



Credit Rating Report Media Electronics Industries Limited

| Particulars | Ratings | Remarks |
|---|----------------------|-----------------------------------|
| Media Electronics Industries Ltd. | BB ₂ (Lr) | Please see Appendix-1 for details |
| BDT 55.0 million aggregate fund based and non-fund based limits | ST-4 | |

Lr- Loan rating; ST-Short Term

Date of Rating: 19 May, 2011

Validity: The Long Term rating is valid up to 31 December 2011 and the Short Term rating is valid up to limit expiry date of respective credit facilities or 31 December 2011 whichever is earlier.

Rating Based on: Audited financial statements up to 30 June 2010, bank liability position as on 31 March 2011, and other relevant quantitative & qualitative information up to the date of rating declaration.

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

Analysts:

Jubair Md. Hasan
jubair@crab.com.bd

Md. Anwar Hossain
anwar@crab.com.bd

Table 1

Financial Highlights

| (mill. BDT) | --Year ended June 30-- | | |
|------------------------------|------------------------|-------|--------|
| | 2010 | 2009 | 2008 |
| Sales | 91.9 | 80.5 | 70.3 |
| EBITDA | 11.2 | 8.8 | 9.4 |
| EBITDA Margin (%) | 12.2 | 11.0 | 13.4 |
| Net Profit Margin (%) | 6.5 | 6.7 | 7.4 |
| ROAA (%) | 8.8 | 10.2 | 13.8 |
| Quick Ratio (x) | 0.4 | 0.3 | 0.5 |
| Cash Conversion Cycle (Days) | 260 | 215 | 166 |
| Debt to Equity (x) | 1.3 | 0.8 | 0.8 |
| Borrowed Fund to EBITDA (x) | 4.0 | 2.6 | 2.2 |
| Cash Flow from Operation | (16.7) | (0.2) | (18.2) |
| Free Cash Flow | (18.9) | (0.2) | (21.9) |
| EBIT/Interest (x) | 2.2 | 2.8 | 2.7 |

■ PROFILE

Media Electronics Industries Ltd. (hereinafter referred to as MEIL or the Company) commenced in 1994 and started the business in 1995. It is an importer and assembler of various models of color television which are sold under the brand name- "Media". The factory and office is located at 148/149 Nawabpur Road (2nd floor & 3rd floor), Dhaka-1100.

■ RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has assigned 'BB₂' (Pronounced Double B Two) rating in the Long Term to Media Electronics Industries Ltd. CRAB has also assigned **ST-4** rating to BDT 55.0 million aggregate funded and non-funded limits.

The Company belongs to a large competitive industry where the competition mainly depends upon the differentiation of the product. The brand image and the niche marketing strategy of the Company were considered in the ratings.

Significant rising nature of the raw materials price in international market was considered in the ratings also.

Moderate CAGR in EBITDA (43.95%), slow positive increase in Funds Flow of Operation and moderate coverage against the debt obligations positively impacted the rating.

High Debt to EBITDA ratio (4 x) in last financial year as well as slow increase in earnings and increasing cash conversion cycle negatively impacted the ratings.

The rating also considers the satisfactory repayment status certified by the concerned banks.

CRAB RATING SCALES AND DEFINITIONS

LONG-TERM RATING: LOANS/FACILITIES FROM BANKS/FIS

(All loans/facilities with original maturity exceeding one year)

| RATINGS | DEFINITION |
|---|---|
| AAA (Lr) (Triple A) 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)* (Double A) High Safety | Loans/facilities rated AA (Lr) are judged to offer a high degree of safety, with regard to timely payment of financial obligations. It differ only marginally in safety from AAA (Lr) rated facilities. |
| A (Lr) Adequate Safety | Loan/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) (Triple B) 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) (Double B) Inadequate Safety | Loans/facilities rated BB (Lr) are judged to carry inadequate safety, with regard to timely payment of financial obligations; it 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) 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) 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) 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) 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) 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)

| RATING | DEFINITION |
|---|---|
| <p>ST-1 Highest Grade</p> | <p>This rating indicates that the degree of safety regarding timely payment on the loans/facilities is very strong.</p> |
| <p>ST-2 High Grade</p> | <p>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.</p> |
| <p>ST-3 Adequate Grade</p> | <p>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.</p> |
| <p>ST-4 Marginal</p> | <p>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.</p> |
| <p>ST-5 Inadequate Grade</p> | <p>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.</p> |
| <p>ST-6 Lowest Grade</p> | <p>This rating indicates that the loans/facilities are expected to be in default on maturity or is in default.</p> |

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