



**Credit Rating
Report on
AKAND TEXTILE
MILLS LTD.**

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CREDIT RATING REPORT (CRR NO. 002122011)

ENTITY: AKAND TEXTILE MILLS LIMITED (AKTML)

RATINGS SUMMARY

<i>CREDIT RATING- ENTITY</i>	<i>CURRENT</i>	<i>PREVIOUS</i>
Long-Term	A-	N/A
Short-Term	ST-3	N/A
Date	December 28, 2011	

RATINGS EXPLANATION

A-	Long Term: This category for an institution is considered to offer moderate degree of safety for timely repayment of financial obligations. This level of rating has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions compared to the higher-rated categories.
ST-3	Short Term: Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.

Major Rating Factors

Strengths:

- **Domestic focus and forward linkage driving healthy financial outperformance versus peer group.** Akand Textile Mills Ltd. (AKTML) produces yarn for basic garments that is sold exclusively through AKTML's captive distribution outlets. The target market and forward linkage have helped insulate the company from demand volatility in the export oriented Spinning sector. This is evidenced by AKTML's steadily improving financials, including in CY2011, a tough year for the sector.
- **Management's strong operational track record mitigates working capital related risks to a degree.** Inventory and working capital management are key risk points for the Spinning sector; AKTML has intelligent measures in place to reduce this risk and such controls have helped shield the company's profitability from volatility.
- **Debt servicing remains within operational limits, while real estate holdings provide cushion against default.** Over last three years (FY09-FY11) AKTML has serviced its debt expense from operational cash flow, while asset base provides adequate cushion in event of default.

Concerns:

- **Debt to equity level high compared to peer group, but is moderating.**
- **AKMTL is exposed to key-man risk, with Managing Director making all key decisions on a day-to-day basis.**

**AKAND TEXTILE MILLS
ACTIVITY**
Yarn Production and
Marketing

INCORPORATED IN:
2006

CHAIRMAN:
Md. Zahurul Islam

MANAGING DIRECTOR:
Md. Ruhul Amin

TOTAL ASSETS:
Tk. 413.5 Million in FY10

TOTAL EQUITY:
Tk. 12.6 Million in FY10

HEAD OFFICE:
Sur-Naz Garden 28/C-3,
(2nd Floor), Toyenbee
Circular Road, Motijheel,
Dhaka-1000, Bangladesh.