

**1.0 RATINGS**

Ratings are based on Unaudited Financial Statement up to 30<sup>th</sup> June, 2013 along with the other relevant Quantitative as well as Qualitative information provided by the Client & Bank up to the Date of Rating Declaration.

Followed Corporate Rating Methodology and Bank Loan Rating Methodology of NCR published in our website.

Website: [www.ncrbd.com](http://www.ncrbd.com)

ENTITY RATING				
Date of Rating Declaration	Long Term	Short Term		
29.08.2013	A- (Single A Minus)	ST-3		
Valid Till	28.08.2014	28.02.2014		
Outlook	Stable			
BANK LOAN RATINGS				
Name of Bank	Nature of Facility	Limit (TK. In Million)	Outstanding* (TK .In Million)	BLR <sup>α</sup>
Shahjalal Islami Bank Limited	Bai Muazzal Term	300.00	290.34	A-
	Hire Purchase	212.33	149.36	
National Bank of Pakistan	TR	Case to case	62.76	BBB

\* Outstanding as on 30<sup>th</sup> June, 2013

<sup>α</sup> BLR is valid for one year for long term loan and for short term loan up to 365 days or according to the tenure of the loan whichever is earlier.

**2.0 PROFILE**

- Engaged in production of eggs & commercial broiler.

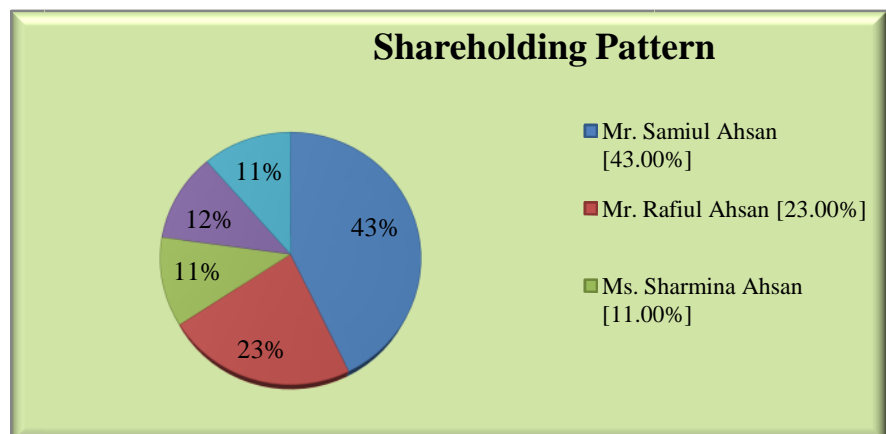
**2.1** Phenix Poultry Limited (hereinafter referred as ‘PPL’ or ‘The Company’) a sister concern of Phenix Group, was incorporated as a Private Limited Company on 27<sup>th</sup> September, 1978 under the Companies Act 1913. The company is engaged to produce commercial broiler, Eggs and Culled birds.

**2.2** The Head Office of the company is located at 34, Purana Paltan, Nurjahan Sharif Plaza, Dhaka 1000 and the firm is operates its business with two units. The unit-1 is located at Paradogar, Matuail, Demra, Dhaka built on 12 acres land. The unit-2 is located at Baniarchara, Memberbari, Gazipur built on 22.67 acres land. The yearly production capacity of the firm is around 30 million eggs, 2.4 million pcs of of Broiler Chicken and 80,000 KG Layer birds.

**3.0 OWNERSHIP**

- Private Limited Company
- Concentrated shareholding pattern

**3.1** Shareholding pattern is found concentrated within family members. Majority of (43.00%) the shares are held by Mr. Samiul Ahsan, Chairman and Managing Director of the company and rest of the shares are held by Mr. Rafiul Ahsan, Ms. Sarmina Ahsan, Ms. Sania Ahsan and Ms. Sabrina Ahsan. The present shareholding pattern of the company is illustrated below:



**4.0 GROUP PROFILE**

- A large conglomerate with diversified line of businesses.

**4.1** Phenix Group has diversified line of businesses through poultry, agro, power and trading. The detail description of the other companies are shown below :

SL	Name of the Company	Description
1.	Phenix Poultry Ltd.	The company is pioneer in poultry business in Bangladesh since 1974.
2.	Phenix Hatchery Ltd.	The company is engaged in producing and marketing of commercial day old chicken since 1988. This is the largest producer of white layer DOC. Recently the company is associated with Bangladesh Livestock Research Institute to develop white layer strain called “Shuvra” and received exclusive distribution of Shuvra DOC.
3.	Phenix Agro Ltd.	The company is associated with production and marketing of poultry vaccines under collaboration with the microbiology department of Agricultural University of Bangladesh.
4.	Samiul Agro Complex Ltd.	The company is engaged in production of layer and broiler day old chicks since 2006.
5.	Ahsan Agro Ltd.	The company is engaged in production of layer and broiler day old chicks since 2009.
6.	Rafiul Agro Ltd.	The company is engaged in production of layer and broiler day old chicks since 2009.
7.	B.K. Traders Ltd.	The company is engaged in trading business of different feed ingredient since 1972.
8.	Phenix Aquatic Products Ltd.	The company is involved in cultivating various sweet water fish for local consumption. The total water area is 230 acres. The annual production capacity of the company is 50000 tons fish.
9.	Lal Sabuj Seed Ltd.	The company is engaged with production of potato seed and paddy seed. It also imports maize seed, vegetables seed.
10.	Phenix Green Energy Ltd.	The company is involved in producing bio electricity methane from poultry liter and generating electricity with the help of methane based gas generator. This plant produces 400KW electricity per day.

**5.0 GOVERNANCE**

- BoD is not fully independent from the management

**5.1** The company’s BoD comprises of two members. The BoD is a key source of guidance to the management and responsible for policy formulation and overseeing the management reports. The members have rich educational background and long experience of working at the top level management of the group. The Managing Director continuously monitors the ongoing operations and reviews the financial reports. On the other hand, major decisions are approved by the BoD.

**5.2** Brief profile of Board members is given below:

SL	Name	Designation	Qualification	Experience
1	Mr. Samiul Ahsan	Managing Director	Diploma in Agriculture	51 Years
2	Mr. Rafiul Ahsan	Director	MBA	15 Years
3	Ms. Sharmina Ahsan	Director	MBA	----
4	Ms. Sania Ahsan	Director	M.B.B.S.	----
5	Ms. Sabrina Ahsan	Director	MBA	----

**6.0 MANAGEMENT**

- Experience management team

**6.1** The company has an organized management team with a good blend of qualified of young and energetic persons for the group. The group management team is centrally controlled and headed by the Managing Director, Mr. Samiul Ahsan who has 51 years of experience in diversified industrial sectors. The Managing Director is responsible to look after the managerial and administrative activities under the policy and guide line given by the Board of Directors.

**6.2** In the head office there are seven departments namely: (1) Foreign Exchange & Corporate Affairs, (2) Production & Marketing, (3) Accounts, (4) Operation, (5) HRM (6) Logistics & Supply Chain and (7) Sales & marketing. The detail is given below:

Sl.	Department	Name	Qualification	Experience
1	Foreign Exchange & Corporate Affairs	Mr. Md. Rafiqul Islam Bhuiyan	Masters in Economics	36 Years
2	Production & Marketing	Dr. Sorwar Jahan	Masters in Veterinary Medicine	15 Years
3	Accounts	Mr. Motiur Rahman	C.A.	15Years
		Mr. Md. Awal Miah	M.B.A.	17 Years
4	Operation	Dr. Shahdat Hossain	Graduation in Animal Husbandary	15 Years
		Dr. Nazrul Islam	Graduation in Animal Husbandary, P.H.D. from Japan	17 Years
		Mr. Mahfuzur Rahman Khan	---	30 Years
5	HRM	Ms. Surma Khan	Masters in Management	23 Years
6	Logistics & Supply Chain	Engr. Hatem Khan	Engineering	30 Years
7	Sales & Marketing	Mr. Md. Anwar Hossain	B.A.	18 Years
		Mr. Md. Nur-A-Alam	Masters	15 Years

**6.3** The company has a separate factory management team where factory-In-charge look after day to day operation. The organizational structure of the factory is divided into 2 functional divisions: namely (1) Production and (2) Accounts. The details of the management team of the factory is given below:

Sl.	Department	Name	Qualification	Experience
1	Production (Unit-1)	Dr. Nazrul Islam	Graduation in Animal Husbandry, P.H.D. from Japan	17 Years
	Production (Unit-2)	Mr. Fazlul Hoque	Masters	15 Years

**6.4** The company is well organized and well managed. All the operational functions and general administrative functions of the factory are directly supervised and monitored by the Directors. PPL offers good compensation packages to its employees as well as workers. The company facilitates employees with medical support, catering and dining facilities and a prayer room.

## 7.0 SYSTEMS & CONTROL

- Uses MS Office application, Poultry-Soft & Tally software
- Maintain bio-security in every shed

**7.1** PPL uses MS-Office application for documentation and record keeping purpose. Currently, the company uses Poultry-Soft and Tally software for all of its activities. PPL procures DOC from one of their associates Phenix Hatchery Limited. For all activities like brooding, rearing etc., the company is using automated machine. PPL is using auto equipments (Control House Equipments) with cage and start system, Nipple Drinking System, Egg Collection System, Pad Cooling System, Auto-Feeding System and Litter Removing System by conveyor belt. These modern equipments have imported from a multinational company named “Dhamal Plazom Poultry Equipment”. Operational activities are communicated through e-mail, fax and telephonic conversation to the top management and the Board.

**7.2** The level of raw materials inventories is strictly maintained by the company which is required by the nature of the business. The feeds for birds and feed additive such as vitamin, minerals, prevention medicine etc are maintained properly.

**7.3** Maintaining Bio security is a great concern for poultry farming sector. PPL strictly maintains Bio security in every shade. Under the Bio-security provisions boundary net and foot path, spraying and disinfectant system, cleaning system and disposal of dead birds of the plant area; quarantine for minimum 24 hours for visitors in the firm area, mandatory showering system for entering in the firm are strictly maintained. The cleaning program generally held between flock in control house at dawn time. Moreover, after culling process the sheds are also cleaned exclusively.

**7.4** PPL meets its energy requirement by the power supply of the REB. For backup, the company has two diesel generators. Currently, the company is using own vehicles for transportation of goods.

## 8.0 INDUSTRY RISK ANALYSIS

- Out break of Bird Flu is a potential threat to the development of the sector

**8.1** Agricultural sector contributes on an average 20.2% to the Gross Domestic Product (GDP) of the country. The performance of this sector has an overwhelming impact on major macroeconomic objectives like employment generation, poverty alleviation, proper utilization of human resources and most importantly food security. The poultry industry is crucial to agricultural growth and improvement of diet of the people and is also particularly important for the supply of protein and nutrition in a household’s nutritional intake. The poultry industry in Bangladesh flourished during the 1990s and has contributed to significant employment generation and income for the poorer sections of people of the country.

**8.2** The market size in this sector is around TK 15,000 crore, which may double in five to seven years if government support is ensured. A ten million workforce are involved in the poultry industry and there are 150 million consumers in this sector. In Bangladesh, there are now five Grand Parent stock farms, 40-45 Parent stock farms and

hatcheries, 80,000-85,000 poultry farms and 25-30 poultry feed factories in the private sector. The sector is also poised to grow rapidly. The industry has been growing at 20% annually during the past 15 years.

**8.3** The poultry farms rear broiler chicks for meat and layer chicks for eggs. Rising prices of poultry feed is causing prices of each one-day-old broiler chick increased to TK 65-70 from TK 25-28. The price of major poultry feed from Biswas Feed, Aftab Feed, Usha Feed, Kazi Feed and Advanced Feed has been increased to TK 30-40 per kg from TK. 20-25. A sack of layer chick feed has increased to TK 1,700 from TK 1100 and for broiler chicks to TK 2000 from TK 1,400 within a year. The unusual price hike of poultry feed is due to increase of the price of maize in the local and international market. The imported price of maize has grown up as importers are required to pay AIT on import of maize. Moreover the price of Soybean, another ingredient of poultry feed imported from abroad has also increased in the international market.

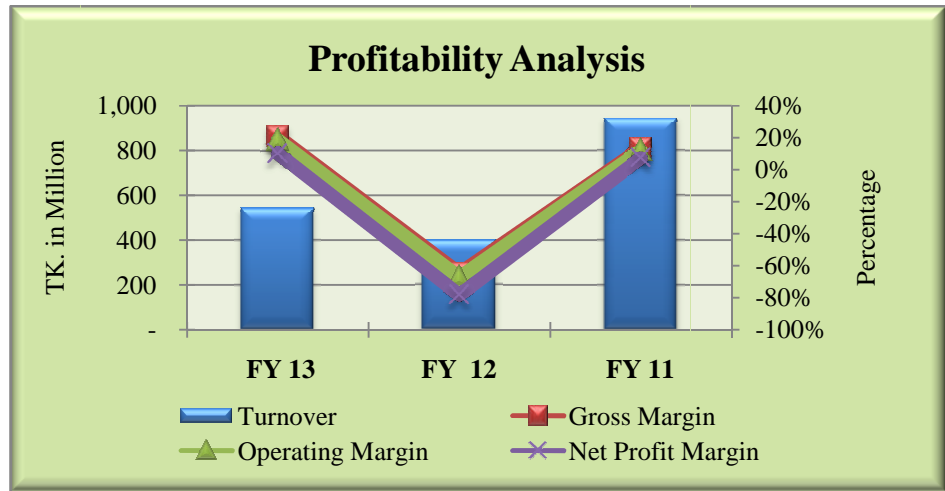
**8.4** The avian influenza and the consequent culling of birds are the biggest threat and risk of poultry sector in mass level. The number of poultry farmers has reduced substantially due to 2007-08 outbreak of the bird flu scare in the country. The disease is claimed to have caused a loss of about TK 5,000 crore since the outbreak in early 2007 and loss of direct and indirect jobs of around 20 lac people. The recent bird flu flared up again in the country early this year forcing the authorities to cull over 100,000 chickens. The prices of medicine for poultry firm have increased by 10% - 20%. The industry is on demand of duty concessions on other imported materials and medicines needed for the poultry. So, it is important to encourage the establishment of firms to produce these materials and medicines within the country.

## 9.0 BUSINESS RISK ANALYSIS

- Significant increase in turnover

**9.1** PPL's business performance has been evaluated on the basis of last three years' unaudited reports and financial statements, prepared by the company management.

**9.2** The company recorded a turnover of TK. 543.44 million in FY 2013 against TK. 400.03 million in FY 2012, registering a growth rate of 35.85%. The gross profit has increased to TK 111.57 million in FY 2013 from TK (259.38) million in FY 2012. The gross profit margin has also increased to 20.53 % in FY 2013 from (64.84) % in FY 2012. The cost to revenue ratio has decreased to 79.47% in FY 2013 from 164.84% in FY 2012, showing an adequate improvement in operating efficiency.



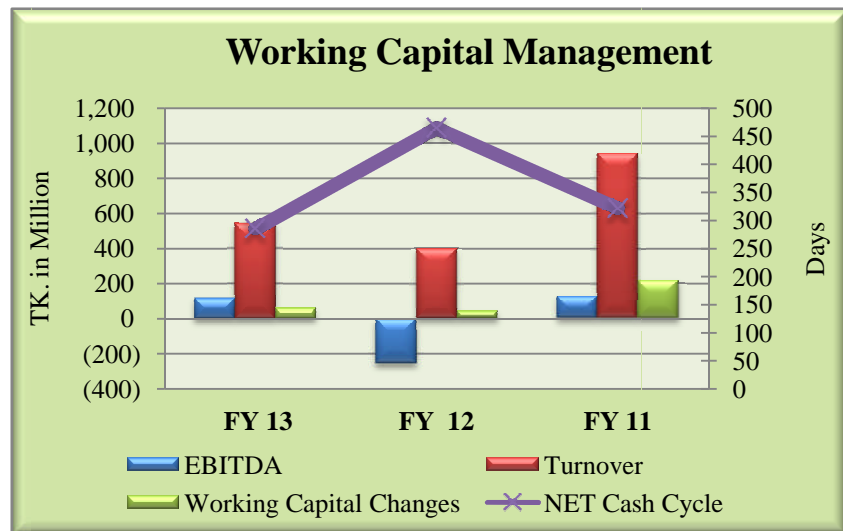
**9.3** The operating profit has increased to TK 99.69 million in FY 2013 from TK (269.30) million in FY 2012. The operating expenses have increased to TK. 11.88 million in FY 2013 against TK. 9.92 million in FY 2012. The operating profit margin increased to 18.34% in FY 2013 from (67.32)% in FY 2012.

**10.0 FINANCIAL RISK ANALYSIS**

- Moderate liquidity position & coverage indicators
- Low leverage

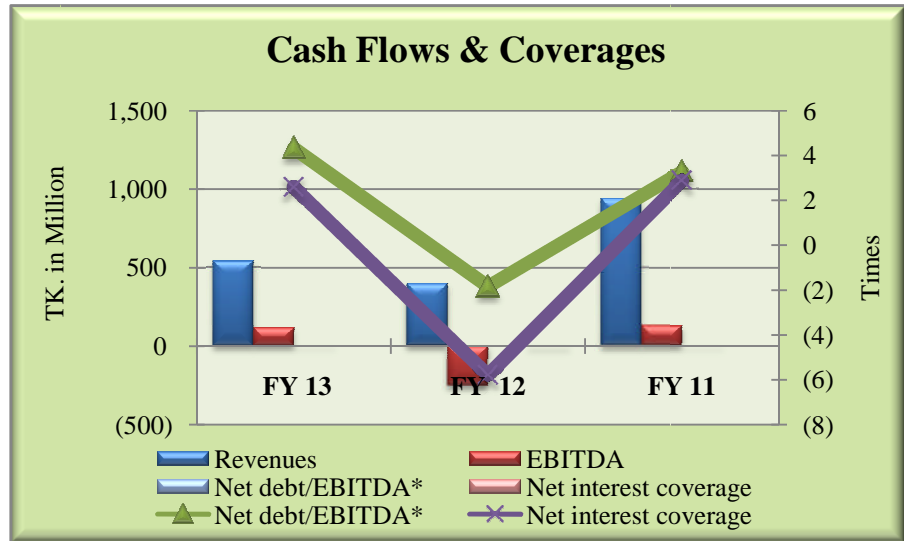
**10.1** The net income increased to TK 54.29 million in FY 2013 from TK. (313.05) million in FY 2012. The net profit margin increased to 9.99% in FY 2013 from (78.26) % in FY 2012. On the other hand, the financial expenses have increased to TK. 45.40 million in FY 2013 from TK. 43.75 million in FY 2012. The financing cost to revenue ratio has decreased to 8.35% in 2013 from 10.94% in 2012.

**10.2** The company has its own credit policy to handle the credit control and inventory management. The net working capital of PPL was recorded TK. 54.29 million in FY 2013 against TK. (798.39) million in FY 2012. The cash cycle has shortened to 285 days in FY 2013 from 465 days in FY 2012.

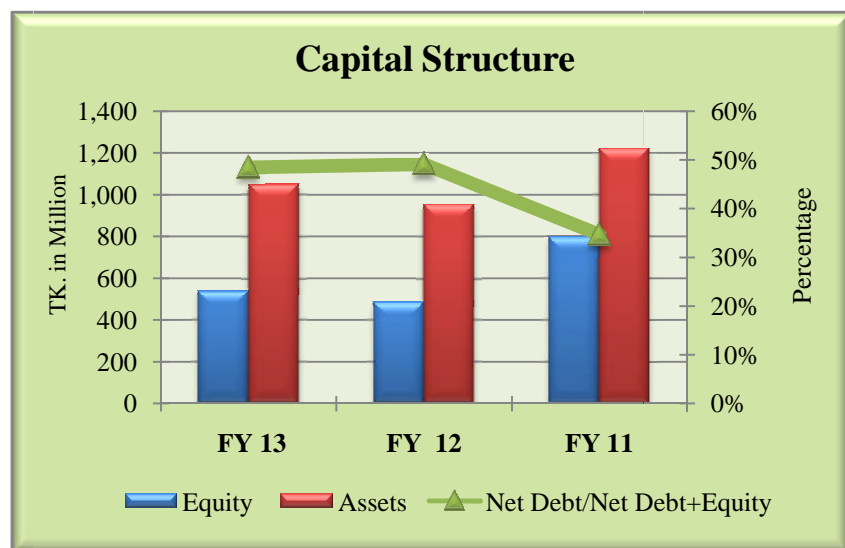


**10.3** The EBITDA was recorded TK. 117.33million in FY 2013 from TK. (253.64) million in FY 2012. The current ratio was found moderate and slightly increased to 1.15 times in FY 2013 against 1.13 times in FY 2012.

**10.4** The debt service coverage was recorded 1.37 times in FY 2013 against (4.42) times in FY 2012. The debt payback periods became longer to 4.33 times in FY 2013 from (1.85) times in the previous year.



**10.5** The Financial structure of PPL is composed of 48.44% of debt and 51.56% of equity in FY 2013. The asset turnover ratio increased to 0.54 times in FY 2013 from 0.37 times in FY 2012. The equity multiplier increased to 1.96 times in FY 2013 from 1.70 times in FY 2012. The asset size of the firm has increased significantly to TK 1051.74 million in FY 2013 against of TK 955.16 million in FY 2012.



**10.6 Credit Facility**

PPL is enjoying credit facilities from Shahjalal Islami Bank Limited, Dhanmondi Branch and National Bank of Pakistan. The detail facility structure is given as follows:

Name of Bank	Nature of Facility	Limit (Tk. in Million)	Outstanding* (TK in Million)
Shahjalal Islami Bank Limited	Bai Muazzal Term	300.00	290.34
	Hire Purchase	212.33	149.36
National Bank of Pakistan	TR	Case to case	62.76
<b>Total</b>		<b>512.33</b>	<b>502.46</b>

\*Outstanding as on 30<sup>th</sup> June, 2013

**10.6.1 Security & Collateral**

The security and collateral for loan facility are presented in the table below:

Name of the Bank	Description
Shahjalal Islami Bank Limited	<ul style="list-style-type: none"> <li>▪ Post dated master cheque.</li> <li>▪ Personal guarantee of all directors.</li> <li>▪ Registered mortgage of 12 acres land along with different factory shed 78637 Sft. Location: Mouza: Para Dogair, P. S. Demra, Dhaka. Owner Phenix poultry ltd.</li> <li>▪ Registered mortgage of 98.18 katha or 162 decimal lands located at Badda Anandagar, Gulshan, Dhaka. Owner: All directors of the company.</li> <li>▪ Registered mortgage of 18.52 katha lands located at Shewrapara, Dhaka. Owner: Managing Director of the company.</li> <li>▪ Registered mortgage of 20.13 khata lands located at Plot no-13, Block No-CEN (A), Gulshan, Dhaka.</li> </ul>

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<b>Rating Scales and Definition</b> <b>Long Term Credit Ratings</b> ( Bank/Financial Institutions/ NBFIs/Corporate/Debt Instruments)	
Rating Scale	Definition
<b>INVESTMENT GRADE</b>	
AAA	Excellent quality, offering <b>highest safety</b> for timely servicing of financial obligations. Such institutions carry <b>minimum risk</b>
AA+, AA, AA-	<b>Very strong</b> capacity for timely servicing of financial obligations offering <b>high safety</b> . Such institutions carry <b>very low risk</b> .
A+, A, A-	<b>Strong</b> capacity for timely servicing of financial obligations offering <b>adequate safety</b> . Such institutions carry <b>low credit risk</b> .
BBB+, BBB, BBB-	<b>Adequate capacity</b> for timely servicing of financial obligations offering <b>moderate safety</b> . The rating category denotes a moderate credit risk. However changes in circumstances or economic conditions are more likely to affect the capacity for timely servicing of financial obligations.
<b>NON –INVESTMENT GRADE</b>	
BB+, BB, BB-	<b>Inadequate safety</b> for timely servicing of financial obligations. Such institutions carry <b>high credit risk</b> . The entity remains more vulnerable to adverse economic changes over time.
B+, B, B-	<b>Low safety</b> for timely servicing of financial obligations.
CCC, CC, C	<b>Very high risk</b> for timely servicing of financial obligations.
D	Entities with this rating are of the lowest category. They are either in <b>default</b> or likely to be in default soon.
<b>Short Term Credit Ratings</b> ( Bank/Financial Institutions/ NBFIs/Corporate/Debt Instruments)	
Rating	Definition
ST-1	<b>Strongest capacity</b> for timely payment of financial commitments and carry lowest credit risk.
ST-2	<b>Strong capacity</b> for timely payment of financial commitments and carry lowest credit risk
ST-3	<b>Satisfactory capacity</b> for timely payment of financial commitments and carry very low credit risk.
ST-4	<b>Moderate capacity</b> for timely payment of financial commitments and carry Moderate credit risk
ST-5	<b>Uncertain capacity</b> for timely payment of financial commitments and carry high credit risk.
ST-6	Indicates actual or inherent payment default.

