Credit Rating Report

Apex Lingerie Limited

Rating

Long Term	: **A_1**
Date of Rating	: 10 March 2010
Valid Till	: 31 December 2010

Analysts:

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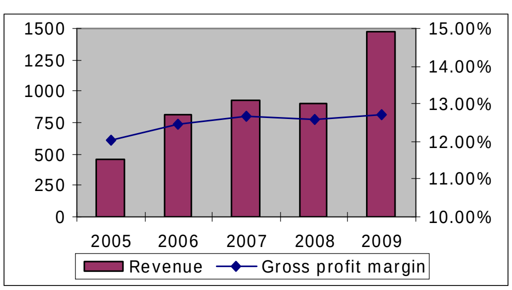
Financial Highlights

BDT in Million

	2008	2009
Sales	900.31	1,476.37
Gross profit	113.38	187.84
EBITDA	164.42	204.42
Current assets	250.47	417.85
Total assets	586.03	748.84
Current liabilities	316.83	438.85
Long term liabilities	67.02	21.61
Shareholders equity	202.18	288.38
Gross profit margin	12.59%	12.72%
Net profit margin	4.65%	5.84%
EBIT to interest (times)	2.51	3.98
Return on asset	7.39%	12.92%
Current ratio (times)	0.79	0.95
Debt ratio (all liabilities)	65.50%	61.49%



1.0 RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has assigned **'A_1'** (Pronounced single A one) rating in the Long Term to Apex Lingerie Limited (hereafter referred to as ALL or the Company) in view of the performance of the Company for the business year 2009 and other relevant information.

Corporate entities rated **A_1** in the long term belong to 'Strong Capacity' cohort. Such companies 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 and are subject to low credit risk.

CRAB has performed the present rating assignment based on audited financial statements of June 2009 and other relevant information. The rating also takes into account business profile, past record and trend of operating performance, balance sheet strength and loan payment history.

Apex Lingerie Ltd was incorporated as a private limited company in 1998 with the aim to produce women undergarments of different categories and export to USA and different European countries having the manufacturing facilities of high quality knitting, dyeing, printing, sewing and finishing. The factory is located at Chandora, Kaliakoir in Gazipur District. There are three other companies including two knit garments company located at the same premises from which ALL is getting synergy.

ALL started its commercial production with a capacity of 2.88 million Pcs in 2000 which reached to 15.30 million Pcs in 2009 with regular expansion. Moreover the Company has the opportunity for further expansion. Total production of the Company largely increased to 12.53 million Pcs in 2009 from 8.24 million Pcs in 2008 registering a utilization rate of 81.59% which was 58.57% in 2008 irrespective of increase in installed capacity. The Company's dependence on imported raw material is moderately high, 64.55% in 2009 and 67.02% over the five-year period ended 2009 due to nature of products and requirement of buyers, which may eventually generate the risk of lead time, foreign currency fluctuation and price volatility in international market.

The sale revenue of the Company largely increased to BDT 1,476.37 million in 2009 from BDT 900.31 million in 2008 registering a growth of 64%. The rating considers the sound sales growth over the years (2005-09: 38%) along with 3% decline in 2008 and decline in sales for the first half of the upcoming financial year. The gross profit margin slightly increased to 12.72% in 2009 from 12.59% in 2008 where the operating profit margin declined to 7.80% in 2009 from 8.38% in 2008 due to large increase in operating expense. However the Company maintained its continuous increasing trend in net profit margin which stood at 5.84% in 2009 from 4.65% in 2008 due to decrease in financial expense and increase in other income in the form of bank interest on FDR and STD Account.

The debt to equity ratio of the Company improved over the year due to repay of loan and increase of equity in the form of retained earnings resulting in improved coverage ratios. The debt ratio considering only long tem debt (2.89%) was very low in 2009. However the leverage position considering the all liabilities reveals moderate leverage position of the Company. The large increase in FFO and CFO coverage reveals sound financial flexibility. From the banker's confidential report it is found that the Company has satisfactory relation regarding financial issues having no rescheduling and default history.

The Company maintained current ratio at less than one over the last four years which reveals stringent position of honoring short term obligation. However the negative cash conversion cycle resulting from long days in payable compared to receivable and inventory turnover eventually facilitates the company to meet its short term obligation.

The rating also considers ownership structure, group support and sponsor's involvement in operation. Total shareholders' equity (excluding proposed dividend) of the Company stood at BDT 288.38 million in 2009 which was BDT 202.18 million in 2008 registering a growth of 42.5% in the form of retained earning due to large increase in sales and profit. Total equity comprises BDT 86.92 million (30.14%) share capital, BDT 15.83 million (5.49%) reserve and surplus and BDT 185.63 million (64.37%) retained earnings.

The rating also considers factory setup, specialized products, raw material procurement strategy, the facilities provided to labor, achievement of several awards and quality control system to maintain customer confidence. The management of the Company is not likely to pose any severance threat for ALL as it is an old and established organization having good succession planning. There are easy access to data and quick flow of information regarding production, labor, stocks and sales related issues which eventually help the Head Office to effectively control and monitor the operation of the factory.