work. To ensure sound health of employees, PTP has a sophisticated medical facility attended by qualified doctors. Paramount Textile PLC 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 4,452

Compliance Issues

Particulars	Valid till
Trade License	2022-2023
Factory License	2022-2023
Tax	2020-2021 (Assessment)
BTMA Membership	31.12.2022
BGCCI Membership	31.12.2022
EPB Enrollment Certificate	2020-2021 (Expired)
ERC	2022-2023
IRC	2022-2023
Fire License	2022-2023
Environmental Certificate	11.01.2023
Insurance	08.10.2022
VAT	Registered
Bond License	01.11.2023

End of the Report

COMPANY INFORMATION:

Board of Director

SL. No.	Name	Designation
1	Ms. 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. Yahya A.Z. Khondker	Independent Director
7	Mr. Md. Jahangir Yahya	Independent Director
8	Mr. A H M Abdur Rahman	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: MABS & J Partners Chartered Accountants

Corporate Office: SMC Tower (7th Floor), 33, Banani C/A, Road-17, Dhaka-1213.

Mobile : 01715-001622, 01783294818, 01706446010

Email : info@mabsj.com

Mobile: +880-2-22275057-58

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:

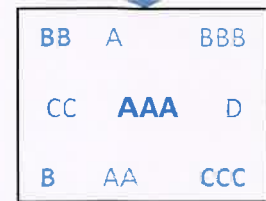
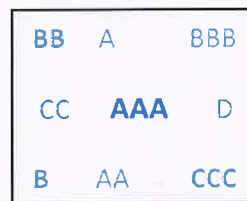
- ▶ Earnings
- ▶ Cash Flow Generating Ability & Debt Servicing Capacity
- ▶ Capital Adequacy
- ▶ Financial Flexibility

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
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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