

**Credit Rating Report****Advanced Development Technologies Limited**

Rating Awarded : **A₁**
 Date of Rating : 06 April 2010
 Valid Till : 30 June 2011

1.0 RATIONALE

Credit Rating Agency of Bangladesh Ltd (CRAB) has assigned 'A₁' (Pronounced Single A One) rating to Advanced Development Technologies Limited (ADTL).

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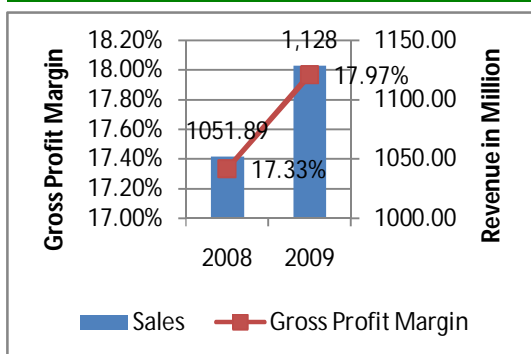
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Corporate entities rated 'A₁' have strong capacity to meet their financial commitments, but are susceptible to the adverse effects of changes in circumstances and economic conditions. These companies are judged to be of high quality, subject to low credit risk.

Financial Highlights

	BDT in Million	
	2009	2008
Revenue	1,128.00	1,051.89
Gross profit	203.00	182.34
EBITDA	98.00	89.00
Current assets	571.44	507.00
Total assets	831.60	750.00
Current liabilities	450.70	383.00
Intermediate-term liabilities	285.70	253.00
Shareholders equity	380.91	367.00
Gross profit margin	17.97%	17.33%
Net profit margin	1.23%	1.97%
EBIT to interest (times)	1.4x	1.95x
Return on asset	1.66%	2.77%
Current ratio (times)	1.27x	1.33x
Debt ratio (all liabilities)	0.54x	0.51x

The rating assigned to ADTL factors in its reputation as a developer in the Dhaka residential property market; knowledge and experience as developer working in Dhaka the centre of real estate developing business in Bangladesh; and its moderate financial profile, supported by real estate prices during the last four to five years. The Company started its first project at Baridhara, Dhaka in 1997, since then it has undertaken about 94 projects, out of which 2,573,961 SFT has been 100% complete and handed over. Work on another 3,657,331 SFT has been going on and there is upcoming project on about 12 acres of land in different areas of the city. ADTL has an in-house construction team, which helps in managing construction cost, quality control and project completion timelines. The Company has consistently maintained moderate leverage level due to a relatively less aggressive strategy on land acquisitions and a lower reliance on debt during the project initiation stage; advances and retained earnings have normally funded construction costs.



ADTL achieved a CAGR of around 10% in turnover during FY06-FY09 and revenue reached at BDT 1,128.19 million in FY09. This increase was because of booking for several projects in the present fiscal, as the minimum billing levels were achieved for these projects.

With the Company's order book position healthy, the Company is poised for higher turnover levels in the medium term. There had been an improvement in EBITDA margins of the Company since FY07, the main reasons being award of number of projects and control on fixed costs. ADTL has its own Ready-mix Concrete Batching Plant and total revenue of ADTL included BDT 417.67 million from the plant (a backward linkage contributes to the quality and cost effective supply of ready-mix concrete for its own projects) which was 37.02% of revenue.

Net income was lower at BDT 13.82 million in FY09 vis-à-vis BDT 20.75 million in FY08 due to a rise in construction expenses, interest expenses and depreciation charges. The net profit margins (NPM) were slightly lower at 1.23% in FY09 vis-à-vis 1.97% in FY08, though the difference in level is quite low.

The working capital utilization of the Company increased from BDT 114.42 million in FY07 to BDT 124.70 million in FY08 - and further to BDT 380.91 million by 31 December 2009. ADTL had negative free cash flow of BDT 75.24 million, due to substantial investment for land purchases at Gozaria and Ashulia for the purpose of factory construction in FY09. The increase in developmental activity by ADTL in the last two years has resulted in increased debt. Total debt increased from BDT 228.13 million in FY07 to BDT 279.11 million in FY08 and to BDT 287.94 million as of 31 December 2009. The total debt/equity stood at 1.19x in FY09 from 1.11x in FY08. Total debt/EBITDA was 2.94x in FY09 vis a vis 3.14x in FY08. The Company would however rely on both debt and retained earnings to fund its asset growth. About 90% of total debt (excluding advances received from parties) was medium term in nature with an average maturity of 3 to 4 years. Interest coverage & debt / EBITDA for the FY09 were 1.40 x and 2.94x respectively. The growth of BDT 216.44 million in the current assets between FY06-09 had been matched by an increase of BDT 229.71 million in current liabilities & project advances during the same period.

Further, ADTL availed SOD and house building loan facilities from different banks and outstanding loan stood at BDT 459 million against limit of BDT 650 million, left around 30% unutilized. Loans and secured overdraft facilities were backed by collateral. The rating draws comfort from the facts that i) ADTL's transaction with banks were regular and satisfactory; ii) interest and principal amount were being paid regularly as per terms of repayment; iii) there were no instances of overdue of loan by the Company or its sister concerns; and iv) there were no events of reschedule or default of the client in the last three years as certified by its respective banks.

Key risks identified in the analysis include the tight cash flow position, aggressive leverage position, moderate financial parameter, possibility of delay in construction having impact on cash flows; aggressive growth plan; and expansion into new areas with different operating environments. With the sector experiencing a spurt in construction activity, the ability to manage this scale of growth would remain a challenge for the Company. Implementation of Enterprise Resource Planning (ERP) and induction of professionals at senior management level is a step taken to mitigate some of these risks. The Company has debt repayments in coming years, and the risks of these remain as well as growth remaining debt-funded. These are mitigated to a certain extent by a



substantial proportion of the properties having been pre-sold, allowing ADTL to refinance the same against development costs.

2.0 RATING DRIVERS

Six core factors drive CRAB's real estate company ratings outcome. Each core factor also contains a number of key sub elements. The 6 core factors are:

1. Internal Operating Environment
2. External Operating Environment
3. Market Position
4. Profitability and Sustainability of Cash Flow
5. Liquidity and Funding
6. Leverage and Capital Structure
7. Security and Relationship Risk

3.0 INTERNAL OPERATING ENVIRONMENT

Crab analyzed internal operating environment for Advanced Development Technologies Ltd with focus on track record, corporate structure, management vision, and risk appetite, which are discussed below in detail:

3.1 Company Track Record

Advanced Development Technologies Ltd (ADTL) came into being in 1994 as a Private Limited Company with the objective to make affordable home for city dwellers in various parts of the capital city. From its inception in 1994, the Company has earned the confidence and good will of its clients. ADTL's main concentration has been in the prime, up market locations of Gulshan, Banani, Baridhara, Dhanmondi and Uttara of Dhaka city, the emphasis being on sound construction and aesthetic design. However, the Company has also started construction in areas like Motijheel, Savar, and Siddique Bazar etc where it is capturing the market for middle-income people. Advanced Development Technologies Ltd has handed over a good number of projects in different locations of Dhaka city.

In recognition of commitment to quality and management efficiency, ADTL has been awarded with internationally renowned SUPERBRANDS award in 2009. To achieve this distinguished position, ADTL has developed a strong team of skilled, experienced professionals to work under its competent management. The Company currently has 500 permanent employees working, most of them being qualified and experienced in their respective fields. It also has 400 temporary workers.

Embarking on a business diversification program, ADTL operates a fully automated concrete batching plant with modern technology, producing high strength and quality concrete to cater to the existing demand of the construction sector. The firm is also establishing a modern production facility for manufacturing EPS (Expanded Polystyrene) at Gozaria for use as insulation for building. This product is a key raw material for building low cost houses. Another factory for concrete blocks and bricks is coming up in Ashulia soon.

