

Credit Rating Report
LIZ Fashion Industry Limited
Rating

Long Term : **BBB₁**
 Date of Rating : 16 June 2010
 Valid Till : 30 June 2011

Analysts:
Md. Farjad Siddiqui

Financial Analyst
 farjad@crab.com.bd

Razib Ahmed

Senior Financial Analyst
 razib.ahmed@crab.com.bd

Financial Highlights

	2008	2009
(Months)	(12)	(12)
Net Sales (BDT Million)	1,202.72	1,432.92
EBITDA (BDT Million)	155.72	178.53
EBITDA Margin	12.9%	12.5%
Net Profit Margin	7.73%	7.66%
Return on Asset	12.1%	11.1%
Quick Ratio (x)	0.61	0.68
Cash Conversion Cycle (Days)	40.01	40.41
Debt to Equity (x)	1.22	1.18
Borrowed Fund to EBITDA (x)	2.55	2.76

■ RATIONALE

Credit Rating Agency of Bangladesh Ltd (CRAB) has assigned '**BBB₁**' (**pronounced Triple B one**) rating in the long run to LIZ Fashion Industry Limited (hereafter referred to as LIZ or the Company) in view of performance of the Company for 2009 and other relevant information.

Corporate entities rated '**BBB₁**' in the long term belong to category with adequate capacity to meet financial commitments but are more susceptible to the adverse effects of changes in circumstances and economic conditions. These companies are subject to moderate credit risk with some speculative elements.

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

LIZ Fashion Industry Ltd was incorporated in 1997 as a private limited company with a limited capacity and machineries imported from China to produce 100% export quality undergarments. Productive capacity is divided into three distinct production divisions with modern machineries to support the growing nature of the business. Since inception, productive capacity has been gradually expanding.

As a fully export oriented business, basic revenue of LIZ comes from producing and marketing undergarments items, T-shirt, fleece jacket and other knit items. Besides that, a small portion comes from investment income and sale of wastage materials. Revenue increased at an average rate of 40.42% over last five years. This achievement is generated from escalation in both quantities sold and unit price of output. LIZ markets its products to European Union, USA and Canada. The experienced human resource of LIZ always try to serve customer in best possible way that makes them enable to maintain a relatively sound customer relationship.

With the expanding nature of operation, LIZ has to invest heavily in capital machinery and inventory that acts behind the more dependence on short-term bank loan to finance operation. However, over time, they maintained very stringent credit policy with average collection



period of only 22 days in 2009, which is much less than that of comparables and it is reflected in average cash realization from sales, which was 98.8% of sales over last five years on average.

Debt to equity and debt to capitalization ratios were 1.18 and 0.52 respectively in 2009, which were 0.68 and 0.36 in 2005. This relatively higher debt level pushed the coverage ratios somewhat downward, which remained at a safer level than that of maximum comparables. In addition, shareholders' equity rose to BDT 453.96 million in 2009 from BDT 124.47 million in 2005, which caused mainly from internally generated profit with relatively small injection of fresh equity financing.

The loan payment history of LIZ has considerable significance in assigning the rating. Currently they have both short and long-term loan facilities with United Commercial Bank Ltd. They have record of accomplishment of timely payments of stipulated loan installments with no overdue or rescheduling.