

# CREDIT RATING REPORT



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**CREDIT RATING  
AGENCY OF  
BANGLADESH LTD.**



## CREDIT RATING REPORT (8<sup>TH</sup> SURVEILLANCE)

### Index Agro Industries Limited

| Particular                                      | Rating              | Remark          |
|---|---------------------|-----------------|
| Index Agro Industries Limited                   | A <sub>3</sub>      |                 |
| BDT 534.4 million long term outstanding         | A <sub>3</sub> (Lr) |                 |
| BDT 1,150.0 million short term funded limit     | ST-3                | Vide Appendix-1 |
| BDT 2,750.0 million short term non funded limit | ST-3                |                 |
| Outlook   | Stable              |                 |

Lr-Loan Rating, ST-Short Term

(Refer to Appendix-3 for rating history)

Date of Rating: 29 December, 2022

Validity: This rating is valid up to 30 December, 2023.

Rating based on: Audited financial statements up to 30 June 2022, bank liability position as on 30 November 2022, and other relevant quantitative & qualitative information up to the date of rating declaration.

Methodology: CRAB's Corporate Rating Methodology ([www.crab.com.bd](http://www.crab.com.bd))

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#### Financial Highlights

| (Mil. BDT)                   | --Year ended June 30-- |         |         |
|------------------------------|------------------------|---------|---------|
|                              | 2022                   | 2021    | 2020    |
| Revenue                      | 4,154.3                | 3,672.7 | 4,047.1 |
| EBITDA                       | 481.1                  | 430.7   | 494.4   |
| EBITDA Margin                | 11.6%                  | 11.7%   | 12.2%   |
| Net Profit After Tax         | 240.6                  | 232.6   | 264.4   |
| Net Profit Margin            | 5.8%                   | 6.3%    | 6.5%    |
| Return on Avg. Assets        | 4.4%                   | 5.6%    | 8.2%    |
| Quick Ratio (x)              | 0.55                   | 0.79    | 0.94    |
| Cash Conversion Cycle (Days) | 261                    | 205     | 144     |
| Borrowed Fund to Equity (x)  | 0.87                   | 0.71    | 0.46    |
| Borrowed Fund to EBITDA (x)  | 5.36                   | 4.53    | 1.87    |
| Cash Flow from Operation     | (265.2)                | (952.7) | 283.1   |
| Free Cash Flow               | (322.1)                | (970.9) | 280.4   |
| EBIT/Financial Expenses (x)  | 3.0                    | 3.4     | 3.2     |

Source: The Company and CRAB Analysis

#### BRIEF PROFILE

Index Agro Industries Limited (hereinafter also referred to as "IAIL" or "the Company") was incorporated as a Private Limited Company in September 2000 and started its commercial operation in July 2004. The Company was converted into Public Limited Company in March 2015. IAIL is engaged in manufacturing & marketing of poultry feed & fish feed and producing Day Old Chicks (DOC). Presently, the Company has capacity of producing 25 MT feed per hour. The Authorized Capital of IAIL is divided into 1,000.0 million ordinary shares of BDT 10.0 each. The Company's paid up capital was BDT 472.5 million up to 30 June 2022.

#### RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has retained A<sub>3</sub> (Single A Three) entity rating of Index Agro Industries Limited and assigned A<sub>3</sub> (Lr) loan rating to BDT 534.4 million long-term outstanding of the Company. CRAB has also assigned ST-3 rating to BDT 1,150.0 million funded limit and BDT 2,750.0 million non-funded limit of the Company in the short term.

The retention of ratings takes into account IAIL's similar business model, scale of operation, revenue generation capacity, geographical diversification of production facility with moderate profit margin and adequate coverage position at present. Moreover, the Company's capacity expansion, moderately established selling and distribution network, experience of the promoters and group strength positively support the rating.

However, ratings are constrained to some extent by stiff competition, seasonal nature of the industry, working capital intensity and volatility in the raw material price in the local market as well as international market. The rating is also constrained by the probabilities of several diseases including *Avian influenza* (Bird Flu) which causes major business risk for the poultry & fisheries industry.

Index Agro Industries Limited produces poultry feed (segregated in boiler and layer), fish feed (segregated in sinking and floating) and Day Old Chicks (DOC). IAIL has set up 01 Feed Mill at Valuka of Mymensingh, 01 Hatchery & Breeder Farm at Rajendrapur of Gazipur, 01 Hatchery at Rangpur and another Breeder Farm at Bogura.



Revenue of the IAIL increased to BDT 4,154.3 million in FY2022 from BDT 4,047.1 million in FY2021 registering 13.1% growth with higher volume of sales and increased average unit price compared to previous year. The Company experienced slightly decrease in EBITDA and operating profit margin due to increase of CoGS as % of sales in FY2022. With higher financial expenses, net profit margin of the Company also decreased to 5.8% in FY2022 from 6.3% in FY2021. Therefore, coverage position of IAIL slightly deteriorated as EBIT to financial expenses decreased to 3.0x in FY2022 from 3.4x in FY2021. However, such coverage position is still adequate to repay the present financial obligation of the Company.

IAIL experienced working capital pressure in FY2022 as operating cycle increased to 266 days which was 211 days in FY2021 resulting from increased average inventory period by 61 days. Cash conversion cycle of the Company also increased to 261 days in FY2022 from 205 days in FY2021. As a result, the Company generated negative cash flows in FY2022 following the adjustment of net changes in working capital and capital expenditure.

Total equity of the Company stood at BDT 2,973.5 million at the end of 30 June 2022; comprising BDT 472.5 million as paid up capital, BDT 417.5 million as share premium, BDT 33.0 million as revaluation reserve and BDT 2,056.6 million as retained earnings. IAIL reported 0.9x borrowed fund to equity in FY2022 (FY2021: 0.7x). Moreover, borrowed fund was reported 5.4x times to EBITDA revealing moderate leverage position of the Company in FY2022. The overall cash flow position compared to debt exposure exerts moderate position in FY2022

Considering a normal business scenario CRAB opines that, revenue growth of IAIL may experience a positive growth in the upcoming year if the Company could utilize its capacity further by exploring new markets. However, stiff competition and seasonal nature of the industry could lead to volatility in revenues. Moreover, price fluctuation of day old chicks, poultry and fish feed could result lower margin.

Going forward, favorable changes in financial matrix along with consistency in operation and business profile may have positive impact on future rating consideration, and vice versa.

#### ■ KEY RATING DRIVERS

##### Rating Strengths

- + Geographical diversification of production facility would reduce production hinder risk in case of disease outbreak in one area
- + Group support, moderate profit margin and adequate coverage position
- + Effective accounts receivable collection strategy
- + Experience of management and moderately established selling and distribution network

##### Rating Challenges

- Stiff competition and seasonal nature of the industry could lead to volatility in revenue
- Vulnerability to input prices and foreign exchange risk
- Price fluctuation of day old chicks, poultry and fish feed could result lower margin
- High inventory reserve requirement & credit sales created working capital pressure
- Probability of several diseases including *Avian influenza* (Bird Flu) causes the major business risk for the poultry & fisheries industry

#### ■ BACKGROUND OF THE COMPANY

Index Agro Industries Limited was incorporated in September 2000 and started its operation in July 2004 with poultry farming and hatching facility at Rajendrapur, Gazipur. Later in 2009, the Company started its feed manufacturing facility at Valuka, Mymensingh with initial capacity of 90,000 MT (15 MT per hour) per annum. Presently the Company has the facility of producing poultry feed and fish feed with installed capacity of 25 MT per hour i.e., annual installed production capacity of 150,000 MT. But the planned production capacity is 19 MT per hour i.e., annual planned production capacity of 114,000 MT (considering the feed processing plant runs 2 shifts per day at 10 hours per shift and normally operates for 300 days in a year). In 2014, the Company established another hatchery unit at Mithapukur, Rangpur. IAIL established its second breeder farm at Sherpur, Borga to support the production of DOC at Rangpur Hatchery. The aggregate production capacity of hatcheries is approximately 30.0 million DOC per annum. IAIL was awarded ISO 9001:2008 certification for its feed manufacturing plant.



Table 1

**Company at a Glance**

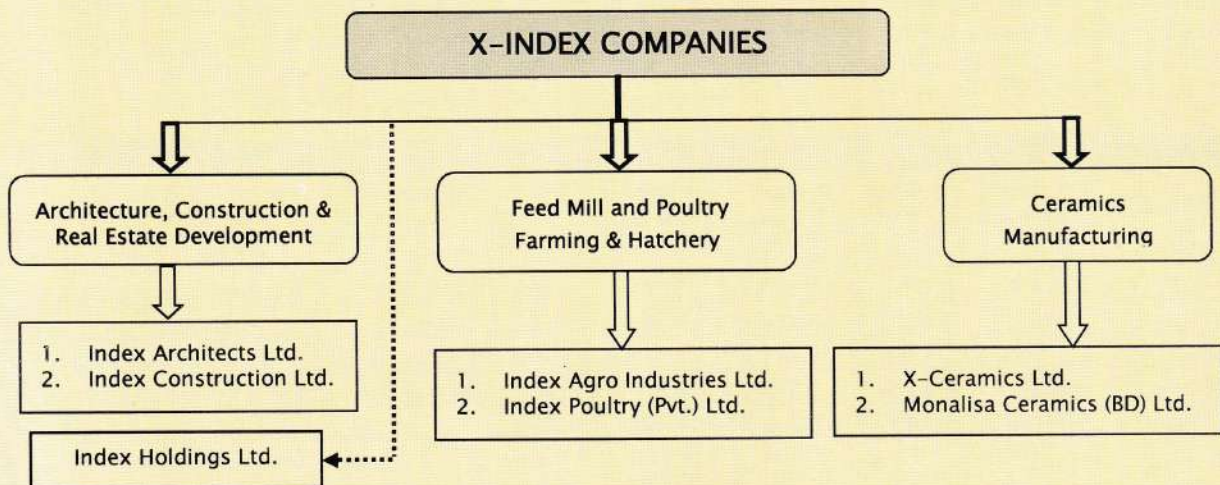
| Particulars                   | Details  |
|-------------------------------|--|
| Name of the Company           | : Index Agro Industries Limited (IAL)                                      |
| Date of Incorporation         | : 13 September 2000 as a Private Limited Company                           |
| Commercial Operation          | : 01 July 2004   |
| Converted into Public Limited | : 31 March 2015  |
| Authorized Capital            | : BDT 1,000.0 million  |
| Paid-up Capital               | : BDT 472.5 million as on 30 June 2022                                     |
| Chairman                      | : Mr. Md. Mazherul Quader  |
| Managing Director             | : Mr. Mahin Bin Mazher   |
| Corporate Office              | : MF Tower, Plot: GA-95/C, Pragati Sarani, Gulshan-1 Link Road, Dhaka-1212 |
| Factory Location              | : Valuka, Mymensingh (Feed Mill)   |
|                               | : Rajendrapur, Gazipur (Hatchery & Breeder Farm)                           |
|                               | : Durgapur, Mithapukur, Rangpur (Hatchery Unit)                            |
| Products                      | : Poultry Feed, Fish Feed and Day Old Chicks (DOC)                         |
|                               | : Bhabanipur, Sherpur, Bogura (Breeder Farm)                               |
| Net Sales in FY2022           | : BDT 4,154.3 million (FY2021: 3,672.7 million)                            |
| Net Profit in FY2022          | : BDT 240.6 million (FY2021: BDT 232.6 million)                            |
| Auditor                       | : G. Kibria & Co., Chartered Accountants                                   |
| Web                           | : www.index-agro.com   |

Source: IAIL

**GROUP STRENGTH**

X-Index Companies started its journey with Index Architects Limited in 1977 which is the flagship entity of the group and involved in architectural and physical planning as well as engineering. Architect Md. Mazherul Quader is the founder of the Group. He has designed and constructed notable structures i.e. IDB Bhaban, BRAC Centre, Janata Tower etc. in Bangladesh as well as in UAE, Liberia, Sri Lanka, Uganda and few other countries. The group diversified its business in the fields of real estate development, building construction, manufacturing of ceramics, feed manufacturing, poultry farming and hatchery etc. At present, the Group has been managing 07 active large and small companies including Index Holdings Limited.

Figure 1

**Operational Exposure of X-Index Companies**




Index Construction Limited (ICL) one of the building and construction firms of the country, a concern of X-Index Companies, was incorporated in 1999 and has undertaken and completed several commercial and residential property development projects. ICL also provides consultation and other related services to its clients. In FY2021, ICL reported revenue of BDT 101.2 million with net profit of BDT 10.2 million. Total asset of the company was BDT 1,321.8 million while Shareholders' equity was negative (BDT - 31.0 million) at the end of June 2021.

Index Poultry (Pvt.) Limited (IPPL) is a breeder farm incorporated in March 2006 and started its commercial operation in 2008. The present flock size of the breeder farm is 45,500 birds with production capacity of around 10.0 million hatching eggs per year. The production facility of IPPL is located at Shatibari, Mithapukur of Rangpur on 12 acres land. IPPL reported BDT 1,250.3 million of revenue from its sales and 14.5% net profit margin in FY2021. Its Shareholders' equity was BDT 1,356.3 million while total borrowed fund outstanding was BDT 290.0 million as of 30 June 2021.

Table 2

**Synopsis of the Concern of X-Index Companies**

| Name of the Company         | Nature of Business             | Products/Services                      | Capacity                            | Operation Year |
|-----------------------------|--------------------------------|--|-------------------------------------|----------------|
| Index Construction Ltd.     | Construction                   | Construction, Real Estate Development  | n.a.                                | 1999           |
| Index Agro Industries Ltd.  | Poultry and Feed Manufacturing | Poultry & Fish Feed and Day Old Chicks | 150,000 MT Feed<br>30.0 million DOC | 2004           |
| Index Poultry (Pvt.) Ltd.   | Poultry Hatchery               | Hatching Eggs                          | 10.0 million Hatching Eggs          | 2008           |
| Index Holdings Ltd.         | Investment                     | Associate Investor                     | n.a.                                | 2009           |
| X-Ceramics Ltd.             | Tiles Manufacturing            | Floor & Wall Tiles                     | 24,000 sqm/day                      | 2010           |
| Monalisa Ceramics (BD) Ltd. | Tiles Manufacturing            | Floor & Wall Tiles                     | 20,000 sqm/day                      | 2016           |

Source: Management of the Company

X-Ceramics Limited (XCL), one of the concerns of X-Index Companies, was incorporated in January 2008 and started its operation in February 2010. XCL is engaged in manufacturing & marketing of wall and floor tiles. Its factory is situated on 10.35 acres of land at Sreepur, Gazipur with manufacturing capacity of 24,000 square meter tiles per day. The Company markets its products under the brand names "X-Monica", "Alexander" and "Venus". XCL has technical collaboration with Italian ceramic tiles manufacturer Majorca S.P.A. and achieved ISO 9001 Quality Certificate. XCL reported net revenue of BDT 1,895.6 million with net profit of BDT 77.4 million in FY2021.

Monalisa Ceramics (BD) Limited (MCL), another concern of X-Index Companies which was incorporated in January 2014 as a Private Limited Company and started its production of ceramic tiles in January 2016. MCL is engaged in manufacturing & marketing of wall and floor tiles. Present production capacity of MCL is 20,000 sqm tiles per day. Its factory is situated on 11.08 acres of land at Sreepur, Gazipur. Monalisa Ceramics (BD) Limited reported BDT 1,261.7 million of revenue from its sales and 4.7% net profit margin in FY2021. Its Shareholders' equity was BDT 180.5 million while total borrowed fund outstanding was BDT 248.6 million as of 30 June 2021.

Table 3

| Name of the Concern         | Reporting Year | Revenue        | Net Profit   | Total Assets    | Equity (E)     | Borrowed Fund (BF) | BF to E (x) |
|-----------------------------|----------------|----------------|--------------|-----------------|----------------|--------------------|-------------|
| Index Construction Ltd.     | 30-Jun-21      | 101.2          | 10.2         | 1,321.8         | (31.0)         | -                  | n.a.        |
| Index Agro Industries Ltd.  | 30-Jun-21      | 3,672.7        | 232.6        | 5,030.8         | 2,753.3        | 1,950.4            | 0.71        |
| Index Poultry Pvt. Ltd.     | 30-Jun-21      | 1,250.3        | 181.3        | 2,697.4         | 1,356.3        | 290.0              | 0.21        |
| X-Ceramics Ltd.             | 30-Jun-21      | 1,895.6        | 77.4         | 6,238.9         | 1,289.1        | 1,853.3            | 1.44        |
| Monalisa Ceramics (BD) Ltd. | 30-Jun-21      | 1,261.7        | 58.8         | 2,782.1         | 180.5          | 248.6              | 1.38        |
| <b>Total</b>                |                | <b>8,181.5</b> | <b>560.3</b> | <b>18,071.0</b> | <b>5,548.2</b> | <b>4,342.3</b>     | <b>0.78</b> |

Source: Management of the Company

The Group as a whole collectively earned substantial amount of revenue in previous year having increasing trend and sound profitability position.



**OPERATION, BUSINESS & FINANCIAL RISK PROFILE**

|           |  |
|-----------|--|
| Operation |  |
|           |  |
|           |  |

Business model remained same but revenue of the Company slightly increased in FY2022. Index Agro Industries Limited produces poultry feed (segregated in boiler and layer), fish feed (segregated in sinking and floating) and Day Old Chicks (DOC). IAIL has set up 01 Feed Mill at Valuka, 01 Hatchery & Breeder Farm at Rajendrapur, Gazipur, 01 Hatchery at Rangpur and another Breeder Farm at Bogura.

**Table 4: Existing Facilities of IAIL**

| Particulars                                    | Location             | Operation | Annual Capacity         |
|--|----------------------|-----------|-------------------------|
| Rajendrapur Hatchery                           | Rajendrapur, Gazipur | 2004      | 14.0 million DOC        |
| Rangpur Hatchery                               | Mithapukur, Rangpur  | 2014      | 16.0 million DOC        |
| <b>Total DOC Production Capacity</b>           |                      |           | <b>30.0 million DOC</b> |
| Feed Mill (Installed Capacity)                 | Valuka, Mymensingh   | 2009      | 150,000 MT Feed         |
| <b>Actual Production Capacity of Feed Mill</b> |                      |           | <b>114,000 MT Feed</b>  |

Source: The Company

In FY2022, IAIL produced 28.90 million DOC against annual production capacity of 30.0 million (capacity utilization: 96.3%) which was 28.65 million against same annual production capacity (capacity utilization: 95.5%) in FY2021.

**Table 5: Details of Feed Production**

| (Metric Ton)                                   | --Year ended June 30-- |               |                |
|--|------------------------|---------------|----------------|
|  | 2022                   | 2021          | 2020           |
| Installed Capacity                             | 150,000                | 150,000       | 150,000        |
| Actual (Attainable) Capacity                   | 114,000                | 114,000       | 114,000        |
| <b>Production</b>                              |                        |               |                |
| Broiler Feed                                   | 36,903                 | 34,802        | 41,570         |
| Layer Feed                                     | 43,959                 | 40,437        | 48,301         |
| Sinking Feed                                   | 1,991                  | 1,992         | 2,379          |
| Floating Feed                                  | 8,209                  | 7,499         | 8,957          |
| <b>Total Feed Production During the Period</b> | <b>91,062</b>          | <b>84,728</b> | <b>101,207</b> |
| <b>Capacity Utilization (%)*</b>               | <b>79.88%</b>          | <b>74.32%</b> | <b>88.78%</b>  |

Source: The Company

\*Based on attainable capacity

IAIL produced 91,062 MT of feed registering capacity utilization of 79.9% in FY2022 which was 74.3% in FY2021 and 88.8% in FY2020. Capacity utilization as well as volume of sales increased in FY2022 which resulted slightly increased revenue of the Company.

Revenue of IAIL comes from the sale of feeds and day old chicks (DOC) where feed sale is the dominant source of revenue of the Company. In FY2022, poultry feed contributed 62.8% and fish feed contributed 10.6% of total revenue. Revenue from the feed segment increased in FY2022 with higher volume of sales and increased average feed price per unit compared to previous year.

**Table 6: Product-Wise Contribution in Revenue**

| (Mil. BDT)        | FY2022         |              | FY2021         |              | FY2020         |              |
|-------------------|----------------|--------------|----------------|--------------|----------------|--------------|
|                   | Sales          | % of Total   | Sales          | % of Total   | Sales          | % of Total   |
| Layer Feed        | 1,028.5        | 24.8         | 1,097.2        | 29.9         | 1,222.4        | 30.2         |
| Broiler Feed      | 1,579.9        | 38.0         | 1,141.3        | 31.1         | 1,271.6        | 31.4         |
| Sinking Feed      | 84.4           | 2.0          | 72.5           | 2.0          | 80.7           | 2.0          |
| Floating Feed     | 356.1          | 8.6          | 305.6          | 8.3          | 340.5          | 8.4          |
| <b>Total Feed</b> | <b>3,049.0</b> | <b>73.4</b>  | <b>2,616.6</b> | <b>71.2</b>  | <b>2,915.3</b> | <b>72.0</b>  |
| DOC               | 1,105.4        | 26.6         | 1,056.0        | 28.8         | 1,131.8        | 28.0         |
| <b>Total</b>      | <b>4,154.3</b> | <b>100.0</b> | <b>3,672.7</b> | <b>100.0</b> | <b>4,047.1</b> | <b>100.0</b> |

Source: The Company



Moreover, revenue from DOC sales was fluctuating over the years resulting from volatile nature of DOC price over the years. Revenue from DOC increased in FY2022 due to higher volume of sales and higher average sales price compared to that of previous year.

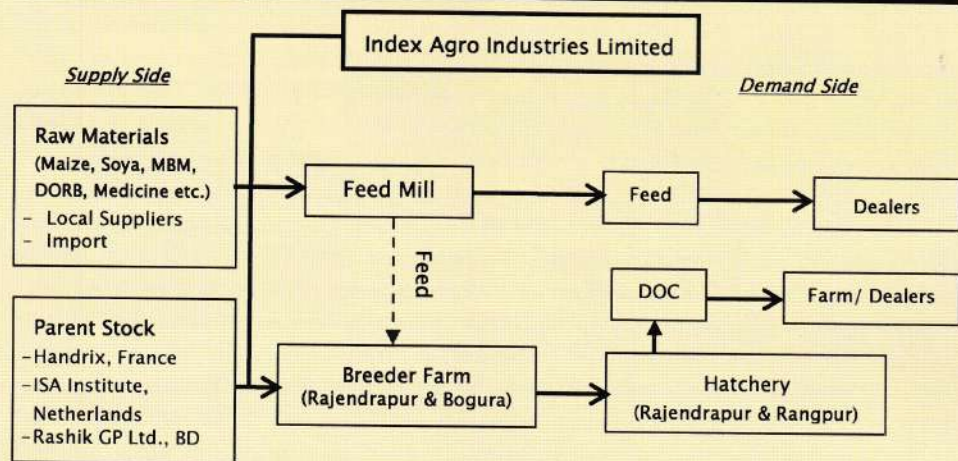
**Table 7: Details of DOC Sales**

| Particulars                         | FY2022  | FY2021  | FY2020  |
|-------------------------------------|---------|---------|---------|
| Revenue from DOC Sales (Mil. BDT)   | 1,105.4 | 1,056.0 | 1,131.8 |
| Sales Quantity of DOC (Mil. Pieces) | 28.90   | 28.65   | 29.36   |
| Average Sales Price (BDT/Pcs)       | 38.25   | 36.86   | 38.55   |

Source: IAIL

The Company procures parent stock (PS) from Handrix of France, ISA Institute de Selection of Netherland and Rashik GP Limited of Bangladesh for its breeder farms. The Company directly sells DOC to different poultry farmers as well as selected dealers all over the country, which poses low customer concentration risk.

**Figure 2: Business Model of IAIL**



Moreover, IAIL produces different types of feed from available set of choices composing of 7 types breeder, 11 types broiler, 4 types layer, and 48 types fish feed (considering both floating and sinking feed types combined). The Company procures its required raw materials for feed mostly from local market. Maize, Wheat, Soyabean, DORB, Meat & Bone Meal, Fish Oil, Feed Medicines, Vitamins, Mineral Premix etc. are procured from the selected local manufacturers or traders as well as import from international suppliers. Available alternative sources for raw material & medicine mitigates the supplier concentration risk to some extent. Among the raw materials for feed, maize occupies approximately 40%-50% of the requirement which is procured from locally as well as import from India, Argentina, Brazil and other countries. Sourcing of maize basically depends on the seasonality and price. In India peak season for maize production is from October-December and May to July. In this time frame IAIL imports maize from India. About 40% of local procurement is done in cash and 60% in short term credit.

However, the produced feed is sold directly from Head Office and also from the factory, through more than 300 dealers apart from few individual customers having on average 25 to 30 days credit facility. IAIL sells its products to dealers net off basis. Marketing Executives are frequently visiting prospective dealer, farms and describing about product quality and supplying products to the farmers. The marketing personnel's collect purchase order from the dealer and confirm it to the Marketing Department. After confirmation dealers transmit sales proceeds through banking channel. After receiving sales proceeds, Accounts Department confirms delivery order and factory personnel's deliver required feed to the customer. Sometimes dealer deposit cash direct to Cash Depot at the factory and factory deliver feeds to the dealer. In addition to that, the Company has several regional



depots at Jessore, Kushtia, Comilla, Narsingdi, Mymensingh, Bogura, Rangpur, Barisal, Faridpur etc.

The Company is exposed to volatility of both product price derived from demand and raw materials price. The sponsors and management of the Company have long experience in related business which may support to mitigate business risk derived from price volatility of raw materials. IAIL has been able to ensure the continuous supply and production of poultry and fish feed for commercial consumption at poultry hatcheries & farms, fish hatcheries & farms etc. The Company having breeder farms support as a backward linkage facility for the poultry feed consumption.

IAIL has insurance protection with Green Delta Insurance Company Limited for sum insured of BDT 935.6 million which is valid till 19 January 2023. Insurance covered the industrial all risk only on building & machinery, poultry & fish feed & stock.

As poultry industry, threat of epidemic of Livestock is one of the major risks. The probabilities of several diseases including *Avian influenza* (Bird Flu), *Pasteurella multocida* (Fowl Cholera) causes the major business risk for any poultry farm which eventually forced to shut down thousands of poultry farms of Bangladesh in the recent past. The Company has set up a good hygiene system in all facilities to prevent disease outbreaks, and increased use of technology in poultry farming to reduce poultry exposure to carry various diseases. Moreover, geographical diversification of production facility would reduce production hinder risk in case of disease outbreak in one area such impact to some extent.



The Board is overall responsible for total functioning and operations of the Company. Under reporting to the Board, a team of dedicated employees carries out day-to-day operations of the Company. Management risk for Index Agro Industries Limited is low as a team professional management exists with more than four decades of experience in related industries. The management team is headed by *Architect Md. Mazherul Quader*, Chairman; who had initiated the business by establishing Index Architects Limited in 1977. Apart from IAIL, he is also associated with Index Architects Limited, Index Construction Limited, Index Holdings Limited and X-Ceramics Limited as Chairman/Director.

*Mr. Mahin Bin Mazher*, Managing Director of the Company has been involved in the business for more than 23 years. The Company also appointed professional General Manager who is a veterinary professional with more than 30 years of cross functional experience in well-known companies related to poultry & livestock industries. Managing Director of IAIL monitors day to day activities with the support of other directors and departmental heads.

The Authorized Capital of IAIL is divided into 1,000.0 million ordinary shares of BDT 10.0 each and paid up capital was BDT 472.5 million up to 30 June 2022.

Table 8

Composition of Share Holding Position of IAIL

| Particular                  | 30-Jun-2022       |               | 30-Jun-2021       |               |
|-----------------------------|-------------------|---------------|-------------------|---------------|
|                             | No of Shares      | % of Shares   | No of Shares      | % of Shares   |
| <b>Name of Shareholders</b> |                   |               |                   |               |
| Sponsors & Directors        | 27,300,000        | 57.8%         | 27,300,000        | 57.8%         |
| Individual                  | 11,700,000        | 24.8%         | 11,700,000        | 24.8%         |
| <b>Pre-IPO Total</b>        | <b>39,000,000</b> | <b>82.5%</b>  | <b>39,000,000</b> | <b>82.5%</b>  |
| Eligible Investors          | 2,368,565         | 5.0%          | 2,368,565         | 5.0%          |
| Mutual Funds and CIS        | 1,524,700         | 3.2%          | 1,524,700         | 3.2%          |
| Individual                  | 3,488,352         | 7.4%          | 3,488,352         | 7.4%          |
| Non Resident Bangladeshis   | 872,032           | 1.8%          | 872,032           | 1.8%          |
| IPO                         | 8,253,649         | 17.5%         | 8,253,649         | 17.5%         |
| <b>Post IPO Total</b>       | <b>47,253,649</b> | <b>100.0%</b> | <b>47,253,649</b> | <b>100.0%</b> |

Source: IAIL



Most of the senior officers have been serving the company for long time revealing employee satisfaction. Employees in the head office are recruited by the Board through HRD and workers of the factory are recruited by the factory management through the approval of head office. The job responsibility of the management and technical personnel is clearly defined by the Managing Director and Board of Directors of IAIL. Among different fringe benefits, IAIL provides provident fund, festival bonus, performance bonus etc.



IAIL reported revenue of BDT 4,154.3 million in FY2022 which was BDT 4,047.1 million in FY2021 registering 13.1% growth with higher volume of sales and increased average unit price compared to previous year. The Company experienced slightly decrease in EBITDA and operating profit margin due to increase of CoGS as % of sales in FY2022. With higher financial expenses, net profit margin of the Company also decreased to 5.8% in FY2022 from 6.3% in FY2021. Therefore, coverage position of IAIL slightly deteriorated as EBIT to financial expenses decreased to 3.0x in FY2022 from 3.4x in FY2021. However, such coverage position is still adequate to repay the present financial obligation of IAIL.

Table 9

**Cost Component and Profitability as % of Revenue (Mil. BDT)**

| Particulars                 | FY2022  |       | FY2021  |       | FY2020  |       |
|-----------------------------|---------|-------|---------|-------|---------|-------|
|                             | Amount  | %     | Amount  | %     | Amount  | %     |
| Revenue                     | 4,154.3 | 100.0 | 4,047.1 | 100.0 | 4,047.1 | 100.0 |
| Cost of Goods Sold          | 3,579.1 | 86.2  | 3,439.5 | 85.0  | 3,439.5 | 85.0  |
| Administrative Expenses     | 68.3    | 1.6   | 54.6    | 1.3   | 54.6    | 1.3   |
| Selling & Distributing Exp. | 111.3   | 2.7   | 129.7   | 3.2   | 129.7   | 3.2   |
| Operating Profit            | 395.5   | 9.5   | 423.2   | 10.5  | 423.2   | 10.5  |
| Financial Expenses          | 143.3   | 3.4   | 135.0   | 3.3   | 135.0   | 3.3   |
| Income Tax                  | 48.2    | 1.2   | 39.4    | 1.0   | 39.4    | 1.0   |
| Net Profit                  | 240.6   | 5.8   | 264.4   | 6.5   | 264.4   | 6.5   |

Source: The Company

The Company has working capital intensive nature as it has to hold huge inventory which should be maintained to buffer production and stock. IAIL experienced working capital pressure in FY2022 as operating cycle increased to 266 days which was 211 days in FY2021 resulting from increased average inventory period by 61 days. Cash conversion cycle of the Company also increased to 261 days in FY2022 from 205 days in FY2021. As a result, the Company generated negative cash flows in FY2022 following the adjustment of net changes in working capital and capital expenditure.

The Company's equity position is decorated by sound portion of retained earnings which provides cushion to its debt level and future expansion and regular capital expenditure. Total equity of the Company stood at BDT 2,973.5 million in FY2022 comprising BDT 472.5 million as paid up capital, BDT 417.5 million as share premium, BDT 33.0 million as revaluation reserve and BDT 2,056.6 million as retained earnings. IAIL reported 0.9x borrowed fund to equity in FY2022 (FY2021: 0.7x). Moreover, borrowed fund was reported 5.4x times to EBITDA revealing moderate leverage position of the Company in FY2022 (FY2021: 4.5x) resulting from increased borrowed fund outstanding at the end of June 2022. The overall cash flow position compared to debt exposure exerts moderate position in FY2022.

Considering a normal business scenario CRAB opines that, revenue growth of IAIL may experience a positive growth in the upcoming year if the Company could utilize its capacity further by exploring new markets. However stiff competition and seasonal nature of the industry could lead to volatility in revenues. Moreover, price fluctuation of day old chicks, poultry and fish feed could result decreasing profitability. Decreasing profitability may lead the Company to vulnerable position for debt servicing.





Index Agro Industries Limited has financial dealings with four (04) banks having total short term limit facilities of BDT 3,900.0 million and BDT 534.4 million long-term outstanding as of 30 November 2022. The Company has banking relationship with Islami Bank Bangladesh Limited, Prime Bank Limited, Bank Asia Limited and Standard Chartered Bank. As per information received from the banks, it is found that the dealings of the Company are at satisfactory level considering no reschedule & default history with these banks. Details of loan liability position is given in Appendix-1.



In favor of the investment of Islami Bank Bangladesh Limited registered mortgage of total 795 decimal land along with factory building plant and machinery has kept as collateral security. On the other hand, 1st ranking Pari-Passu charge by way of hypothecation on fixed & floating assets of Index Agro Industries Limited has been kept as collateral against credit facilities of Prime Bank Limited. Furthermore, existing registered mortgage of 1040.0 decimal project land and building owned by X-Ceramics Limited with market value of BDT 7,199.2 million (FSV: BDT 5,759.4 million) valued by City Engineering Inspection Company dated 14 April 2017 will be tagged with Prime Bank Limited until final adjustment of working capital limit of Index Agro Industries Limited. Besides these, corporate guarantee of X-Ceramics Limited and personal guarantee of all the directors of the Company were also taken to further secure the investments.

#### ■ RECENT INFORMATION

Index Agro Industries Limited reported revenue of BDT 1,131.6 million during the first three months of operation in FY2023 with lower profit margin due to higher CoGS as percentage of sales and increased financial expenses compared to that of previous year. As a result, Earnings per share (EPS) of the Company decreased to BDT 1.18 in Q1 of FY2023 from BDT 1.53 in Q1 of FY2022.

Table 10: Performance of IAIL in Q1 of FY2023 (Mil. BDT)

| Particulars          | Growth | Q1 of FY2023 |            | Q1 of FY2022 |            |
|----------------------|--------|--------------|------------|--------------|------------|
|                      |        | Amount       | Percentage | Amount       | Percentage |
| Revenue              | 14.5%  | 1,131.61     | 100.0%     | 988.38       | 100.0%     |
| Cost of Goods Sold   | 17.6%  | 977.72       | 86.4%      | 831.31       | 84.1%      |
| Operating Expenses   | 16.3%  | 49.73        | 4.4%       | 42.76        | 4.3%       |
| Financial Expenses   | 40.5%  | 48.52        | 4.3%       | 34.53        | 3.5%       |
| Net Profit after Tax | -22.6% | 55.82        | 4.9%       | 72.12        | 7.3%       |

Stock Market Related Information as on 22/12/2022 (Trading Code: INDEXAGRO):

- Last Traded Price : BDT 103.60
- 52 Weeks' Moving Range : BDT 92.60 - BDT 154.80
- Day's Volume (Nos.) : 3,001 (Day's Trade: 05 Nos.)
- Dividend : 25% C (2021)



**APPENDIX – 1 : CREDIT FACILITIES OF INDEX AGRO INDUSTRIES LIMITED (IAL)**

| Details of Credit Facilities of IAIL as of 30 November 2022 (Mil. BDT) |            |                                    |                        |                |                |             |
|--|------------|------------------------------------|------------------------|----------------|----------------|-------------|
| Loan Type  | Nature     | Bank                               | Facility               | Limit          | Outstanding    | Expiry Date |
| Long Term  | Funded     | Prime Bank Ltd.                    | Term Loan              | 84.8           | 28.4           | 05/05/2024  |
|  |            | Trust Bank Ltd.                    | Term Loan              | 500.0          | 506.1          | 15/06/2028  |
|  |            | <b>Total Long Term</b>             |                        | <b>584.8</b>   | <b>534.4</b>   |             |
| Short Term   | Funded     | Islami Bank BD Ltd.                | Murabaha TR (Inner LC) | (950.0)        | 913.3          | 08/01/2023  |
|  |            | Prime Bank Ltd.                    | Bai-Muajjal (Com)      | 250.0          | 229.2          | 30/04/2023  |
|  |            |                                    | MPI (TR)/Murabaha TR   | (400.0)        | 2.5            | 30/04/2023  |
|  |            | Bank Asia Ltd.                     | Time Loan              | 900.0          | 664.4          | 22/02/2023  |
|  |            | <b>Total Short Term Funded</b>     |                        | <b>1,150.0</b> | <b>1,809.5</b> |             |
| Short Term   | Non-Funded | Islami Bank BD Ltd.                | LC/Bills               | 1,200.0        | 280.8          | 08/01/2023  |
|  |            | Prime Bank Ltd.                    | LC/ABP                 | 400.0          | 163.2          | 30/04/2023  |
|  |            |                                    | Bank Guarantee         | 20.0           | 17.9           | 30/04/2023  |
|  |            | Standard Chartered Bank            | Letter of Credit       | 300.0          | 128.2          | 04/10/2023  |
|  |            | Trust Bank Ltd.                    | LC/Acceptance          | 850.0          | 338.2          | 30/06/2023  |
|  |            | <b>Total Short Term Non Funded</b> |                        | <b>2,750.0</b> | <b>928.3</b>   |             |
| <b>Grand Total</b>   |            |                                    |                        | <b>4,484.8</b> | <b>3,272.2</b> |             |

Source: Management of IAL &amp; respective Banks

Note:

- Satisfactory relationship with timely repayment nature as per bankers' feedback.
- Limits within brackets are sub-limits of other independent limits.



## APPENDIX – 2: KEY FINANCIAL INDICATORS

Type of Statement: Audited

|                              |   | (Figures in Million, BDT) |            |            |            |
|------------------------------|---|---------------------------|------------|------------|------------|
| Financial year ended         |   | 30/06/2022                | 30/06/2021 | 30/06/2020 | 30/06/2019 |
| Earnings & Stability         | Revenue                                     | 4,154.3                   | 3,672.7    | 4,047.1    | 4,326.2    |
|                              | Revenue Growth                              | 13.1%                     | -9.3%      | -6.45%     | 0.0%       |
|                              | CoGS as % of Revenue                        | 86.2%                     | 85.3%      | 85.0%      | 84.4%      |
|                              | EBITDA                                      | 481.1                     | 430.7      | 494.4      | 540.7      |
|                              | EBITDA Margin                               | 11.6%                     | 11.7%      | 12.2%      | 12.5%      |
|                              | Net Profit after Tax                        | 240.6                     | 232.6      | 264.4      | 275.7      |
| Profitability                | Gross Profit Margin                         | 13.8%                     | 14.7%      | 15.0%      | 15.6%      |
|                              | Operating Profit Margin                     | 9.5%                      | 9.9%       | 10.5%      | 10.9%      |
|                              | Net Profit Margin                           | 5.8%                      | 6.3%       | 6.5%       | 6.4%       |
|                              | Return on Average Asset                     | 4.4%                      | 5.6%       | 8.2%       | 9.6%       |
|                              | Return on Average Equity                    | 8.4%                      | 9.7%       | 14.0%      | 17.0%      |
| Liquidity                    | Current Ratio (x)                           | 1.46                      | 1.54       | 1.73       | 1.46       |
|                              | Quick Ratio (x)                             | 0.55                      | 0.79       | 0.94       | 0.77       |
|                              | Inventory                                   | 2,444.8                   | 1,645.1    | 891.3      | 883.3      |
|                              | Average Inventory Processing Period (Days)  | 209                       | 148        | 95         | 68         |
|                              | Accounts Receivable                         | 625.5                     | 653.6      | 601.5      | 618.5      |
|                              | Average Receivable Collection Period (Days) | 57                        | 63         | 56         | 48         |
|                              | Accounts Payable                            | 40.7                      | 39.7       | 48.6       | 65.5       |
|                              | Average Payable Payment Period (Days)       | 5                         | 6          | 7          | 8          |
|                              | Operating Cycle (Days)                      | 266                       | 211        | 151        | 116        |
|                              | Cash Conversion Cycle (Days)                | 261                       | 205        | 144        | 108        |
| Leverage & Capital Structure | Total Equity                                | 2,973.5                   | 2,753.3    | 2,020.7    | 1,756.3    |
|                              | Total Liability                             | 2,955.4                   | 2,277.5    | 1,224.7    | 1,424.9    |
|                              | Total Asset                                 | 5,928.9                   | 5,030.8    | 3,245.4    | 3,181.2    |
|                              | Total Borrowed Fund                         | 2,580.5                   | 1,950.4    | 923.1      | 1,133.1    |
|                              | Total Long Term Debt                        | 217.8                     | 35.6       | 38.4       | 90.9       |
|                              | Fund Flow from Operation (FFO)              | 289.6                     | 284.4      | 320.0      | 330.4      |
|                              | Cash Flow from Operation (CFO)              | (265.2)                   | (952.7)    | 283.1      | (271.0)    |
|                              | Total Liability to Equity (x)               | 0.99                      | 0.83       | 0.61       | 0.81       |
|                              | Borrowed Fund to Equity (x)                 | 0.87                      | 0.71       | 0.46       | 0.65       |
|                              | Borrowed Fund/EBITDA (x)                    | 5.36                      | 4.53       | 1.87       | 2.10       |
| Coverage                     | FFO to Borrowed Fund                        | 11.2%                     | 14.6%      | 34.7%      | 29.2%      |
|                              | CFO to Borrowed Fund                        | -10.3%                    | -48.8%     | 30.7%      | -23.9%     |
|                              | EBIT to Financial Expenses (x)              | 3.0                       | 3.4        | 3.2        | 3.1        |



**APPENDIX – 3: RATING HISTORY OF INDEX AGRO INDUSTRIES LIMITED**

Date of Rating: 26 December, 2021

| Particular                                      | Rating              |
|---|---------------------|
| Index Agro Industries Limited                   | A <sub>3</sub>      |
| BDT 45.2 million long term outstanding          | A <sub>3</sub> (Lr) |
| BDT 750.0 million short term funded limit       | ST-3                |
| BDT 1,920.0 million short term non funded limit | ST-3                |
| Outlook   | Stable              |

*Lr-Loan Rating, ST-Short Term*

Rating based on: Audited financial statements up to 30 June 2021, bank liability position as on 30 November 2021, and other relevant quantitative &amp; qualitative information up to the date of rating declaration.

Date of Rating: 28 December, 2020

| Particular                                      | Rating              |
|---|---------------------|
| Index Agro Industries Limited                   | A <sub>3</sub>      |
| BDT 72.6 million long term outstanding          | A <sub>3</sub> (Lr) |
| BDT 250.0 million short term funded limit       | ST-3                |
| BDT 1,900.0 million short term non funded limit | ST-3                |
| Outlook   | Stable              |

*Lr-Loan Rating, ST-Short Term*

Rating based on: Audited financial statements up to 30 June 2020, bank liability position as on 30 November 2020, and other relevant quantitative &amp; qualitative information up to the date of rating declaration.

Date of Rating: 31 December, 2019

| Particular                                      | Rating              |
|---|---------------------|
| Index Agro Industries Limited                   | A <sub>3</sub>      |
| BDT 104.8 million long term outstanding         | A <sub>3</sub> (Lr) |
| BDT 250.0 million Bai-Muajjal (Com) limit*      | A <sub>3</sub> (Lr) |
| BDT 200.0 million short term funded limit       | ST-3                |
| BDT 1,870.0 million short term non funded limit | ST-3                |
| Outlook   | Stable              |

*Lr-Loan Rating, ST-Short Term; \* Due to revolving nature, CRAB views Bai-Muajjal/Cash Credit (CC) as long term facilities.*

Rating based on: Audited financial statements up to 30 June 2019, bank liability position as on 30 December 2019, and other relevant quantitative &amp; qualitative information up to the date of rating declaration.



**CRAB RATING SCALES AND DEFINITIONS –Long Term (Corporate)**

| Long Term Rating   | Definition   |
|--|--|
| AAA<br>Triple A  | Companies rated in this category have extremely strong capacity to meet financial commitments. These companies are judged to be of the highest quality, with minimal credit risk.  |
| AA <sub>1</sub> , AA <sub>2</sub> , AA <sub>3</sub> *<br>Double A  | 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.  |
| A <sub>1</sub> , A <sub>2</sub> , A <sub>3</sub><br>Single A       | Companies rated in this category have strong capacity to meet financial commitments, but are susceptible to the adverse effects of changes in circumstances and economic conditions. These companies are judged to be of high quality, subject to low credit risk.   |
| BBB <sub>1</sub> , BBB <sub>2</sub> , BBB <sub>3</sub><br>Triple B | Companies rated in this category have adequate capacity to meet financial commitments but more susceptible to adverse economic conditions or changing circumstances. These companies are subject to moderate credit risk. Such companies possess certain speculative characteristics.  |
| BB <sub>1</sub> , BB <sub>2</sub> , BB <sub>3</sub><br>Double B    | Companies rated in this category have inadequate capacity to meet financial commitments. Have major ongoing uncertainties and exposure to adverse business, financial, or economic conditions. These companies have speculative elements, subject to substantial credit risk.  |
| B <sub>1</sub> , B <sub>2</sub> , B <sub>3</sub><br>Single B       | Companies rated in this category have weak capacity to meet financial commitments. These companies have speculative elements, subject to high credit risk.   |
| CCC <sub>1</sub> , CCC <sub>2</sub> , CCC <sub>3</sub><br>Triple C | Companies rated in this category have very weak capacity to meet financial obligations. These companies have very weak standing and are subject to very high credit risk.  |
| CC<br>Double C   | Companies rated in this category have extremely weak capacity to meet financial obligations. These companies are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.  |
| C<br>Single C  | Companies rated in this category are highly vulnerable to non-payment, have payment arrearages allowed by the terms of the documents, or subject of bankruptcy petition, but have not experienced a payment default. Payments may have been suspended in accordance with the instrument's terms. These companies are typically in default, with little prospect for recovery of principal or interest. |
| D<br>(Default)   | D rating will also be used upon the filing of a bankruptcy petition or similar action if payments on an obligation are jeopardized.  |

*\*Note: CRAB appends numerical modifiers 1, 2, and 3 to each generic rating classification from AA through CCC. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.*



**LONG-TERM RATING: LOANS/FACILITIES FROM BANKS/FIS**  
(All loans/facilities with original maturity exceeding one year)

| RATINGS                                    | DEFINITION   |
|--|--|
| AAA (Lr)<br>(Triple A)<br>Highest Safety   | Loans/facilities rated AAA (Lr) are judged to offer the highest degree of safety, with regard to timely payment of financial obligations. Any adverse changes in circumstances are unlikely to affect the payments on the loan facility.   |
| AA (Lr)*<br>(Double A)<br>High Safety      | Loans/facilities rated AA (Lr) are judged to offer a high degree of safety, with regard to timely payment of financial obligations. They differ only marginally in safety from AAA (Lr) rated facilities.  |
| A (Lr)<br>Adequate Safety                  | Loans/facilities rated A (Lr) are judged to offer an adequate degree of safety, with regard to timely payment of financial obligations. However, changes in circumstances can adversely affect such issues more than those in the higher rating categories.  |
| BBB (Lr)<br>(Triple B)<br>Moderate Safety  | Loans/facilities rated BBB (Lr) are judged to offer moderate safety, with regard to timely payment of financial obligations for the present; however, changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal than for issues in higher rating categories.   |
| BB (Lr)<br>(Double B)<br>Inadequate Safety | Loans/facilities rated BB (Lr) are judged to carry inadequate safety, with regard to timely payment of financial obligations; they are less likely to default in the immediate future than instruments in lower rating categories, but an adverse change in circumstances could lead to inadequate capacity to make payment on financial obligations.  |
| B (Lr)<br>High Risk                        | Loans/facilities rated B (Lr) are judged to have high risk of default; while currently financial obligations are met, adverse business or economic conditions would lead to lack of ability or willingness to pay interest or principal.   |
| CCC (Lr)<br>Very High Risk                 | Loans/facilities rated CCC (Lr) are judged to have factors present that make them very highly vulnerable to default; timely payment of financial obligations is possible only if favorable circumstances continue.   |
| CC (Lr)<br>Extremely High Risk             | Loans/facilities rated CC (Lr) are judged to be extremely vulnerable to default; timely payment of financial obligations is possible only through external support.  |
| C (Lr)<br>Near to Default                  | Loans/facilities rated C (Lr) are currently highly vulnerable to non-payment, having obligations with payment arrearages allowed by the terms of the documents, or obligations that are subject of a bankruptcy petition or similar action but have not experienced a payment default. C is typically in default, with little prospect for recovery of principal or interest. C (Lr) are typically in default, with little prospect for recovery of principal or interest. |
| D (Lr)<br>Default                          | Loans/facilities rated D (Lr) are in default or are expected to default on scheduled payment dates.  |

\*Note: CRAB appends numerical modifiers 1, 2, and 3 to each generic rating classification from AA through CCC. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

**SHORT-TERM CREDIT RATING: LOANS/FACILITIES OF BANKS/FIS**  
(All loans/facilities with original maturity within one year)

| RATINGS                  | DEFINITION   |
|--------------------------|--|
| ST-1<br>Highest Grade    | This rating indicates that the degree of safety regarding timely payment on the loans/facilities is very strong.   |
| ST-2<br>High Grade       | This rating indicates that the degree of safety regarding timely payment on the loans/facilities is strong; however, the relative degree of safety is lower than that for issues rated higher.   |
| ST-3<br>Adequate Grade   | This rating indicates that the degree of safety regarding timely payment on the loans/facilities is adequate; however, the issues are more vulnerable to the adverse effects of changing circumstances than issues rated in the two higher categories. |
| ST-4<br>Marginal         | This rating indicates that the degree of safety regarding timely payment on the loans/facilities is marginal; and the issues are quite vulnerable to the adverse effects of changing circumstances.  |
| ST-5<br>Inadequate Grade | This rating indicates that the degree of safety regarding timely payment on the loans/facilities is minimal, and it is likely to be adversely affected by short-term adversity or less favorable conditions.   |
| ST-6<br>Lowest Grade     | This rating indicates that the loans/facilities are expected to be in default on maturity or is in default.  |

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