

Credit Rating Report

WAC Logistics Ltd.

Rating

Long Term : **BBB₁**
 Date of Rating : 28 February 2010
 Valid Till : 31 December 2010

Analysts:
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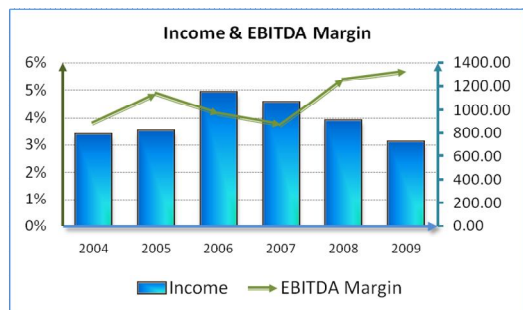
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Financial Highlights

	BDT in Million	
	2008	2009
Revenue	907.45	723.45
Gross profit	48.92	41.07
EBITDA	258.14	220.70
Current assets	332.22	300.18
Total assets	198.90	125.00
Current liabilities	13.61	45.21
Long term liabilities	119.72	122.42
Shareholders equity	5.01%	5.20%
EBITDA to interest	4.59	3.94
EBIT to interest	3.66	1.95
Return on average asset	15.42%	11.89%
Current ratio (times)	1.30	1.77
Quick ratio (times)	0.76	0.86
Debt ratio	27.86%	28.78%


1.0 RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has assigned '**BBB₁**' (Pronounced triple B A One) rating in the Long Term to WAC Logistics Limited (hereafter referred to as WACLL or the Company) in view of the performance of the Company for the business year 2009 and other relevant information.

Corporate entities rated **BBB₁** in the long term belong to 'Adequate Capacity' cohort. Corporate entities rated in this category have adequate capacity to meet financial commitments but are more susceptible to adverse economic conditions due to changing circumstances and are subject to moderate 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.

WAC Logistics Ltd was incorporated as a private limited company in 1989 in the name of Wings Air Cargo Ltd with the aim to provide freight forwarding services. Presently the Company is providing all kinds of logistics service like Air shipment, Ocean shipment, Import handling, C & F service, Transportation etc. The income from the services provided for export businesses through air is the key source of revenue (84.51%) for the Company, while income from export service through ocean was 12.67% of the revenue in 2009.

WAC Logistics Ltd's capability to generate income has been extremely considered while assigning the rating. The revenue of the Company sharply declined to BDT 723.45 million in 2009 from BDT 907.45 million in 2008 by 20.28%. Moreover the revenue has been declining from BDT 1,44.61 million in 2006 to BDT 723.45 million in 2009 by 36.80%. The average growth rate over the last four-year period ended 2009 is negative which was - 0.34%. The expenditures also followed the same declining trend over the years, but as percent of income it was very high over the years, ranging from 94% to 96%. Therefore the net profit significantly declined to BDT 11.45 million in 2009 from BDT 27.59 million in 2008 by 58.50% resulting in net profit margin of only 1.58% which was 3.04% in 2008. The Company's EBITDA to average assets and equity declined to 12.99% and 33.92% respectively in 2009 irrespective of decline in total assets and almost stable equity.

The Company maintained almost stable liquidity position over the years (except 2008) where the current ratios was less than two times over the period under analysis. The rating also considers the mismatch between collection of revenue and payment to the parties. The days in receivable deteriorated over the years and stood at 61 days in 2009 from 41 days in 2006. In 2009, BDT 19.25 million receivable (19.05% of total receivable) remained outstanding for more than six months which was 12.95% in 2008. However, the inter-company balance significantly increased to BDT 78.99 million (78.99% of total assets) in 2009 from BDT 11.28 million (5.11% of total assets).

The leverage position considering all liabilities reflects moderate debt based capital structure of the Company. Total shareholders equity of the Company stood at BDT 122.42 million in 2009 which was BDT 119.72 million in 2008 registering a growth of 2.26%. The debt ratio considering borrowed fund remained low over the years. Major contribution of short term loan eventually keeps the credit risk arising from leverage position at low. However the interest and debt service coverage ratio significantly declined to 1.95 and 1.68 times in 2009 from 3.66 times and 3.15 times respectively in 2008. As per banker's confidential report received from concerned banks of the Company it is found that the Company has satisfactory relationship with its banks regarding financial issues having no rescheduling and default history.

The rating also considers the composition of Board, the wide exposure of the Board members, business existence for long time with sound network, structured reporting system with experienced management. The management of the Company is not likely to pose any serious severance for the Company has it is an old an effective and established organization having good succession planning. There is easy access to data and quick flow of information regarding operation and financial issues which eventually help the Company to operate efficiently to maintain the customer confidence. The rating remains constrained by the uncertainty of earning flows, coverage position, industry nature and overall macro factors affecting the export and import of the country.