

# CREDIT RATING REPORT



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**CREDIT RATING  
AGENCY OF  
BANGLADESH LTD.**

## CREDIT RATING REPORT (9<sup>TH</sup> SURVEILLANCE)

### Index Agro Industries Limited

Particular	Rating	Remark
Index Agro Industries Limited	A <sub>3</sub>	
BDT 512.4 million long term outstanding	A <sub>3</sub> (Lr)	
BDT 750.0 million short term funded limit	ST-3	Vide Appendix-1
BDT 3,050.0 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** : 20 December, 2023

**Validity** : 30 December, 2024

**Rating based on** : Audited financial statements up to 30 June 2023, bank liability position as on 31 October 2023, 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--		
	2023	2022	2021
Revenue	4,191.0	4,154.3	3,672.7
EBITDA	543.5	481.1	430.7
EBITDA Margin	13.0%	11.6%	11.7%
Net Profit After Tax	246.6	240.6	232.6
Net Profit Margin	5.9%	5.8%	6.3%
Return on Avg. Assets	3.8%	4.4%	5.6%
Quick Ratio (x)	0.59	0.55	0.79
Cash Conversion Cycle (Days)	336	261	205
Total Equity	3,638.3	2,973.5	2,753.3
Borrowed Fund to Equity (x)	0.85	0.87	0.71
Borrowed Fund to EBITDA (x)	5.67	5.36	4.53
Cash Flow from Operation	(58.1)	(68.5)	(795.2)
EBIT/Financial Expenses (x)	2.4	3.0	3.4

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 2023.

#### 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 512.4 million long-term outstanding of the Company. CRAB has also assigned ST-3 rating to BDT 750.0 million funded limit and BDT 3,050.0 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 4,191.0 million in FY2023 which was BDT 4,154.3 million in FY2022 registering 0.9% growth with higher volume of sales and increased average unit price compared to previous year. The Company experienced increase in gross profit and EBITDA margin due to decrease of CoGS in FY2023. Despite higher financial expenses (including foreign exchange fluctuation loss), net profit margin of the Company increased to 5.9% in FY2023 from 5.8% in FY2022. Therefore, coverage position of IAIL slightly deteriorated as EBIT to financial expenses decreased to 2.4x in FY2023 from 3.0x in FY2022. However, such coverage position is still adequate to repay the present financial obligation of the Company.

IAIL experienced working capital pressure in FY2023 as operating cycle increased to 341 days which was 266 days in FY2022 resulting from mainly increased average inventory period by 69 days. Cash conversion cycle of the Company also increased to 336 days in FY2023 from 261 days in FY2022. As a result, the Company generated negative cash flows in FY2023 following the adjustment of net changes in working capital and capital expenditure.

Total equity of the Company stood at BDT 3,638.3 million (including revaluation reserve of BDT 496.7 million) at the end of 30 June 2023. The adjusted total equity of BDT 3,141.6 million comprises BDT 472.5 million as paid-up capital, BDT 417.5 million as share premium, and BDT 2,251.6 million as retained earnings. Borrowed fund to adjusted equity of 1.0x in FY2023 (FY2022: 0.9x) and Borrowed fund to EBITDA ratios of 5.7x in FY2023 (FY2022: 5.4x) indicating moderate leverage position at present. The overall cash flow position compared to debt exposure exerts moderate position in FY2023

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 at present
- + 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 (IAIL)
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 2023
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 : Valuka, Mymensingh (Feed Mill)
Factory Location	: Rajendrapur, Gazipur (Hatchery & Breeder Farm) : Durgapur, Mithapukur, Rangpur (Hatchery Unit) : Bhabanipur, Sherpur, Bogura (Breeder Farm)
Products	: Poultry Feed, Fish Feed and Day Old Chicks (DOC)
Net Sales in FY2023	: BDT 4,191.0 million (FY2022: 4,154.3 million)
Net Profit in FY2023	: BDT 246.6 million (FY2022: BDT 240.6 million)
Auditor	: G. Kibria & Co., Chartered Accountants
Web	: www.index-agro.com

Source: IAIL

#### ■ OVERVIEW OF X-INDEX COMPANIES

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, feed manufacturing, poultry farming & hatchery, manufacturing of ceramics, power generation etc. At present, the Group has been managing 10 active large and small companies including Index Holdings Limited.

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 FY2022, ICL reported revenue of BDT 82.0 million with net loss of BDT 3.6 million. Total asset of the company was BDT 1,376.2 million while Shareholders' equity was negative (BDT - 34.5 million) at the end of June 2022.

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 901.4 million of revenue from its sales and 8.1% net profit margin in FY2022. Its Shareholders' equity was BDT 1,429.4 million while total borrowed fund outstanding was BDT 270.1 million as of 30 June 2022.

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 2,161.1 million with net profit of BDT 81.5 million in FY2022.

**Table 2: Synopsis of the Concern of X-Index Companies**

Name of the Company	Year of Operation	Nature of Business	Capacity
Index Construction Ltd.	1999	Construction, Real Estate Development	n.a.
Index Agro Industries Ltd.	2004	Poultry and Feed Manufacturing	150,000 MT Feed & 30 million DOC/Year
Index Poultry (Pvt.) Ltd.	2008	Poultry (Hatchery)	10 million Hatching Egg/Year
Index Holdings Ltd.	2009	Associate Investor	n.a.
X-Ceramics Ltd.	2010	Tiles Manufacturing	24,000 sqm/day
Monalisa Ceramics (BD) Ltd.	2016	Tiles Manufacturing	20,000 sqm/day
Tangail Palli Power Generation Ltd.	2020	Power Generation (HFO Fired)	22.00 MWh
Bhairob Power Limited	2021	Power Generation (HFO Fired)	54.50 MWh
Kanchan Purbachal Power Generation Ltd.	2021	Power Generation (HFO Fired)	55.00 MWh

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: Financial Highlights of X-Index Companies in FY2022 (Figures in BDT Millions)**

Name of the Concern	Revenue	Net Profit (Loss)	Total Assets	Equity (E)	Borrowed Fund (BF)	BF to E (x)
Index Construction Ltd.	82.0	(3.6)	1,376.2	(34.5)	93.1	-2.69
Index Agro Industries Ltd.	4,154.3	240.6	5,928.9	2,973.5	2,580.5	0.87
Index Poultry Pvt. Ltd.	901.4	73.1	2,896.4	1,429.4	270.1	0.19
X-Ceramics Ltd.	2,161.1	81.5	6,855.5	1,378.2	1,537.6	1.12
Monalisa Ceramics (BD) Ltd.	1,303.4	66.7	2,785.4	242.2	84.3	0.35
Tangail Palli Power Generation Ltd.	2,402.0	45.2	4,156.4	307.9	2,963.4	9.62
Bhairob Power Limited	3,366.0	74.1	7,187.5	1,512.8	5,245.6	3.47
Kanchan Purbachal Power Generation Ltd.	3,183.9	119.0	8,079.5	703.0	6,035.2	8.59
<b>Total</b>	<b>17,554.1</b>	<b>696.7</b>	<b>39,265.9'</b>	<b>8,512.5</b>	<b>18,809.9</b>	<b>2.21</b>

Source: Management of the Company

Tangail Palli Power Generation Limited (TPPGL), an Independent Power Producer (IPP), was incorporated in December 2017. TPPGL is engaged in generating and supplying of electricity by setting up a 22 MW Heavy Furnace Oil (HFO) fired power plant at Gharinda, Tangail. According to PPA, Bangladesh Power Development Board (BPDB) agreed to purchase the electric capacity and electric energy of the facility for a period of 15 years from the COD whereby the commercial operation started on 20 December 2020.

Bhairob Power Limited (BPL), a subsidiary company of X Index Energy Limited., was incorporated in June 2015 and went into commercial operation on 08 March 2021. The principal activity of BPL is to generate and supply of electricity by setting up 54.5 MW Heavy Furnace Oil (HFO) based power generation plant which is located at Bhairob, Kishoregonj. BPL supplies its generated electricity to Bangladesh Power Development Board (BPDB).

Kanchan Purbachal Power Generation Limited (KPPGL) is a private limited company which was incorporated on 15 December 2011. KPPGL is engaged in generating and supplying of electricity by setting up a 55 MW HFO based power plant at Kanchan, Rupganj, Narayanganj. According to PPA, Bangladesh Power Development Board (BPDB) agreed to purchase the electric capacity and electric energy of the facility for a period of 15 years from the COD whereby the commercial operation started on 20 December 2021.

**■ OPERATION, BUSINESS & FINANCIAL RISK PROFILE**

Operation	

Business model remained same but revenue of the Company slightly increased in FY2023 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: Management of the Company

In FY2023, IAIL produced 28.93 million DOC against annual production capacity of 30.0 million (capacity utilization: 96.4%) which was 28.90 million against same annual production capacity (capacity utilization: 96.3%) in FY2022.

**Table 5: Details of Feed Production**

(Metric Ton)	--Year ended June 30--		
	2023	2022	2021
Installed Capacity	150,000	150,000	150,000
Actual (Attainable) Capacity	114,000	114,000	114,000
<b>Production</b>			
Broiler Feed	37,571	36,903	34,802
Layer Feed	43,659	43,959	40,437
Sinking Feed	1,750	1,991	1,992
Floating Feed	8,497	8,209	7,499
<b>Total Feed Production During the Period</b>	<b>91,476</b>	<b>91,062</b>	<b>84,728</b>
<b>Capacity Utilization (%)*</b>	<b>80.24%</b>	<b>79.88%</b>	<b>74.32%</b>

\*Based on attainable capacity

IAIL produced 91,476 MT of feed registering capacity utilization of 80.2% in FY2023 which was 79.9% in FY2022 and 74.3% in FY2021. Capacity utilization as well as volume of sales increased in FY2023 which resulted marginally 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 FY2023, poultry feed contributed 62.7% and fish feed contributed 10.6% of total revenue. Revenue from the feed segment increased in FY2023 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)	FY2023		FY2022		FY2021	
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
Layer Feed	1,137.6	27.1	1,028.5	24.8	1,097.2	29.9
Broiler Feed	1,493.9	35.6	1,579.9	38.0	1,141.3	31.1
Sinking Feed	88.2	2.1	84.4	2.0	72.5	2.0
Floating Feed	356.3	8.5	356.1	8.6	305.6	8.3
<b>Total Feed</b>	<b>3,075.9</b>	<b>73.4</b>	<b>3,049.0</b>	<b>73.4</b>	<b>2,616.6</b>	<b>71.2</b>
DOC	1,115.1	26.6	1,105.4	26.6	1,056.0	28.8
<b>Total</b>	<b>4,191.0</b>	<b>100.0</b>	<b>4,154.3</b>	<b>100.0</b>	<b>3,672.7</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 FY2023 due to higher volume of sales and higher average sales price compared to that of previous year.

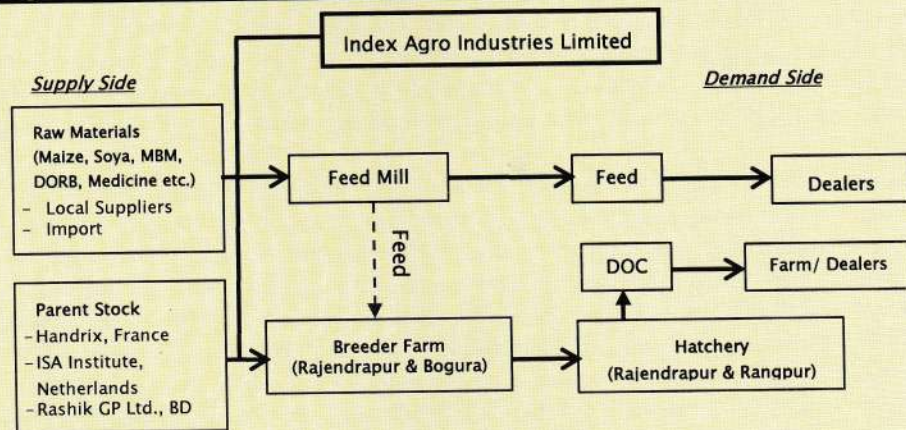
**Table 7: Details of DOC Sales**

Particulars	FY2023	FY2022	FY2021
Revenue from DOC Sales (Mil. BDT)	1,115.1	1,105.4	1,056.0
Sales Quantity of DOC (Mil. Pieces)	28.93	28.90	28.65
Average Sales Price (BDT/Pcs)	38.55	38.25	36.86

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 Peoples Insurance Company Limited for sum insured of BDT 935.6 million which is valid till 19 January 2024. 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 2023.

**Table 8: Composition of Share Holding Position of IAIL**

Particular	30-Jun-2023		30-Jun-2022	
	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 IAL. Among different fringe benefits, IAIL provides provident fund, festival bonus, performance bonus etc.



IAIL reported revenue of BDT 4,191.0 million in FY2023 which was BDT 4,154.3 million in FY2022 registering 0.9% growth with higher volume of sales and increased average unit price compared to previous year. The Company experienced increase in gross profit and EBITDA margin due to decrease of CoGS in FY2023. Despite higher financial expenses (including foreign exchange fluctuation loss), net profit margin of the Company increased to 5.9% in FY2023 from 5.8% in FY2022. Coverage position of IAIL slightly deteriorated as EBIT to financial expenses decreased to 2.4x in FY2023 from 3.0x in FY2022. 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	FY2023		FY2022		FY2021	
	Amount	%	Amount	%	Amount	%
Revenue	4,191.0	100.0	4,154.3	100.0	3,672.7	100.0
Cost of Goods Sold	3,459.5	82.5	3,579.1	86.2	3,131.6	85.3
Administrative Expenses	60.9	1.5	68.3	1.6	49.6	1.3
Selling & Distributing Exp.	126.0	3.0	111.3	2.7	128.5	3.5
Operating Profit	544.7	13.0	395.5	9.5	363.0	9.9
Financial Expenses	203.1	4.8	143.3	3.4	111.2	3.0
Foreign Exchange Loss	83.1	2.0	-	-	-	-
Income Tax	43.4	1.0	48.2	1.2	35.1	1.0
Net Profit	246.6	5.9	240.6	5.8	232.6	6.3

Source: The Company

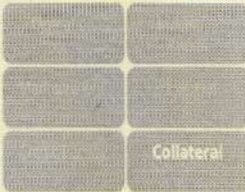
The Company has working capital intensive nature as it has to hold huge inventory which should be maintained to buffer production and stock. IAIL experienced working capital pressure in FY2023 as operating cycle increased to 341 days which was 266 days in FY2022 resulting from mainly increased average inventory period by 69 days. Cash conversion cycle of the Company also increased to 336 days in FY2023 from 261 days in FY2022. As a result, the Company generated negative cash flows in FY2023 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 3,638.3 million (including revaluation reserve of BDT 496.7 million) at the end of 30 June 2023. The adjusted total equity of BDT 3,141.6 million comprises BDT 472.5 million as paid-up capital, BDT 417.5 million as share premium, and BDT 2,251.6 million as retained earnings. Borrowed fund to adjusted equity of 1.0x in FY2023 (FY2022: 0.9x) and Borrowed fund to EBITDA ratios of 5.7x in FY2023 (FY2022: 5.4x) indicating moderate leverage position at present. The overall cash flow position compared to debt exposure exerts moderate position in FY2023.

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 five (05) banks having total short term limit facilities of BDT 3,800.0 million and BDT 512.4 million long-term outstanding as of 31 October 2023. The Company has banking relationship with Islami Bank Bangladesh Limited, Bank Asia Limited, Prime Bank Limited, Trust Bank 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 in last five years 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 942.9 million during the first three months of operation in FY2024 with higher operating profit due to decrease of CoGS in Q1 of FY2024 compared to that of previous year. However, net profit after tax decreased by 13.9% in Q1 of FY2024 compared to Q1 of FY2023 due to higher financial expenses. As a result, Earnings Per Share (EPS) of the Company decreased to BDT 1.02 in Q1 of FY2024 from BDT 1.18 in Q1 of FY2023.

Table 10: Performance of IAIL in Q1 of FY2024 (Mil. BDT)

Particulars	Growth	Q1 of FY2024		Q1 of FY2023	
		Amount	Percentage	Amount	Percentage
Revenue	-16.7%	942.94	100.0%	1,131.61	100.0%
Cost of Goods Sold	-21.8%	764.69	81.1%	977.72	86.4%
Operating Expenses	-23.5%	38.03	4.0%	49.73	4.4%
Operating Profit	34.6%	140.22	14.9%	104.16	9.2%
Financial Expenses	38.3%	67.10	7.1%	48.52	4.3%
Profit before Tax	-18.1%	52.91	5.6%	64.59	5.7%
Profit after Tax	-13.9%	48.08	5.1%	55.82	4.9%

Stock Market Related Information as on 19/12/2023 (Trading Code: INDEXAGRO):

- Last Traded Price : BDT 103.60
- 52 Weeks' Moving Range : BDT 103.60 - BDT 106.80
- Day's Volume (Nos.) : 05 (Day's Trade: 01 Nos.)
- Dividend : 10% C (2022), 25% C (2021)
- Proposed Dividend : 20% C (2023)

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

Details of Credit Facilities of Index Agro Industries Limited as of 31 October, 2023 (Mil. BDT)						
Loan Type	Nature	Bank Name	Facility Name	Limit	Outstanding	Limit Expiry
Long Term	Funded	Prime Bank Ltd.	Term Loan	84.8	9.9	05/05/2024
		Trust Bank Ltd.	Term Loan	500.0	502.5	15/06/2028
		<b>Total Long Term</b>		<b>584.8</b>	<b>512.4</b>	
Short Term	Funded	Bank Asia Ltd.	Time Loan	500.0	511.5	17/01/2024
		Islami Bank BD Ltd.	Murabaha TR	(950.0)	788.8	12/03/2024
		Prime Bank Ltd.	Bai-Muajjal (Com)	250.0	242.4	30/04/2024
			Bai-Muajjal (Inner of LC)	(250.0)	112.6	30/04/2024
		Trust Bank Ltd.	Bai-Murabaha	(550.0)	151.2	31/10/2024
<b>Total Short Term Funded</b>		<b>750.0</b>	<b>1,806.5</b>			
Short Term	Non-Funded	Islami Bank BD Ltd.	LC/Bills	1,200.0	26.7	12/03/2024
		Prime Bank Ltd.	LC/ABP	400.0	6.5	30/04/2024
			BG (Inner of LC)	(20.0)	17.9	30/04/2024
		Trust Bank Ltd.	Letter of Credit	850.0	3.3	31/10/2024
		SCB	LC/Acceptance	600.0	-	26/02/2024
<b>Total Short Term Non-Funded</b>		<b>3,050.0</b>	<b>54.4</b>			
<b>Total Short Term</b>		<b>3,800.0</b>	<b>1,860.9</b>			

**Note:**

- Figures in millions.
- Bank liabilities are based on 31/10/2023.
- Limits within brackets are sub-limits of other independent limits.
- Satisfactory relationship with timely repayment nature as per bankers' feedback.

**APPENDIX – 2: KEY FINANCIAL INDICATORS**

Type of Statement: Audited

(Figures in Million, BDT)

	Perion ended	30/06/2023	30/06/2022	30/06/2021	30/06/2020
<b>Earnings &amp; Stability</b>	Revenue	4,191.0	4,154.3	3,672.7	4,047.1
	Revenue Growth	0.9%	13.1%	-9.25%	-6.5%
	CoGS as % of Revenue	82.5%	86.2%	85.3%	85.0%
	EBITDA	543.5	481.1	430.7	494.4
	EBITDA Margin	13.0%	11.6%	11.7%	12.2%
	Net Profit after Tax	246.6	240.6	232.6	264.4
<b>Profitability</b>	Gross Profit Margin	17.5%	13.8%	14.7%	15.0%
	Operating Profit Margin	13.0%	9.5%	9.9%	10.5%
	Net Profit Margin	5.9%	5.8%	6.3%	6.5%
	Return on Average Asset	3.8%	4.4%	5.6%	8.2%
	Return on Average Equity	7.5%	8.4%	9.7%	14.0%
<b>Liquidity</b>	Current Ratio (x)	1.53	1.46	1.54	1.73
	Quick Ratio (x)	0.59	0.55	0.79	0.94
	Inventory	2,822.4	2,444.8	1,645.1	891.3
	Average Inventory Processing Period (Days)	278	209	148	95
	Accounts Receivable	812.7	625.5	653.6	601.5
	Average Receivable Collection Period (Days)	63	57	63	56
	Accounts Payable	40.5	40.7	39.7	48.6
<b>Leverage &amp; Capital Structure</b>	Average Payable Payment Period (Days)	5	5	6	7
	Operating Cycle (Days)	341	266	211	151
	Cash Conversion Cycle (Days)	336	261	205	144
	Total Equity	3,638.3	2,973.5	2,753.3	2,020.7
	Total Liability	3,567.3	2,955.4	2,277.5	1,224.7
<b>Coverage</b>	Total Asset	7,205.6	5,928.9	5,030.8	3,245.4
	Total Borrowed Fund	3,083.7	2,580.5	1,950.4	923.1
	Total Long-Term Debt	500.0	217.8	35.6	38.4
	Fund Flow from Operation (FFO)	297.0	289.6	284.4	320.0
	Cash Flow from Operation (CFO)	(58.1)	(68.5)	(795.2)	463.8
	Total Liability to Equity (x)	0.98	0.99	0.83	0.61
	Borrowed Fund to Equity (x)	0.85	0.87	0.71	0.46
<b>Coverage</b>	Borrowed Fund/EBITDA (x)	5.67	5.36	4.53	1.87
	FFO to Borrowed Fund	9.6%	11.2%	14.6%	34.7%
	CFO to Borrowed Fund				
	EBIT to Financial Expenses (x)	2.4	3.0	3.4	3.2

Other Indicators (Leverage Ratio considering Adjusted Equity\*):

Total Equity	3,638.3	2,973.5	2,753.3	2,020.7
Revaluation Reserve	496.74	32.96	34.16	35.96
Adjusted Equity	3,141.6	2,940.6	2,719.1	1,984.8
Total Liability to Adjusted Equity (x)	1.14	1.01	0.84	0.62
Borrowed Fund to Adjusted Equity (x)	0.98	0.88	0.72	0.47

\*Adjusted Equity is adjusted with Revaluation Reserve.

APPENDIX - 3: RATING HISTORY OF INDEX AGRO INDUSTRIES LIMITED

Date of Rating : 29 December, 2022

Particular	Rating
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
BDT 2,750.0 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 2022, bank liability position as on 30 November 2022, and other relevant quantitative & qualitative information up to the date of rating declaration.

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 & 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 & qualitative information up to the date of rating declaration.

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

Long Term Rating	Definition
AAA 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> * 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> 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> 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> 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> 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> 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 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 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 (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) (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. They differ only marginally in safety from AAA (Lr) rated facilities.
A (Lr) 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) (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; 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) 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)

RATINGS	DEFINITION
ST-1 Highest Grade	This rating indicates that the degree of safety regarding timely payment on the loans/facilities is very strong.
ST-2 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 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 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 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 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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