

CREDIT RATING REPORT



Esquire Knit Composite PLC



**CREDIT RATING
AGENCY OF
BANGLADESH LTD.**

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Credit Rating Report (13th Surveillance) Esquire Knit Composite PLC

Particular	Rating	Remark
Esquire Knit Composite PLC	AA ₁	-
BDT 3,559.3 million Long Term Outstanding (LTO)	AA ₁ (Lr)	Vide Appendix - 1
BDT 2,635.0 million short term funded limit	ST-3	
BDT 7,190.0 million a short term non funded limit	ST-3	
Outlook	Stable	-

Lr- Loan rating; ST-Short Term

Date of Rating : 13 November, 2024
 Validity : 30 November, 2025
 Rating basis : Five years audited financial statements (FYE 30/06/2020, 30/06/2021, 30/06/2022, 30/06/2023 and 30/06/2024), Bank Liability position as on 30/09/2024 and other relevant as compiled from client & bankers.
 Auditor : Pinaki & Company, Chartered Accountant.

Methodology: CRAB's Corporate Rating Methodology (www.crab.com.bd)

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Financial Highlights

(Mill. BDT)	30/06/2024	30/06/2023
Revenue	7,604.6	7,514.8
EBITDA	946.5	863.6
EBITDA Margin (%)	12.4	11.5
Net Profit	142.2	117.8
Net Profit Margin (%)	1.87	1.57
Return on Average Assets (%)	0.84	0.74
Quick Ratio (x)	0.8	0.7
Operating Cycle (Days)	265	265
Borrowed Fund to Equity (x)	0.8	0.7
Borrowed Fund to EBITDA (x)	7.5	6.7
Cash Flow from Operation	n.a	n.a
Free Cash Flow	n.a	n.a
EBIT/Interest (x)	1.5	1.6

PROFILE

Table D1: Profile of EKCPCL

Name	Esquire Knit Composite PLC
Company Type	Public Limited Company
Incorporation Date	16 February 2000
Commercial Operation	2000
Managing Director	Mr. Md. Ehsanul Habib
Business Nature	knitting, dyeing, and finishing
Production Capacity	~2,12,710 pieces daily
Utilization	89.8%
Corporate Office	Esquire Tower, 21, Shaheed Tajuddin Ahmed Sarni, Tejgaon, Dhaka-1208
Factory	22/5B Kanchpur, Sonargaon, Narayanganj (142.78 decimal)

RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has retained the rating of Esquire Knit Composite PLC at AA₁ (pronounced Double A Three). CRAB has also retained AA₁(Lr) rating of BDT 3,559.3 million Long Term Outstanding in the long term. CRAB has also retained ST-3 rating to BDT 2,635.0 million short term funded and BDT 7,190.0 million short term non funded limit availed by the Company in the Short Term.

Companies rated in this category have very strong capacity to meet financial commitments. These companies are judged to be of very high quality, subject to very low credit risk.

CRAB has retained the ratings considering the, equity based capital structure, experienced management team, product diversification, irrespective of recent liquidity trend and decline in profitability position. However, the ratings were constrained considering the capacity transfer to its sister concern named L' Esquire Ltd., negative cash flow position and Russia Ukraine war along with present overall situation of the country.

The assigned ratings incorporate the group support, modern and industry standard machineries in production facility, experienced procurement team ensuring quality products, long term relationship with buyers and suppliers and established integrated market to ensure smooth production and to support the growth of the Company.

Assigned rating is warranted and supported in light of their results and in comparison, to the results of peer companies. However, favorable changes in financial matrix along with consistency in operation and business profile may have impact on future rating consideration, and vice versa.

Chief Executive Officer
 Credit Rating Agency



■ COMPANY PROFILE

Esquire Knit Composite PLC (EKCPCL) was incorporated on 16 February 2000 under the companies 'ACT' 1994 as a private limited Company. The factory of the Company is located at 22/58 Kanchpur, Sonargaon, Narayanganj on total land area of 142.78 decimal. Later the Company was converted into a public limited Company and issued shares through initial public offering in April 2019. In addition to the above, the name has been changed to Esquire Knit Composite PLC from Esquire Knit Composite Limited in 2023. Presently, the Company has integrated production facilities including knitting, dyeing, Printing, embroidery, cutting, sewing, and finishing with 85 lines having annual production capacity of 62 million pcs. The Company has obtained standard certifications: ISO 9001, ISO 14001, ISO 18001 under the scope of UKAS system certificate scheme, RSC Certificate and Oeko-TEX standard 100 certificates for using environment friendly dyes and chemical approved by Hohenstein Institute Bangladesh, Global Organic Textile Standard (GOTS) and Organic Content Standard (OCTS).

Paid-up Capital	: BDT 1,348.9 million
Market Category	: A
Year of Listing	: 2019
Listed with	: DSE, CSE
Opening Price	: BDT 21.20
Closing Price	: BDT 22.10
52 Week's Moving Range	: BDT 15.00 – BDT 34.50
Floated Shares	: 134,895,833
Market Capitalization	: BDT 2,846.302 million
Dividend	: 2024: 10% Cash 2023: 10% Cash 2022: 10% Cash
Earnings Per Share (BDT)	: 2024: 1.05
Day's Price Range	: BDT 21.00 – BDT 22.70 (as of 14/11/2024)
Day's Trading Value	: BDT 7.41 million (as of 14/11/2024)
Day's Trading Volume (Shares)	: 341,891.00 (as of 14/11/2024)
Day's Trade (No.)	: 438 (as of 14/11/2024)

■ GROUP STRENGTH

Esquire Group was founded by Mr. Late Md. Mofazzal Hossain, a well-known business personality. However, Mrs. Piara Hossain has been elected as new Chairman of all the concerns of the Group after the demise of Mr. Md. Mofazzal Hossain. The group started its business in the year 1989 with Esquire Electronics Ltd, as a dealer of Electronics products of different international brands like SHARP, Fujitsu General Ltd., and Mitsubishi which deals with diversified product portfolio ranging from home appliances, audio visual products, complete HVAC solution and other high-tech products. Associated concerns of Esquire Group comprise Esquire Electronics Ltd., Esquire Dyeing Industries Ltd., Esquire Accessories Ltd., Esquire Plastics Ltd., Esquire Testing Services (BD) Ltd, Esquire Customer Care Limited, Esquire Sourcing Limited, Esquire Heavy Industries Ltd., Alpha Plastic & Packaging Limited, New Dhaka Ceramic Industries (Pvt.) Limited, Shah Garments International Limited and Sharp Media Limited. The Group has been conducting business operation in diversifies industry which helps the Company to drive the growth as well as contribute to the economy of Bangladesh. The Group has existence in garments manufacturing sector in Bangladesh having all the vital facilities with modern technology and machineries. Worldwide diversified clientele reveals the competency of the Group mitigating the customer related risk. Well diversified raw material procurement sources along with buyer nominated sources mitigate the raw material procurement and supply concentration risk as well as price-volatility-risk of the Group. The Group remains in up gradation and investment phase to expand its production facilities as well as other auxiliary support to ensure growing presence in the garments sector with integrated business facilities.

In 2019 EKCPCL started the construction of a ten stored factory building at Valuka, Mymensingh on 1,397.0 decimal owned land worth of BDT 2,555.0 million (Current Valuation). The factory is named- L' Esquire Limited with composite facility to manufacture 100% export-oriented lingerie items. L' Esquire Limited is the subsidiary of EKCPCL wherein Esquire Knit Composite PLC holds 99.0%. The Company has completed the construction of 10 stored (total 6,60,000 sqft. floor spaces), 54,000 sqft. utility building and 21, 000 sqft. administrative building has

been facilitated on 1,397 decimal owned land. The Company has already installed 57 sewing lines to conduct the production facility, and plan to increase sewing capacity phase by phase up to 200 lines. The Company estimated total project cost BDT 5,766.4 million. As on September, 2024 EKCPCLC has raised BDT 1,500.0 million from IPO, BDT 1,176.0 million from IFC, BDT 2,055.5 million from equity and BDT 336.4 million bank loan in near future. The fund raised by EKCPCLC is being utilized for the associate concern L' Esquire Limited wherein the IPO fund is utilized for land development, building and civil construction, while the IFC fund for machinery purchase and installation. At present, the factory has power supply of 5.0 MW.

Table 02: Associated Companies of Esquire Group

Name of Company	Year	Nature of Business	Daily Capacity
Esquire Knit Composite PLC (EKCPCLC)	2000	Knit garments manufacturer	2,12,710 pcs
Esquire Dyeing Industries Limited (EDIL)	1994	Yarn and fabric dyeing	9 MT
Esquire Accessories Limited (EAL)	2008	Garments accessories manufacturer	7,82,500 pcs
Esquire Plastics Limited (EPL)	2014	Plastic products manufacturer	102,865 pcs
Fuji PVC Pipe & Plastic Industries Limited	2009	Plastic products manufacturer	
Esquire Electronics Limited (EEE)	1989	Consumer electronics products trading	
Esquire Heavy Industries Ltd	2014	TV, Refrigerator assembling	
Thakral Information System Pvt Ltd	1997	IT solutions Provider	
Alpha Plastic & Packaging Limited	2015	Household plastic products	186,850 pcs
L' Esquire Limited	2019	Lingerie's garments manufacturer	1,43,600 pcs

Financial Highlights of Esquire Group (EG) are prepared considering the financial performance of 6 concerns of Esquire Group. The Group has banking relationship with around 17 banks and non-bank financial institutions. The Consolidated sales of the Group stood to BDT 20,572.0 million in 2024. Esquire Knit Composite PLC has been the largest revenue earner over the years with 36.5% revenue contribution in 2024. Thakral Information System Pvt Ltd is the second highest contributor of business of the group contributing ~26.1% of the revenues of the group. Net profit margin of the Group stood ~2.5% in 2024. At the same time total assets of the group marked at BDT 33,854.0 million and Net worth of Esquire Group stood at BDT 15,766.0 million in 2024. Overall group financial highlight of Esquire Group in 2024 is given below:

Table 03: Group Performance of Esquire Group in FY2024 (MIL. BDT)

Name of the Company	Sales	Net Profit	Net Profit Margin (%)	Total Assets	Total Liabilities	Net Worth
Esquire Knit Composite PLC (EKCPCLC)	7,515	118	1.6%	16,354	7,497	8,857
Esquire Dyeing Industries Limited (EDIL)	576	20	3.5%	1,363	345	1,019
Esquire Electronics Limited (EEL)	4,270	117	2.7%	6,892	4,665	1,855
Esquire Heavy Industries Ltd.	-	-	-	-	-	-
Esquire Accessories Limited (EAL)	1,590	69	4.3%	2,205	1,358	846
Thakral Information System Pvt Ltd	5,376	110	2.0%	4,114	2,718	1,396
Esquire Plastics Limited (EPL)	487	9	1.8%	359	338	20
Alpha Plastic & Packaging Limited	294	12	4.1%	341	236	105
Fuji PVC Pipe & Plastic Industries Limited	-	-	-	-	-	-
L' Esquire Limited	464	(33)	-7.2%	2,226	558	1,668
Total	20,572.0	422.0	2.5%	33,854.0	17,715.0	15,766.0

■ OPERATION, BUSINESS & FINANCIAL RISK PROFILE

Operation	

During the period under surveillance, no major change has been noticed in the business operation of the company. Esquire Knit Composite PLC started its commercial operation in 2000 to manufacture 100% export oriented knit garments for different renowned European, North American, and Asian buyers. The Company manufactures different types of tops & bottom wear for gents, ladies, and kids. The overall manufacturing facilities are conducted from own factory occupying a total land area of 142.78 decimal. The Company has knitting, dyeing, sewing, printing and embroidery facilities. As per management provided information, the Company has utilized 85 sewing lines till November 2024. The company transfer its 34 sewing lines to L' Esquire Ltd in August 2022. On the other hands EKPLC expanded its Dyeing facility to 10,920 MT from 6,360 MT in 2023. At present, the Company has annual sewing capacity of 32.0 million pieces with 85 sewing lines, knitting capacity of 7,800 MT, dyeing capacity of 10,920 MT, printing capacity of 27 million pieces, embroidery capacity of 19 million pieces and washing 5 million pieces. The overall capacity utilization stable during the surveillance period. Having the impact of COVID-19 aftermath, Russia Ukraine war also negatively impact the overall business situation of the company.

Table 04: Annual Capacity and Utilization of EKPLC

	2024	2023	2022	2021	2020	2019
Sewing Lines	85	78	86	120	73	73
Annual Capacity						
Knitting (MT)	7,800	7,800	7,380	7,380	6,200	5,500
Dyeing (MT)	10,920	10,920	10,360	6,300	6,300	6,300
Garments (Mill. Pcs)	32	29	30	62	31	31
Printing (Mill. Pcs)	27	27	27	27	27	27
Embroidery (Mill. Pcs)	19	19	19	19	19	19
Washing (Mill. Pcs)	05	05	05	05	04	04
Actual Production						
Knitting (MT)	4938	5535	5,535	5,535	3,953	4,260
Dyeing (MT)	8395	8,424	8,424	5,760	4,998	5,757
Garments (Mill. Pcs)	25	24	24	44	20	22
Printing (Mill. Pcs)	09	11	11	11	11	11
Embroidery (Mill. Pcs)	05	09	09	09	09	09
Washing (Mill. Pcs)	02	03	04	04	03	03
Capacity Utilization (%)						
Knitting (%)	63.3	70.9	75.0	75.0	63.8	77.5
Dyeing (%)	76.8	77.1	81.3	91.4	79.3	91.4
Garments (%)	78.1	72.4	80.0	71.0	64.5	71.0
Printing (%)	33.3	40.7	40.0	40.0	40.0	40.0
Embroidery (%)	26.3	47.3	50.0	50.0	50.0	50.0
Washing (%)	40.0	60	80.0	80.0	80	80.0

Infrastructure facility of the company has been found to be remain same during the surveillance period. EKPLC uses industry standard sewing machines which are imported from Japan & China and automated cutting machines along with different types of modern machines as per required. The availability of continuous electricity through 8 generators (Diesel & Gas) having an aggregate capacity of 8,375 KVA and beside that there is also 2,150 KW power facility from Rural Electricity Board (REB) reduce the obstacle in production facility the Company. The Company also has one Effluent Treatment Plant (ETP) having capacity of 100 m³ per hour. In addition to the above, another ETP is under construction and as of date of rating around 80% of total works has been done.