

Credit Rating Report Global Beverage Company Limited

Long Term Rating : **BB₂**
 Date of the Rating : **30 March 2010**
 Valid Till : **31 December 2010**

Analysts:

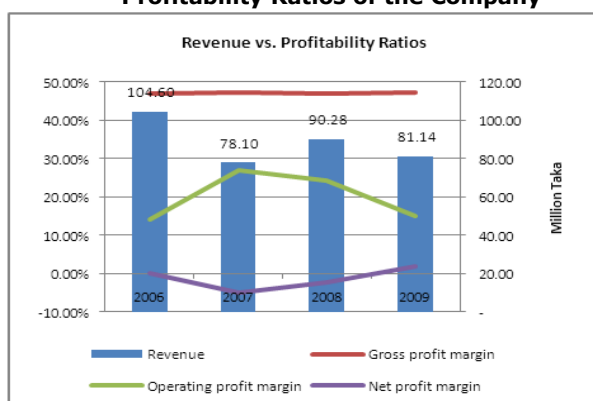
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Financial Highlights

(Amount in BDT million)

Particulars	2007-08	2008-09
Paid-up Capital	100	100
Total Assets	546.36	535.34
Shareholders' Equity	162.18	193.71
Total Liabilities	384.19	341.63
Total Turnover	90.28	81.14
Net Profit	(1.95)	1.53
Current Ratio	24.12x	5.49x
Debt-Equity Ratio	2.37x	1.76x
DSCR	0.40x	0.18x
Borrowed Funds/ EBITDA	9.81x	10.45x
Interest Coverage Ratio	0.92x	1.25x
Gross Profit Margin	47.04%	47.30%
Net Profit Margin	-2.16%	1.89%
Return on Assets	-0.34%	0.28%
Return on Equity	-1.20%	0.86%

Profitability Ratios of the Company

1.0 RATIONALE:

Credit Rating Agency of Bangladesh Ltd. (CRAB) has assigned **BB₂ (Double B Two)** rating in the long term to Global Beverage Company Limited (hereinafter referred to as GBCL or the Company) based on the audited financials of FY 2008-2009 and other relevant information.

Corporate entities rated **BB₂** in the long term belong to 'Inadequate Capacity' group. Corporate entities rated in this category have inadequate capacity to meet financial commitments. They may have major ongoing uncertainties and exposure to adverse business, financial, or economic conditions. These companies have speculative elements, subject to substantial credit risk

The rating reflects the Company's strength with its moderate financials and moderate business risk. Financial Solvency, wide range of markets, reputation & goodwill for performing contractual obligation, captive power generation with gas, sufficient warehouse facility to procure & store raw material for at least 6 months, and experience & knowledge base of 10 years in soft drinks manufacturing have been considered. The rating also factors experience of the management and credit history.

Global Beverage Company Limited, an ISO 9001: 2000 Certified Company is the sole bottler and franchise holder of Virgin Drinks and Zam Zam drinks in Bangladesh. The Company was pioneer in introducing PET bottle and slim-line 250 cans. The Company's factory is located at Baniar Chala, Bagher Bazar, Joydevpur, Gazipur. The Production capacity is 100 PET bottles/minute and 300 can/minute. They are occupying 5th position (sales Volume) in the competitive soft drinks market.

At 100% capacity, the company is able to produce 1,800,000 case bottles per year. In FY 2008-09 the Company produced 1,224,611 case bottles. Capacity utilization of the company in FY 2008-09 was 68.03%.

Company's revenue from sales experienced substantial decline -10.12% in 2009, indicating the declining demand for the Company's products. In 2009, turnover declined by BDT 9.14 million than that of 2008.

Total asset turnover was 0.15 and 0.16 times and fixed asset turnover was 0.44 and 0.42 times in 2009 and 2008 respectively, indicating very low asset utilization.

Return on assets of the Company was 0.28% in 2009 which was -0.34% in 2008. Return on equity of the Company was 0.86% in 2009 which was -1.20% in 2008.

Current ratios of the Company were 24.12x and 5.49x and quick ratios were 2.70x and 0.51x in FY 2008 and 2009. The high liquidity position of the Company reflected by current ratios was because the Company kept a lot of inventory tied up in its current assets. The Company had significant amount of opening inventory throughout the last four years from 2006 to 2009, for which the Company's current ratios were high.

Asset coverage ratio ACR of GBCL was 1.65 times in 2009 which was 1.44 times in the previous year. The times interest earned also shows the Company's ability to cover its interest payments. Interest coverage ratio of GBCL was 1.25 times in 2009 which was 0.92 times in the previous year. In 2007 the Company had interest coverage ratio of 0.84 times. Interest coverage ratio has been increasing over the last two years indicating its increasing ability to cover debt obligations with its earnings.

Global Beverage Company Limited maintains its banking activities with Islami Bank Bangladesh Limited. The banker's confidential report states that their dealing with the Bank has been satisfactory after rescheduling. The profit (interest) and principal payment was paid timely and there was no overdue by the subject after rescheduling total amount of loan disbursed by Islami Bank Bangladesh Ltd to GBCL was BDT 632.12 million, the Company repaid BDT 378.28 million and amount outstanding was BDT 253.83 million on 22 April 2010. In Bai Murabaha loan the Company has a sanctioned limit of BDT 350 million.

2.0 Company Profile

Global Beverage Company Limited, an ISO 9001: 2000 Certified Company is the sole bottler and franchise holder of Virgin Drinks and Zam Zam drinks in Bangladesh. The Company was pioneer in introducing PET bottle and slim-line 250 cans. The Company's factory is located at Baniar Chala, Bagher Bazar, Joydevpur, Gazipur. The Production capacity is 100 PET bottles/ minute and 300 can/ minute.