

CREDIT RATING REPORT

On

HAKKANI PULP AND PAPER MILLS LIMITED

REPORT: RR/28216/19

This is a credit rating report as per the provisions of the Credit Rating Companies Rules 1996. CRISL's entity rating is valid one year for long-term rating and 6 months for short term rating. CRISL's Bank loan rating (blr) is valid one year for long term facilities and up-to 365 days (according to tenure of short term facilities) for short term facilities. After the above periods, these ratings will not carry any validity unless the entity goes for surveillance.
CRISL followed Corporate Rating Methodology published in CRISL website www.crislbd.com

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Date of Rating: May 30, 2019		Valid up to: May 29, 2020
Entity Rating	Long Term	Short Term
	BBB+	ST-3
Outlook	Stable	
Bank Facilities Rating :		
Bank/FI	Working Capital Investment Loan of Tk.280.00	Rating
Social Islami Bank Limited	Term Investment Outstanding of Tk.336.15	blrBBB+
	Working Capital Investment Outstanding of Tk.19.65	blrBBB+
Mercantile Bank Limited	Working Capital Loan of Tk.70.00	blrBBB+
	Working Capital Investment Loan of Tk.280.00	blrBBB+

1.0 RATIONALE

CRISL has reaffirmed the Long Term rating to 'BBB+' (pronounced as triple B plus) and the Short Term rating to 'ST-3' to Hakkani Pulp and Paper Mills Limited (HPPML), a private limited company. The above has been done on the basis of its both relevant quantitative and qualitative information up to the date of rating with due consideration to the company's fundamentals such as qualified and experienced management team, adequate infrastructural arrangement, good business exposures of the sponsor, good funding flexibility, regular loan repayment status etc. However, the above have been constrained, to some extent, by the factors such as debt based capital structure, net loss from the operation, risk of finance, cost inefficiency, operational, raw material supply, competition etc.

The long term rating indicates entities rated in this category are adjudged to offer moderate degree of safety for timely repayment of financial obligations. Risk factors are more variable in periods of economic stress than those rated in the higher categories. These entities are however considered to have the capability to overcome the above-mentioned limitations. The short term rating indicates good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to financial markets is good with small risk factors.

CRISL also placed the company with "Stable Outlook" considering that its existing fundamentals may remain unchanged in the foreseeable future.

2.0 COMPANY PROFILE

2.1 Background

Hakkani Pulp and Paper Mills Limited (HPPML), a paper manufacturing company has been operating as the sister concern of Hakkani Group. HPPML was incorporated on December 28, 1996 as private limited company and converted into a public company limited by shares in 2001. HPPML started its commercial operation on November 01, 2003. The company is one of the leading paper manufacturers in Bangladesh. The company is the initiative of few renowned business personalities and being established under the dynamic leadership of its Chairman Mr. Md. Abdullah who has substantial exposure in paper and transport industry. The company is listed with both Dhaka Stock Exchange Ltd. and Chattogram Stock Exchange Ltd. Having a good market depth, the shares are being traded at an average price of Tk.64.00 at CSE and Tk.63.20 at DSE as on May 23, 2019. Presently the company has been running with production capacity of 7,500 Metric Ton per annum which has been increased from 6000 Metric Ton in the last financial year. HPPML's shares improved to 'B' category from 'Z' category with effect from 31 January 2019 as the Company has reported disbursement of 3% cash dividend for the year ended on 30 June 2018. HPPML is undergoing a Balancing Modernization Replacement and Expansion (BMRE) program to enhance its annual capacity of pulp and paper unit from 7500 MT to 28,500 MT to meet up the growing demand of Quality paper in the country. In addition, the company has also started commercial operation of Tissue manufacturing (Like Toilet Tissue.

Entity Rating
Long Term: BBB+
Short Term: ST-3

Outlook: Stable

HAKKANI PULP AND PAPER MILLS LIMITED

ACTIVITY
Paper and tissue manufacturer

DATE OF INCORPORATION
December 28, 1996

CHAIRMAN
Md. Abdullah

MANAGING DIRECTOR
Md. Golam Mostofa

EQUITY
Tk.521.25 million

TOTAL ASSETS
Tk.1,271.14 million