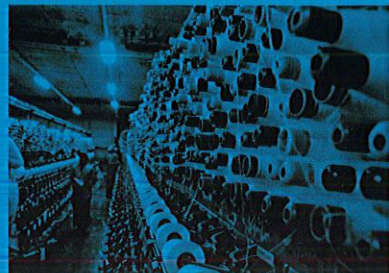
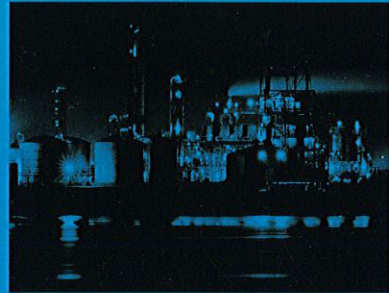


CREDIT RATING REPORT



Esquire Knit Composite PLC



**CREDIT RATING
AGENCY OF
BANGLADESH LTD.**

Credit Rating Report (13th Surveillance) Esquire Knit Composite PLC

Particular	Rating	Remark
Esquire Knit Composite PLC	AA ₃	-
BDT 3,559.3 million Long Term Outstanding (LTO)	AA ₃ (Lr)	Vide Appendix - 1
BDT 2,635.0 million short term funded limit	ST-3.	
BDT 7,190.0 million a short term non funded limit	ST-3	
Outlook	Stable	-

Lr- Loan rating; ST-Short Term

Date of Rating : 13 November, 2024
Validity : 30 November, 2025
Rating basis : Five years audited financial statements (FYE 30/06/2020, 30/06/2021, 30/06/2022, 30/06/2023 and 30/06/2024), Bank Liability position as on 30/09/2024 and other relevant as compiled from client & bankers.
Auditor : Pinaki & Company, Chartered Accountant.

Methodology: CRAB's Corporate Rating Methodology (www.crab.com.bd)

Analysts:

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Financial Highlights

(Mil. BDT)	30/06/2024	30/06/2023
Revenue	7,604.6	7,514.8
EBITDA	946.5	863.6
EBITDA Margin (%)	12.4	11.5
Net Profit	142.2	117.8
Net Profit Margin (%)	1.87	1.57
Return on Average Assets (%)	0.84	0.74
Quick Ratio (x)	0.8	0.7
Operating Cycle (Days)	265	265
Borrowed Fund to Equity (x)	0.8	0.7
Borrowed Fund to EBITDA (x)	7.5	6.7
Cash Flow from Operation	n.a	n.a
Free Cash Flow	n.a	n.a
EBIT/Interest (x)	1.5	1.6

PROFILE

Table 01: Profile of EKCPCL

Name	Esquire Knit Composite PLC
Company Type	Public Limited Company
Incorporation Date	16 February 2000
Commercial Operation	2000
Managing Director	Mr. Md. Ehsanul Habib
Business Nature	knitting, dyeing, and finishing
Production Capacity	~2,12,710 pieces daily
Utilization	89.8%
Corporate Office	Esquire Tower, 21, Shaheed Tajuddin Ahmed Sarani, Tejgaon, Dhaka-1208
Factory	22/58 Kanchpur, Sonargaon, Narayanganj (142.78 decimal).

■ RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has retained the rating of Esquire Knit Composite PLC at AA₃ (pronounced Double A Three). CRAB has also retained AA₃(Lr) rating of BDT 3,559.3 million Long Term Outstanding in the long term. CRAB has also retained ST-3 rating to BDT 2,635.0 million short term funded and BDT 7,190.0 million short term non funded limit availed by the Company in the Short Term.

Companies rated in this category have very strong capacity to meet financial commitments. These companies are judged to be of very high quality, subject to very low credit risk.

CRAB has retained the ratings considering the, equity based capital structure, experienced management team, product diversification, irrespective of recent liquidity trend and decline in profitability position. However, the ratings were constrained considering the capacity transfer to its sister concern named L' Esquire Ltd., negative cash flow position and Russia Ukraine war along with present overall situation of the country.

The assigned ratings incorporate the group support, modern and industry standard machineries in production facility, experienced procurement team ensuring quality products, long term relationship with buyers and suppliers and established integrated market to ensure smooth production and to support the growth of the Company.

Assigned rating is warranted and supported in light of their results and in comparison, to the results of peer companies. However, favorable changes in financial matrix along with consistency in operation and business profile may have impact on future rating consideration, and vice versa.

COMPANY PROFILE

Esquire Knit Composite PLC (EKCPCL) was incorporated on 16 February 2000 under the companies 'ACT' 1994 as a private limited Company. The factory of the Company is located at 22/58 Kanchpur, Sonargaon, Narayanganj on total land area of 142.78 decimal. Later the Company was converted into a public limited Company and issued shares through initial public offering in April 2019. In addition to the above, the name has been changed to Esquire Knit Composite PLC from Esquire Knit Composite Limited in 2023. Presently, the Company has integrated production facilities including knitting, dyeing, Printing, embroidery, cutting, sewing, and finishing with 85 lines having annual production capacity of 62 million pcs. The Company has obtained standard certifications: ISO 9001, ISO 14001, ISO 18001 under the scope of UKAS system certificate scheme, RSC Certificate and Oeko-Tex standard 100 certificates for using environment friendly dyes and chemical approved by Hohenstein Institute Bangladesh, Global Organic Textile Standard (GOTS) and Organic Context Standard (OCTS).

Paid-up Capital	: BDT 1,348.9 million
Market Category	: A
Year of Listing	: 2019
Listed with	: DSE, CSE
Opening Price	: BDT 21.20
Closing Price	: BDT 22.10
52 Week's Moving Range	: BDT 15.00 – BDT 34.50
Floated Shares	: 134,895,833
Market Capitalization	: BDT 2,846.302 million
Dividend	: 2024: 10% Cash 2023: 10% Cash 2022: 10% Cash
Earnings Per Share (BDT)	: 2024: 1.05
Day's Price Range	: BDT 21.00 – BDT 22.70 (as of 14/11/2024)
Day's Trading Value	: BDT 7.41 million (as of 14/11/2024)
Day's Trading Volume (Shares)	: 341,891.00 (as of 14/11/2024)
Day's Trade (No.)	: 438 (as of 14/11/2024)

GROUP STRENGTH

Esquire Group was founded by Mr. Late Md. Mofazzal Hossain, a well-known business personality. However, Mrs. Piara Hossain has been elected as new Chairman of all the concerns of the Group after the demise of Mr. Md. Mofazzal Hossain. The group started its business in the year 1989 with Esquire Electronics Ltd. as a dealer of Electronics products of different international brands like SHARP, Fujitsu General Ltd., and Mitsubishi which deals with diversified product portfolio ranging from home appliances, audio visual products, complete HVAC solution and other high-tech products. Associated concerns of Esquire Group comprise Esquire Electronics Ltd., Esquire Dyeing Industries Ltd., Esquire Accessories Ltd., Esquire Plastics Ltd., Esquire Testing Services (BD) Ltd, Esquire Customer Care Limited, Esquire Sourcing Limited, Esquire Heavy Industries Ltd., Alpha Plastic & Packaging Limited, New Dhaka Ceramic Industries (Pvt.) Limited, Shah Garments International Limited and Sharp Media Limited. The Group has been conducting business operation in diversifies industry which helps the Company to drive the growth as well as contribute to the economy of Bangladesh. The Group has existence in garments manufacturing sector in Bangladesh having all the vital facilities with modern technology and machineries. Worldwide diversified clientele reveals the competency of the Group mitigating the customer related risk. Well diversified raw material procurement sources along with buyer nominated sources mitigate the raw material procurement and supply concentration risk as well as price volatility risk of the Group. The Group remains in up gradation and investment phase to expand its production facilities as well as other auxiliary support to ensure growing presence in the garments sector with integrated business facilities.

In 2019 EKCPCL started the construction of a ten stored factory building at Valuka, Mymensingh on 1,397.0 decimal owned land worth of BDT 2,555.0 million (Current Valuation). The factory is named- L' Esquire Limited with composite facility to manufacture 100% export-oriented lingerie items. L' Esquire Limited is the subsidiary of EKCPCL wherein Esquire Knit Composite PLC holds 99.0%. The Company has completed the construction of 10 storied (total 6,60,000 sft. floor spaces), 54,000 sft. utility building and 21, 000 sft. administrative building has

been facilitated on 1,397 decimal owned land. The Company has already installed 57 sewing lines to conduct the production facility, and plan to increase sewing capacity phase by phase up to 200 lines. The Company estimated total project cost BDT 5,766.4 million. As on September, 2024 EKCPLC has raised BDT 1,500.0 million from IPO, BDT 1,176.0 million from IFC, BDT 2,055.5 million from equity and BDT 336.4 million bank loan in near future. The fund raised by EKCPLC is being utilized for the associate concern L' Esquire Limited wherein the IPO fund is utilized for land development, building and civil construction, while the IFC fund for machinery purchase and installation. At present, the factory has power supply of 5.0 MW.

Table 02: Associated Companies of Esquire Group

Name of Company	Year	Nature of Business	Daily Capacity
Esquire Knit Composite PLC (EKCPLC)	2000	Knit garments manufacturer	2,12,710 pcs
Esquire Dyeing Industries Limited (EDIL)	1994	Yarn and fabric dyeing	9 MT
Esquire Accessories Limited (EAL)	2008	Garments accessories manufacturer	7,82,500 pcs
Esquire Plastics Limited (EPL)	2014	Plastic products manufacturer	102,865 pcs
Fuji PVC Pipe & Plastic Industries Limited	2009	Plastic products manufacturer	
Esquire Electronics Limited (EEE)	1989	Consumer electronics products trading	
Esquire Heavy Industries Ltd	2014	TV, Refrigerator assembling	
Thakral Information System Pvt Ltd	1997	IT solutions Provider	
Alpha Plastic & Packaging Limited	2015	Household plastic products	186,850 pcs
L' Esquire Limited	2019	Lingerie's garments manufacturer	1,43,600 pcs

Financial Highlights of Esquire Group (EG) are prepared considering the financial performance of 6 concerns of Esquire Group. The Group has banking relationship with around 17 banks and non-bank financial institutions. The Consolidated sales of the Group stood to BDT 20,572.0 million in 2024. Esquire Knit Composite PLC has been the largest revenue earner over the years with 36.5% revenue contribution in 2024. Thakral Information System Pvt Ltd is the second highest contributor of business of the group contributing ~26.1% of the revenues of the group. Net profit margin of the Group stood ~2.5% in 2024. At the same time total assets of the group marked at BDT 33,854.0 million and Net worth of Esquire Group stood at BDT 15,766.0 million in 2024. Overall group financial highlight of Esquire Group in 2024 is given below:

Table 03: Group Performance of Esquire Group in FY2024 (Mil. BDT)

Name of the Company	Sales	Net Profit	Net Profit Margin (%)	Total Assets	Total Liabilities	Net Worth
Esquire Knit Composite PLC (EKCPLC)	7,515	118	1.6%	16,354	7,497	8,857
Esquire Dyeing Industries Limited (EDIL)	576	20	3.5%	1,363	345	1,019
Esquire Electronics Limited (EEL)	4,270	117	2.7%	6,892	4,665	1,855
Esquire Heavy Industries Ltd.	-	-	-	-	-	-
Esquire Accessories Limited (EAL)	1,590	69	4.3%	2,205	1,358	846
Thakral Information System Pvt Ltd	5,376	110	2.0%	4,114	2,718	1,396
Esquire Plastics Limited (EPL)	487	9	1.8%	359	338	20
Alpha Plastic & Packaging Limited	294	12	4.1%	341	236	105
Fuji PVC Pipe & Plastic Industries Limited	-	-	-	-	-	-
L' Esquire Limited	464	(33)	-7.2%	2,226	558	1,668
Total	20,572.0	422.0	2.5%	33,854.0	17,715.0	15,766.0

■ OPERATION, BUSINESS & FINANCIAL RISK PROFILE

Operation	
Management	
Capital	

During the period under surveillance, no major change has been noticed in the business operation of the company. Esquire Knit Composite PLC started its commercial operation in 2000 to manufacture 100% export oriented knit garments for different renowned European, North American, and Asian buyers. The Company manufactures different types of tops & bottom wear for gents, ladies, and kids. The overall manufacturing facilities are conducted from own factory occupying a total land area of 142.78 decimal. The Company has knitting, dyeing, sewing, printing and embroidery facilities. As per management provided information, the Company has utilized 85 sewing lines till November 2024. The company transfer its 34 sewing lines to L' Esquire Ltd in August 2022. On the other hands EKCPLC expanded its Dyeing facility to 10,920 MT from 6,360 MT in 2023. At present, the Company has annual sewing capacity of 32.0 million pieces with 85 sewing lines, knitting capacity of 7,800 MT, dyeing capacity of 10,920 MT, printing capacity of 27 million pieces, embroidery capacity of 19 million pieces and washing 5 million pieces. The overall capacity utilization stable during the surveillance period. Having the impact of COVID-19 aftermath, Russia Ukraine war also negatively impact the overall business situation of the company.

Table 04: Annual Capacity and Utilization of EKCPLC

	2024	2023	2022	2021	2020	2019
Sewing Lines	85	78	86	120	73	73
Annual Capacity						
Knitting (MT)	7,800	7,800	7,380	7,380	6,200	5,500
Dyeing (MT)	10,920	10,920	10,360	6,300	6,300	6,300
Garments (Mill. Pcs)	32	29	30	62	31	31
Printing (Mill. Pcs)	27	27	27	27	27	27
Embroidery (Mill. Pcs)	19	19	19	19	19	19
Washing (Mill. Pcs)	05	05	05	05	04	04
Actual Production						
Knitting (MT)	4938	5535	5,535	5,535	3,953	4,260
Dyeing (MT)	8395	8,424	8,424	5,760	4,998	5,757
Garments (Mill. Pcs)	25	24	24	44	20	22
Printing (Mill. Pcs)	09	11	11	11	11	11
Embroidery (Mill. Pcs)	05	09	09	09	09	09
Washing (Mill. Pcs)	02	03	04	04	03	03
Capacity Utilization (%)						
Knitting (%)	63.3	70.9	75.0	75.0	63.8	77.5
Dyeing (%)	76.8	77.1	81.3	91.4	79.3	91.4
Garments (%)	78.1	72.4	80.0	71.0	64.5	71.0
Printing (%)	33.3	40.7	40.0	40.0	40.0	40.0
Embroidery (%)	26.3	47.3	50.0	50.0	50.0	50.0
Washing (%)	40.0	60.	80.0	80.0	80	80.0

Infrastructure facility of the company has been found to be remain same during the surveillance period. EKCPLC uses industry standard sewing machines which are imported from Japan & China and automated cutting machines along with different types of modern machines as per required. The availability of continuous electricity through 8 generators (Diesel & Gas) having an aggregate capacity of 8,375 KVA and beside that there is also 2,150 KW power facility from Rural Electricity Board (REB) reduce the obstacle in production facility the Company. The Company also has one Effluent Treatment Plant (ETP) having capacity of 100 m³ per hour. In addition to the above, another ETP is under construction and as of date of rating around 80% of total works has been done.

The Company requires yarn, dyes & chemical and accessories as raw materials for manufacturing knit garments. Over the years the Company has established strong relationship with its diversified sources of suppliers which ensures availability and ease the overall procurement risk. The Company sources its raw material from local market as well as import from different countries. Some of the major regular local suppliers of the Company are Nahar Spinning Mills Ltd., Pahartali Textiles & Hosiery Mills Ltd., Mehmud Industires Pvt. Ltd., NRG Spinning Mills Ltd., TM Chemicals (BD) LTd., and Asia Composite Mills and foreign suppliers are Sportking India Ltd., Omax Cotspin Pvt Ltd., Mei Sheng Textiles Vietnam Co. Ltd. and so forth.

Since inception the Company has been maintaining a regular relationship with its client base wherein PERSONAL SHOP, Mascot International, Celio International, Holfiers, and LIDL are the major export customers where Mascot International topped the list with placed order amount of BDT 1,216.87 million in 2024. As per financial information during 2024 the Company generated total revenue of BDT 7,604.6 million.

Table 05: Buyers List

Buyer Name	Country	Value in Mln	Percentage in 2024
PERSONAL SHOP		275.51	3.62%
SPRINTER MEGACENTROS DEL DEPORTE		244.08	3.21%
Ted Bernhardt		83.6	1.10%
Pentex		701.89	9.23%
Ostin		59.1	0.78%
Mascot International		1216.87	16.00%
Celio International		858.33	11.29%
Holfiers / Tee Jays		108.7	1.43%
Esprit		45.46	0.60%
GUESS Eur Sagl		565.75	7.44%
CARREFOUR IMPORTS SAS		666.1	8.76%
Others		2,779.20	36.55%
Total		7,604.59	100.00%

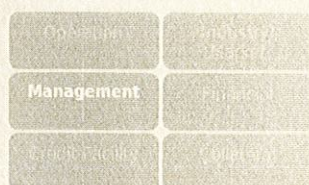
In January 2019, the Management of EKCPLC started the construction of a ten stored factory building at Valuka, Mymensingh on 1,397.0 decimal owned land named- L' Esquire Limited due to certain restriction of distance for the establishment of bonded warehouse. L' Esquire Limited is a subsidiary concern of EKCPLC wherein Esquire Knit Composite PLC holds 99.0%. Till June 2023, the Company's estimated total project cost was BDT 5,766.35 million, however, their project cost was revised during 2023 due to increased cost of Building & civil construction. As on September 2024, EKCPLC has raised BDT 1,500.0 million from IPO, BDT 1,176.0 million from IFC, BDT 2,055.45 million from equity and BDT 336.4 million from bank loan. The Management has a plan to arrange the residual fund from DEG-German Investment Corporation and local banks. The fund raised by EKCPLC is being utilized for L' Esquire Limited wherein the IPO fund is utilized for land development, building and civil construction, while the IFC fund for machinery purchase and installation.

Table 06: Project Cost (Mill. BDT)

Particulars	Project cost	Cost Incurred as of 30 Sept.' 24	Cost to be incurred
Land & Development	45.00	45.00	-
Building & civil construction	3,529.71	2,831.21	698.5
Machineries	1970.46	1,970.46	-
Furniture & Fixture	19.55	19.55	-
Vehicle	4.64	4.64	-
Others	196.99	196.99	-
Total Fixed Cost	5,766.35	5,067.85	698.5

Table 07: Fund Utilization as of 30 Sept., 2024 (BDT. Mill)

Source of Fund	Total Fund Raised	Additional Fund Required
IPO (EKCPLC)	1,500.00	
IFC (EKCPLC)	1,176.00	
Equity (for fixed assets)	2,055.45	
Bank Loan	336.40	698.50
Sub Total	5,067.85	698.50
Total		5,766.35



No major change has been noticed in the management team of the company during the period under surveillance. The Board of Esquire Knit Composite PLC consists of (06) six members, where Piara Hossain Chairman, Mr. Md. Ehsanul Habib Managing Director and Mr. Arifur Rahman and Md. Muddasar Hossain Non-Executive Directors and Mr. A. K. M. Shamsul Areefin and Mr. Md. Mozammel Hossain, FCA is Non-Executive and Independent Directors. According to the audited financial statement of 2024, the authorized capital of the Company was BDT 2,000.0 million while the paid-up capital was BDT 1,348.96 million divided into 134,895,833 ordinary shares of BDT 10.0 each.

Table 08: Share Holding Position of EKCPLC

Name	Designation	% Of Share Holding
Mrs. Piara Hossain	Chairman	2.73%
Mr. Md. Ehsanul Habib	Managing Director	11.14%
Mr. Arifur Rahman	Director	5.87%
Mr. Md. Muddasar Hossain	Director	5.87%
Mr. Md. Mofazzal Hossain	late	21.34%
Esquire Dyeing Industries Limited		21.93%
Esquire Accessories Limited	Institution	0.90%
Esquire Electronic Limited		4.34%
General Public and Institution		25.87%
Total		100.00%

EKCPLC has several top managers having considerable working period with the Company. During the surveillance period, the top management profile of the Company remains almost intact. The management is a mix of group and company specific personnel. There are four General Managers to see the logistics, knitting, fabric dyeing and maintenance sections. Two other General Managers look after Marketing and Accounts departments. They are assisted by several managers and executives of respective departments. At present, corporate office of EKCPLC has around 98 officers, 873 staff & 5,577 workers. EKCPLC has around 6,919 employees, staff, and workers in the factory. The Company uses both IT infrastructure as well as hard copy files to keep its management information which eventually help the Head Office to control and monitor the operation of different units.

Operational	Business
Management	Financial
Credit Facility	Collateral

The revenue source of the Company is through export of different types of knit garments. The Company mainly exports its products to different European countries and USA.

During the surveillance period, the overall performance of the company has been improved. Total revenue has been found to be BDT 7,604.6 million in 2024 and BDT 7,514.8 million in 2023 registering 1.2% growth compared to previous year. The cost of goods sold of the Company increased to 83.1% in 2024 from 82.0% in 2023 which led the gross profit margin decline to 16.9% from 18.0%. Despite of lower gross profit margin, the bottom line profit margin has been improved and stood at 1.9% in 2024 against 1.6% in previous year which is mainly for significant improvement of administrative expense during the period. Total administrative and selling expense stood at BDT 651.2 million in FY2024 against BDT 778.9 million in previous year.

The operating cycle of the Company stable at 265 days wherein the inventory processing period decreased to 212 days. The led time of the inventory processing increased which reflected the efficiency of the Company to convert its inventory into sales.

Total equity of the Company has been increasing over the years due to injection of retained earnings and stood to BDT 8,928.1 million. On the other hand, total borrowed fund of the Company increased in the form of long term due to the construction of new factory and ETP plant to BDT 7,133.0 million from BDT 5,801.3 million, but high equity compared to increased borrowed fund kept the leverage position favorable followed by 0.9x debt ratio and 7.5x borrowed fund/ EBITDA as on June 30, 2024. In addition, EBIT to interest expense stood 1.5x in 2024 compared to 1.6x in 2023 revealing moderate coverage position of the Company.

Operational	Business
Management	Financial
Credit Facility	Collateral

The Company has availed credit facilities from Eastern Bank PLC, Jamuna Bank PLC, UCBPLC, EBPLC, IDLC Finance Limited and IPDC Finance PLC. EKCPLC has also availed a foreign term loan of USD 22 million from International Finance Corporation which is equivalent to BDT 1,176.0 million to finance expansion project located at Valuka. In April 2022 the Company started new banking relationship with Al-Arafah Islami Bank PLC who took over the liability of Dutch Bangla Bank PLC except Stimulus Fund. However, detail of loan liability position as per management information is given in Appendix-1.

APPENDIX – 1: CREDIT FACILITIES OF ESQUIRE KNIT COMPOSITE PLC

Loan Type	Nature	Bank	Nature of Facility	Limit	Outstanding	Limit Expiry
Long Term	Funded	Al-Arafah Islami Bank PLC	Term Loan- HPSM (Industrial)	1,981.6	1,656.9	24/04/2030
		Jamuna Bank PLC	Term Loan	30.0	5.8	29/01/2025
			Term Loan	20.0	6.4	29/01/2025
		IPDC Finance PLC	Lease Finance	100.0	103.3	08/06/2025
		IFC	Term Loan- USD 14.0 Mill	1,176.0	857.1	15/12/2025
		IDCOL	Long Term Loan	750.0	622.7	26/12/2030
		Lankan Alliance Finance Ltd.	Long Term	300.0	307.1	27/01/2028
Total Long-Term				4,357.6	3,559.3	
Short Term	Funded		Overdraft	600.0	674.4	Revolving
		Al-Arafah Islami Bank PLC	Packing Credit			
			LTR	100.0	Nil	Revolving
			Bill Discounting/LDBP	200.0	126.1	Revolving
			Export Cash Credit		-	30/09/2025
			Time Loan (Inner Limit)	150.0	286.3	30/09/2025
		United Commercial Bank PLC	Overdraft	100.0	95.0	30/09/2025
			LTR	50.0	-	30/09/2025
			Bill Discounting/LDBP	100.0	-	30/09/2025
			OBU Discounting/FBPD	150.0	-	30/09/2025
			Taqwa Salam Working Capital	130.0	-	30/09/2025
			Export Cash Credit	125.0	62.5	31/08/2025
		Eastern Bank PLC	Overdraft	30.0	30.9	31/08/2025
			Time Loan	-	64.4	31/08/2025
			Bill Discounting/LDBP	150.0	-	31/08/2025
		Bank Asia PLC	STL	250.0	154.2	29/10/2026
		SBAC Bank PLC	STL	250.0	249.6	19/11/2027
		Shimanto Bank Limited	STL	250.0	255.4	08/02/2025
Total Short Term Funded Limit				2,635.0	1,998.8	
Short Term	Non-Funded	Al-Arafah Islami Bank Ltd.	BB LC/ EDF/ Acceptance Liability	2850.0	1778.4	Revolving
			Letter of Guarantee	280.0	6.01	Revolving
			BB LC/ EDF/ Acceptance Liability	1600.0	1,247.4	30/09/2025
		United Commercial Bank PLC	SLC/ULC/UPAS LC (Machinery	(50.0)	-	30/09/2025
			SLC/ULC/UPAS LC	200.0	-	30/09/2025
			Letter of Guarantee	400.0	356.8	30/09/2025
			BB LC/ Acceptance Liability	1,800.0	314.1	31/08/2025
		Eastern Bank PLC	EDF		251.2	31/08/2025
			Letter of Guarantee	10.0	-	31/08/2025
			LC (sight)-Machinery	50.0	-	31/08/2025
Total Short Term Non-Funded Limit				7,190.0	3,953.9	

Note:

- Bank Liabilities are based on 30/09/2024
- Loan limit of Al-Arafah Islami Bank PLC is jointly Sanction for Esquire Knit Composite PLC and Esquire Dyeing Industries Limited.
- No banker's feedback found and liability position has been provided by the client.
- Collateral: 1082.1 decimal land with FSV of BDT 1,909.6 million with Al-Arafah Islami Bank PLC and Eastern Bank PLC

APPENDIX – 2: RATING HISTORY OF ESQUIRE KNIT COMPOSITE PLC

Date of Rating	Entity Rating	Long Term Loan Rating	Short Term Loan Rating	Outlook
19 November, 2023	AA ₃	AA ₃ (Lr)	ST-3	Stable
20 November, 2022	AA ₃	AA ₃ (Lr)	ST-3	Stable
05 December 2021	AA ₃	AA ₃ (Lr)	ST-3	Stable
21 January 2021	A ₁	A ₁ (Lr)	ST-3	Stable

APPENDIX – 3

Type of Statement: Five years audited financial statements (FYE 30/06/2020, 30/06/2021, 30/06/2022, 30/06/2023 and 30/06/2024).

(Figures in Million. BDT)

	Period	30/06/2024	30/06/2023	30/06/2022
Earnings & Stability	Revenue	7,604.6	7,514.8	10,014.3
	Revenue Growth (%)	1.2	(25.0)	26.7
	CoGS as % of Revenue	83.1	82.0	84.0
	EBITDA	946.5	863.6	985.9
	EBITDA Margin (%)	12.4	11.5	9.8
	Net Profit after tax	142.2	117.8	327.5
Profitability	Gross Profit Margin (%)	16.9	18.0	16.0
	Operating Profit Margin (%)	8.4	7.7	7.1
	Net Profit (after tax) Margin (%)	1.9	1.6	3.3
	Return on Average Asset (%)	0.8	0.7	2.2
	Return on Average Equity (%)	1.6	1.3	3.7
	Current Ratio (x)	1.4	1.4	1.7
Liquidity	Quick Ratio (x)	0.8	0.7	0.7
	Inventories	3,722.6	3,599.9	3,738.2
	Average Inventory Processing Period (Days)	212	218	155
	Accounts Receivables	1,544.5	632.6	1,297.6
	Average Receivable Collection Period (Days)	53	47	47
	Total Payables	510.7	974.1	1,185.4
Leverage	Average Payable Payment Period (Days)	43	64	48
	Operating Cycle (Days)	265	265	202
	Cash Conversion Cycle (Days)	222	201	154
	Total Equity	8,928.1	8,857.4	8,811.2
	Total Liability	8,395.5	7,496.7	6,717.5
	Total Assets	17,323.6	16,354.1	15,528.6
Coverage	Total Borrowed Fund	7,133.0	5,801.3	4,899.1
	Total Long Term Borrowed Fund	2,047.0	1,990.6	2,428.4
	Fund Flow from Operation (FFO)	430.4	388.7	582.1
	Cash Flow from Operation (CFO)	(1,048.6)	(290.5)	318.3
	Total Liability to Total Equity (x)	0.9	0.8	0.8
	Total Borrowed Fund to Total Equity (x)	0.8	0.7	0.6
Coverage	Total Borrowed Fund to EBITDA (x)	7.5	6.7	5.0
	FFO to Total Borrowed Fund (%)	6.0	6.7	11.9
	CFO to Total Borrowed Fund (%)	(14.7)	(5.0)	6.5
	EBIT to Interest Expense (x)	1.5	1.6	2.2

CRAB RATING SCALES AND DEFINITIONS –Long Term (Corporate)

CRAB's Long Term Rating Scale	BSEC's equivalent Rating Notches	Definition
AAA Triple A	AAA Triple A	Companies rated in this category have extremely strong capacity to meet financial commitments. These companies are judged to be of the highest quality, with minimal credit risk.
AA ₁ , AA ₂ , AA ₃ * Double A	AA+, AA, AA- Double A	Companies rated in this category have very strong capacity to meet financial commitments. These companies are judged to be of very high quality, subject to very low credit risk.
A ₁ , A ₂ , A ₃ Single A	A+, A, A- Single A	Companies rated in this category have strong capacity to meet financial commitments, but are susceptible to the adverse effects of changes in circumstances and economic conditions. These companies are judged to be of high quality, subject to low credit risk.
BBB ₁ , BBB ₂ , BBB ₃ Triple B	BBB+, BBB, BBB- Triple B	Companies rated in this category have adequate capacity to meet financial commitments but more susceptible to adverse economic conditions or changing circumstances. These companies are subject to moderate credit risk. Such companies possess certain speculative characteristics.
BB ₁ , BB ₂ , BB ₃ Double B	BB+, BB, BB- Double B	Companies rated in this category have inadequate capacity to meet financial commitments. Have major ongoing uncertainties and exposure to adverse business, financial, or economic conditions. These companies have speculative elements, subject to substantial credit risk.
B ₁ , B ₂ , B ₃ Single B	B+, B, B- Single B	Companies rated in this category have weak capacity to meet financial commitments. These companies have speculative elements, subject to high credit risk.
CCC ₁ , CCC ₂ , CCC ₃ Triple C	--	Companies rated in this category have very weak capacity to meet financial obligations. These companies have very weak standing and are subject to very high credit risk.
CC Double C	--	Companies rated in this category have extremely weak capacity to meet financial obligations. These companies are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
C Single C	C Single C	Companies rated in this category are highly vulnerable to non-payment, have payment arrearages allowed by the terms of the documents, or subject of bankruptcy petition, but have not experienced a payment default. Payments may have been suspended in accordance with the instrument's terms. These companies are typically in default, with little prospect for recovery of principal or interest.
D (Default)	D (Default)	D rating will also be used upon the filing of a bankruptcy petition or similar action if payments on an obligation are jeopardized.

**Note: CRAB appends numerical modifiers 1, 2, and 3 to each generic rating classification from AA through CCC, which is equivalent to +(positive) sign, without any assign and - (negative) sign respectively as mentioned in the rating notches of BSEC (CRC) Rules, 2022 (Form XI). The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.*

LONG-TERM RATING: LOANS/FACILITIES FROM BANKS/FIS
(All loans/facilities with original maturity exceeding one year)

Rating	Definition
AAA (Lr) (Triple A) Highest Safety	Loans/facilities rated AAA (Lr) are judged to offer the highest degree of safety, with regard to timely payment of financial obligations. Any adverse changes in circumstances are unlikely to affect the payments on the loan facility.
AA (Lr)* (Double A) High Safety	Loans/facilities rated AA (Lr) are judged to offer a high degree of safety, with regard to timely payment of financial obligations. They differ only marginally in safety from AAA (Lr) rated facilities.
A (Lr) Adequate Safety	Loans/facilities rated A (Lr) are judged to offer an adequate degree of safety, with regard to timely payment of financial obligations. However, changes in circumstances can adversely affect such issues more than those in the higher rating categories.
BBB (Lr) (Triple B) Moderate Safety	Loans/facilities rated BBB (Lr) are judged to offer moderate safety, with regard to timely payment of financial obligations for the present; however, changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal than for issues in higher rating categories.
BB (Lr) (Double B) Inadequate Safety	Loans/facilities rated BB (Lr) are judged to carry inadequate safety, with regard to timely payment of financial obligations; they are less likely to default in the immediate future than instruments in lower rating categories, but an adverse change in circumstances could lead to inadequate capacity to make payment on financial obligations.
B (Lr) High Risk	Loans/facilities rated B (Lr) are judged to have high risk of default; while currently financial obligations are met, adverse business or economic conditions would lead to lack of ability or willingness to pay interest or principal.
CCC (Lr) Very High Risk	Loans/facilities rated CCC (Lr) are judged to have factors present that make them very highly vulnerable to default; timely payment of financial obligations is possible only if favorable circumstances continue.
CC (Lr) Extremely High Risk	Loans/facilities rated CC (Lr) are judged to be extremely vulnerable to default; timely payment of financial obligations is possible only through external support.
C (Lr) Near to Default	Loans/facilities rated C (Lr) are currently highly vulnerable to non-payment, having obligations with payment arrearages allowed by the terms of the documents, or obligations that are subject of a bankruptcy petition or similar action but have not experienced a payment default. C is typically in default, with little prospect for recovery of principal or interest. C (Lr) are typically in default, with little prospect for recovery of principal or interest.
D (Lr) Default	Loans/facilities rated D (Lr) are in default or are expected to default on scheduled payment dates.

*Note: CRAB appends numerical modifiers 1, 2, and 3 to each generic rating classification from AA through CCC. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category, which is equivalent to + (positive) sign, without any assign and - (negative) sign respectively as mentioned in the rating notches of BSEC (CRC) Rules, 2022 (Form XI).

SHORT-TERM CREDIT RATING: LOANS/FACILITIES OF BANKS/FIS
(All loans/facilities with original maturity within one year)

CRAB's Short Term Rating Scale	BSEC's equivalent Rating Notches	Definition
ST-1 Highest Grade	ST 1	This rating indicates that the degree of safety regarding timely payment on the loans/facilities is very strong.
ST-2 High Grade	ST 2	This rating indicates that the degree of safety regarding timely payment on the loans/facilities is strong; however, the relative degree of safety is lower than that for issues rated higher.
ST-3 Adequate Grade	ST 3	This rating indicates that the degree of safety regarding timely payment on the loans/facilities is adequate; however, the issues are more vulnerable to the adverse effects of changing circumstances than issues rated in the two higher categories.
ST-4 Marginal	ST 4	This rating indicates that the degree of safety regarding timely payment on the loans/facilities is marginal; and the issues are quite vulnerable to the adverse effects of changing circumstances.
ST-5 Inadequate Grade	ST 5	This rating indicates that the degree of safety regarding timely payment on the loans/facilities is minimal, and it is likely to be adversely affected by short-term adversity or less favorable conditions.
ST-6 Lowest Grade	ST 6	This rating indicates that the loans/facilities are expected to be in default on maturity or is in default.

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