Report On

ICRRS of Cement Manufacturing Clients of Corporate Banking Division – Habib Bank Limited, Bangladesh

By

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An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelors of Business Administration (BBA)

BRAC Business School
BRAC University
September, 2024

Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Fatema Zakir Samiha
19304060

Supervisor's Full Name & Signature:

Dr. Saad Md Maroof Hossain
Assistant Professor, BRAC Business School
BRAC University

Letter of Transmittal

Dr. Saad Md Maroof Hossain

Assistant Professor,

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report on “ICRRS of Cement Manufacturing Clients of Corporate Banking Division – Habib Bank Limited, Bangladesh”

Dear Sir,

I am grateful to present my internship report titled “ICRRS of Cement Manufacturing Clients of Corporate Banking Division – Habib Bank Limited, Bangladesh” prepared under your guidance.

I have attempted my best to complete the report by following the guidelines provided by BRAC Business School with the foremost information.

I, therefore, pray and hope that the report will meet your expectations and you would be kind enough to accept the report.

Sincerely yours,

____

Fatema Zakir Samiha

19304060

BRAC Business School

BRAC University

September 15, 2024.

Non-Disclosure Agreement

This agreement is made and entered into by and between HBL Bangladesh and the undersigned student of BRAC University, Fatema Zakir Samiha, for the commitment of preventing the unauthorized disclosure of confidential information of HBL Bangladesh.

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Fatema Zakir Samiha

Student ID: 19304060

BRAC Business School

BRAC University

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Quazi Mushfiqur Rahman

Relationship Manager - Corporate Banking

Habib Bank Limited

Country Office

Acknowledgement

I would like to express my gratitude to Almighty Allah for allowing me to complete my internship journey with ease. After that, I am thankful to my parents for all of the privileges and supports.

Completing this internship report without the support from certain people would be really difficult. I am really thankful to those people including my respective faculties from Brac Business School. To begin with, I am really grateful to my academic supervisor Dr. Saad Md Maroof Hossain, assistant professor of Brac Business School. He always guided and supported me throughout my entire internship journey till the completion of the report.

Secondly, I would like to show my gratitude to my on-site supervisor, Mr. Quazi Mushfiqur Rahman, Relationship Manager, Corporate Banking at HBL Bangladesh for helping me gathering valuable information. I am also thankful to all of the personnel of HBL Bangladesh for the continuous support, specially to the respective department Heads for allowing me to learn many things from them directly. The Corporate Banking division where I worked as an Intern, all of the people were really supportive and taught me a lot of things.

Last but not the least, the supportive environment at HBL Bangladesh always encouraged me to learn new things and I felt valued as well as appreciated.

Executive Summary

The report focuses on the risk rating of business from a particular industry by the Corporate Banking division of Habib Bank Limited- Bangladesh by the credit risk assessment method ICRRS. The Internal Credit Risk Rating System (ICRRS) is an approach introduced by Bangladesh Bank, that is being used for evaluating the creditworthiness of borrowers.

Chapter 1 of this report is about the information about the student along with the experiences and learnings. In the second chapter, the overview of the organization is shared including the analysis of the financial performances of HBL Bangladesh over the last five years. Chapter 3 of this report is about the project part. A thorough evaluation is conducted by the bank to present the practical execution of the credit risk rating on a client. The client's internal credit risk assessment is conducted and the results are illustrated step by step which demonstrates the extensive view of the financial position and condition. Moreover, the challenges faced by HBL are stated along with the probable recommendations for further enhancement.

Keywords: HBL, ICRRS, Bangladesh Bank, Financial performance.

Table of Contents

List of Tables

List of Figures

List of Acronyms

HBL	Habib Bank Limited
ICRRS	Internal Credit Risk Rating System
FSS	Financial Spreadsheet
PPSSA	Pari Passu Security Sharing Agreement
KYC	Know Your Customer
UCIC	Unique Customer Identification Number
CDD	Customer Due Diligence
MoA	Memorandum of Association
AoA	Articles of Association
CP	Credit Proposal
CM	Credit Memorandum
CAGR	Compound Annual Growth Rate
BFIU	Bangladesh Financial Intelligence Unit
RTGS	Real Time Gross Settlement

CHAPTER 01: Internship Overview

1.1 Student Information

Student Name: Fatema Zakir Samiha

Student ID: 19304060

Program: Bachelor of Business Administration (BBA)

Department /School: Brac Business School

Major/ Specialization: Finance

Minor: Marketing

1.2 Internship Information

1.2.1 Company Information

Period: February 15, 2024 to May 14, 2024

Company Name: Habib Bank Limited Bangladesh

Department: Corporate Banking

Address: 67 & 68 Kemal Ataturk Avenue, Banani, Dhaka-1213.

1.2.2 Information of On-site Internship Supervisor

Name: Quazi Mushfiqur Rahman

Position: Relationship Manager – Corporate Banking

1.2.3 Job Scope

Responsibilities/ Duties:

- Preparing and analyzing the FSS of corporate clients
- Learning the Credit Approval processes
- Checking the different documents of the clients
- Preparing call report
- Doing Industry Analysis on different sectors
- Checking different circulars by Bangladesh Bank for being updated
- Learning about new things related such as: KYC form, UCIC, CDD, CTR, PPSSA etc.

1.3 Internship Outcome

1.3.1 Contribution of Student to HBL

Before joining as an intern at HBL Bangladesh, I only had a very basic level knowledge about the Banking sector and how it works. But working in HBL helped me having a better perception about a Bank. Followings are my learnings during my internship period at HBL –

- Analyzing Financial Spreadsheet: One of my regular tasks at work was preparing financial spreadsheets of the clients of HBL Corporate Banking department. First of all, I had to collect the financial statement of the clients such as Balance sheet, Profit and Loss statement and Cash Flow statements in order to input the data in the FSS. After that, the auto generated key ratios was used to analyze the financial condition of the clients.

- Maintaining Credit Files: For every corporate client that HBL onboard, the bank has to maintain credit file which includes approved CP package, financials, legal documents like MoA, AoA, trade license, TIN certificate and many other things. I used to file different documents in their dedicated slots and checked whether all of the necessary documents are there. For some documents it was mandatory to keep the updated one time to time, sometimes I used to do that too.

- Doing Industry Analysis: Another important task that I used to do quiet often which is doing Industry analysis of different sectors which is necessary to include in CM of a credit file. Data that are necessary to include in an industry analysis – market size of the particular industry, export data, percentage of market share, CAGR (sales trend), competitor analysis, regulatory environment, contributions in our country's economy and future outlook of the sector.

- Reading Materials: Studying different circulars by Bangladesh Bank and things related to banking sector were and important part of my job. For instance, at the very beginning of my internship, I was told to study the BFIU circular no – 26 which was about the instructions that are necessary to be followed by the schedule Banks of Bangladesh in order to prevent money laundering, terrorist financing and proliferation financing. My seniors helped me a lot when its about learning new things, they used to ask me questions regarding the materials I studied so that they could make sure I understood the concepts well.

- Presentations: During my internship tenor, I had to participate in two presentations. The final presentation was the part of my project where the respective ManCom members were present. It was really unique and I feel honored that I got the chance to present in front of the respective ManCom members. It was a great experience.

1.3.2 Benefits to The Student

Being able to do my internship at HBL Bangladesh has been one of my rewarding experiences and a wonderful journey of my life.

- The opportunity to learn and grow: First of all, the supportive environment of HBL gave me the opportunity to learn and grow constantly. My seniors always inspired me to work with the utmost dedication. My supervisor and mentors were always there to guide me.

- Exploring new things: Working in the Corporate Banking department gave me a better exposure of how corporate banking sector works. I got to know about many new factors, documents, securities and terms.

- Skill development: Moreover, working at the bank helped me in communication skill, time management skill, problem solving, adaptability and the ability to work in a team.

- Enhanced understanding of Bank operations: In addition, being able to work at HBL gave me a better insight of how a bank operates and which department do what task. I had the opportunity to learn directly from some employees from different departments about how their department works.

1.3.3 Challenges experienced during the Internship Period

During my internship tenor I faced a few difficulties, I decided to add some which are as follows –

- There were some circumstances where I wasn't sure what I've to do due to lack of directions as everyone remains very busy with work in corporate banking department.

- From my point of view, the duration of 3 months/ 90 days for internship is not enough. There were so many things to learn and it might be difficult to cope up with those.

CHAPTER 02: Organization Part

2.1 Introduction

Habib Bank Limited, commonly known as HBL, is a multinational bank operating in Bangladesh since 1976. The headquarter of HBL is located in Pakistan. It is the first commercial bank in Pakistan. The bank is now operating in 25+ countries including China, Switzerland, UAE, USA, UK, Maldives, Netherlands etc. Currently, Habib Bank is owned by Aga Khan foundation. The operations of HBL in Bangladesh is limited due to the specific target market. HBL mainly maintains a corporate client portfolio.

2.2 Overview of The Company

2.2.1 History

Habib Bank Limited was founded by the Habib family in 1941. Habib Family, the most influential Muslim family in India back then, was the pioneer of establishing Habib Bank in Bombay. With only 25000 rupees, Habib Bank started its journey. The bank's founding was influenced in order to challenge the dominance of the existing Hindu-British in the banking industry back in 1936.

In 1947, after the partitioned of two independent national states, Habib Bank was moved to Karachi to serve entirely the Muslim community. It's is the first commercial bank in Pakistan. HBL started its international expansion in 1950s. Following that, they started opening their brunches overseas. However, Habib Bank was under the ownership and supervision of the Habib family until the year 1974. In 1974, Habib Bank was nationalized with a sizeable domestic share, by the Government of Pakistan. In 1976, Habib Bank opened their first of two branches in Bangladesh.

Later on, when Aga Khan Fund for Economic Development (AKFED) was interested to buy the bank, the Pakistani government granted and transferred the majority ownership of HBL to AKFED in 2002. In 2004, Pakistani government handed over the management authority of Habib Bank to AKFED, a subsidiary of Aga Khan Development Network.

HBL is the only Pakistani bank who have branches in China.

2.2.2 Mission

The mission statement of HBL is: “To make our customers prosper, our staff excel and create value for shareholders.”

2.2.3 Vision

“Enabling people to advance with confidence and success.”

2.2.4 Values

The values of HBL collected from their official website are given below:

- Integrity (being ethical and fair)
- Customer Centric (delivering great experiences)
- Value People (respect, empower, appreciate)
- Excellence (be your best)
- Progressive (innovative and challenge)

2.2.5 Achievements

Habib Bank Limited has acquired various awards over the years. Here are some of the remarkable achievements:

- Best Investment Bank - Pakistan 2023 – International Finance Award 2023
- Most Innovative Bank in Asia 2023 - World Finance
- Green Deal of the Year Pakistan - ABF - Corporate & Investment Banking Awards 2022
- Best Green Bond - The Asset Triple A Sustainable Capital Markets Country & Regional Awards 2021
- Syndicated Loan Deal of the Year Pakistan 2022 - Global Banking & Finance Awards 2022
- Best Mobile Banking & Payment Initiative of the year – HBL Mobile – Asian Banking & Finance Retail Banking Awards 2021

- Best Domestic Bank - Asiamoney Awards 2021
- Best Customer Franchise - Pakistan Banking Awards 2020
- Best Bank for Small and Medium Businesses - Pakistan Banking Awards 2020
- Best Islamic Bank for Trade Finance 2020 - Global Islamic Finance Awards (GIFA) 2020
- Best Banking Tech of the Year - Pakistan Digital Awards 2020
- Employer of Choice for Gender Balance - IFC
- Best Environmental, Social and Governance Bank (Institute of Bankers Pakistan (IBP) Awards)

2.3 Management Practices

2.3.1 Leadership Style

HBL follows democratic leadership in its organization all over the world. In HBL Bangladesh, the practices as well as culture are same. Because of this leadership style, employees are being encouraged to participate in decision making and giving recommendation. One thing that I observed during my internship tenor, feedbacks from the employees are always being considered and appreciated highly.

Moreover, HBL has a unique program which inspire the democratic leadership practice – it's called "reverse mentorship". In this program, management committee or senior employees listen to the subordinates so that their concerns are also being considered.

2.3.2 Human Resource Practices

The term human resource refers to a department within an organization which handles lots of matters. HR is one of the significant departments of an organization as they are accountable for employee wellness, compensation package of the employees, workforce efficiency, talent acquisition and recruitment, resolving any dispute and so on. Moreover, HR always work to ensure a smooth operation in an organization.

In HBL Bangladesh, there are very few people as the operation scale in Bangladesh is limited. Despite of having few people, they are handling everything wonderfully. For instance, they always communicate with employees, ask for feedback and suggestions, help the employees if anyone face any problem etc. During the internship period, we the interns had couple of interactive meetings with the HR department. In every meeting they used to take our constant feedbacks and helped us to make our internship journey wonderful.

2.3.3 Recruitment & Selection

For the recruitment and selection process, HBL Bangladesh follow the criteria set by the headquarter. The process starts with the ads in job portals or referrals from current employees as well as from universities. There are 3 steps that are followed:

- **CV Screening:** At first, the number of CVs HBL receive from job portals get screened based on some criteria and potential candidates are being called for the next phase.

- **Written Assessment:** The selected candidates then have to sit for a small written assessment. Candidates have to pass the assessment which holds some marks.

- **Final Interview:** After the assessment, candidates need to face the final interview. A criterion as well as a set of questionnaires are being followed by the interviewers for evaluating the candidates in the interview. Generally, the interview is conducted by the head of HR and professionals from the relevant department for which the candidate had applied.

After these phases, HBL select the potential candidate who is the best fit for the organization. In terms of the candidates that get referred, the first phase is not applicable, they directly go for the assessments and final interview.

2.3.4 Compensation System

The remuneration package of HBL includes:

i. Basic Salary
ii. Medical Allowance
iii. Residence Stipend
iv. Conveyance
v. LFA (Leave Fare Assistance)

2.3.5 Management Team

The management team of Habib Bank Limited Bangladesh:

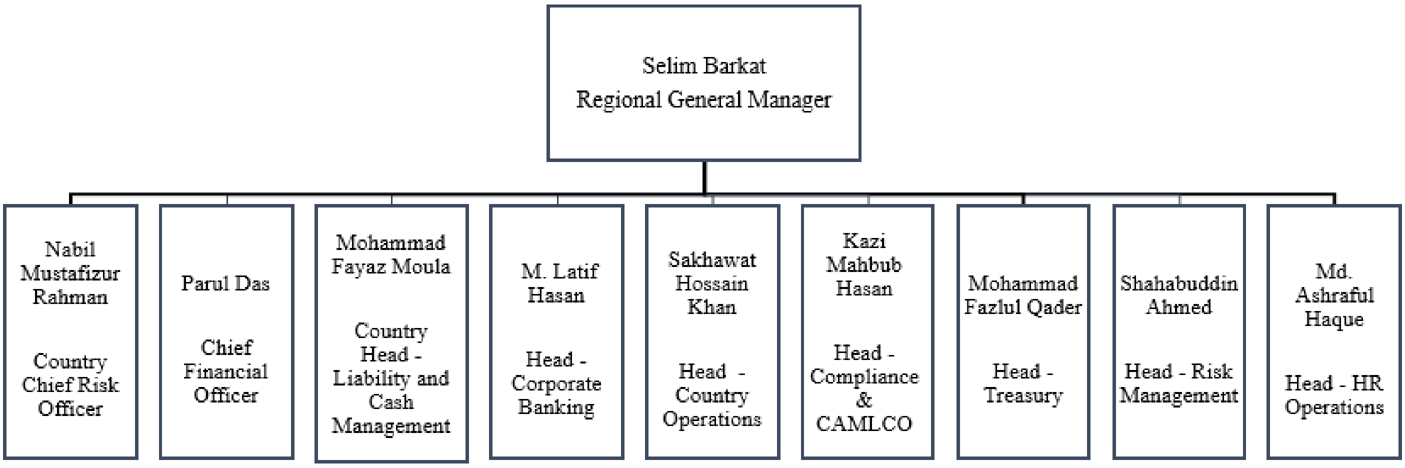


Figure 1: Management team of HBL Bangladesh

2.4 Marketing Practices

Due to the nature of organizational goal here in our country, HBL Bangladesh has a very little apparentness of marketing. Generally, marketing and advertisement goals of a company are being set based on reaching the customers. Nevertheless, the target market of HBL Bangladesh wants to get more concentration into offerings rather than on marketing. To illustrate, most of the banks usually do promotional campaigns on retail banking with various magnetic products whereas, HBL Bangladesh mostly attend to corporate clients (business entities) which needs more concentration on its financial performances and the clients rather than spending on marketing practices. For this reason, the marketing practices of HBL Bangladesh is not wide-ranging.

2.5 Financial Performance and Accounting Practices

2.5.1 Financial Performance

Financial analysis is the process of measuring and examining the financial performance of an organization or a financial institution by assessing the financial reports thoroughly. It is helpful for stakeholders to understand how well a company is functioning by discovering its profitability, liquidity, efficiency, and solvency ratios. However, the financial analysis of a bank is not the same as of other companies as there are diverse ratios to evaluate the performance of a bank. There's a rating system for banks which is called CAMELS rating that assesses the condition of a bank. According to Lopez (1999), the acronym " CAMEL " refers to the five aspects that are used to determine the strengths and weaknesses of a bank: Capital adequacy, Asset quality, Management efficiency, Earnings, and Liquidity. There's also a sixth component - Sensitivity to market risk. The financial analysis of Habib Bank Limited-Bangladesh is as follows:

Capital Adequacy

Capital to Risk-weighted Assets Ratio

Capital to Risk-Weighted Assets Ratio (CRAR), also known as Capital Adequacy Ratio, measures the capacity of a bank to absorb losses during a time of crisis. It is measured by dividing the available capital of a bank (Tier 1 + Tier 2) by its risk-weighted assets. A higher CAR indicates that a bank is more likely to be able to stand up to a financial downturn.

Figure 2: Capital to Risk-weighted Assets Ratio over the past 5 years

Here's the graph showing the CRAR ratio of HBL Bangladesh over the past 5 years. It can be seen that the ratio was 137.97% in 2019 and in the following year, it reached almost 149%. Unfortunately, it fell to 74.72% in the year 2021 which again made an improvement in 2022 and became 124.65%. And in the last year, it decreased to 112.44%.

Debt-to-Equity Ratio

This ratio measures the financial leverage of a company, it is calculated by dividing the total liabilities of a company by its shareholder's equity. This measures how much a company leans on borrowed funds from its investors to finance its operations.

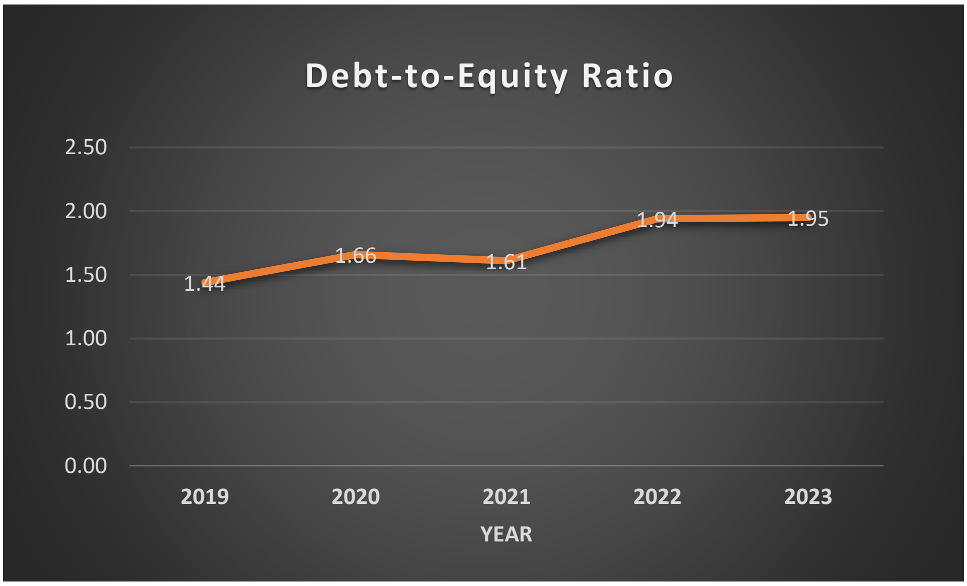


Figure 3: Debt-to-Equity Ratio over the past 5 years

The given graph shows that the Debt-to-Equity ratio of HBL Bangladesh varied over the years, it increased mostly in 2020 and 2022 compared to the previous years - from 1.44 in 2019 to 1.66 in 2020; and from 1.61 in 2021 to 1.94 in 2022. Moreover, in 2023 the ratio was 1.95 which is almost as close as the previous year's. However, over the five years the ratio was lower which indicates that - for funds, the bank is not that much dependent on its shareholders.

Asset Quality

Toal Loans-to-Total Assets Ratio

This ratio under the asset quality category indicates the financial leverage. It indicates how much debt were used by a bank to finance its assets. The higher the ratio, the more risk it indicates.

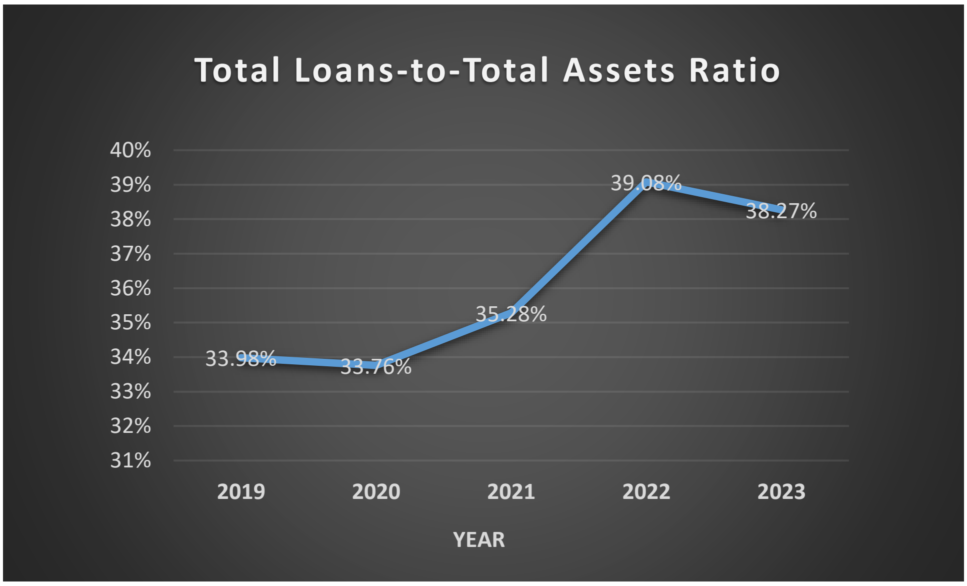


Figure 4: Total Loans-to-total Assets Ratio over the past 5 years

From the above graph it can be seen that, in the years 2019 and 2020, total loans to total assets ratio was 33.98% and 33.76% respectively which started to rise from 2021. This leverage ratio of HBL Bangladesh had been increasing from 35.28% in 2021 to 39.08% in 2022 which was the highest over the five years. However, it decreased a little to 38.27% in 2023. After assessing the following graph, it can be said that the level of financial risk has been rising over the years.

Management Efficiency

Toal Advance-to-Total Deposits Ratio

Management efficiency determines the capability of a bank and whether it can identify as well as react to any financial stress. One of the ratios under this category- The advance to Deposit Ratio (ADR) assesses what proportion of the funds are loaned out as advances against the number of deposits received by the bank. Moreover, a higher advance-to-deposit ratio indicates the efficiency of the bank's management as the bank tries to invest its deposits more.

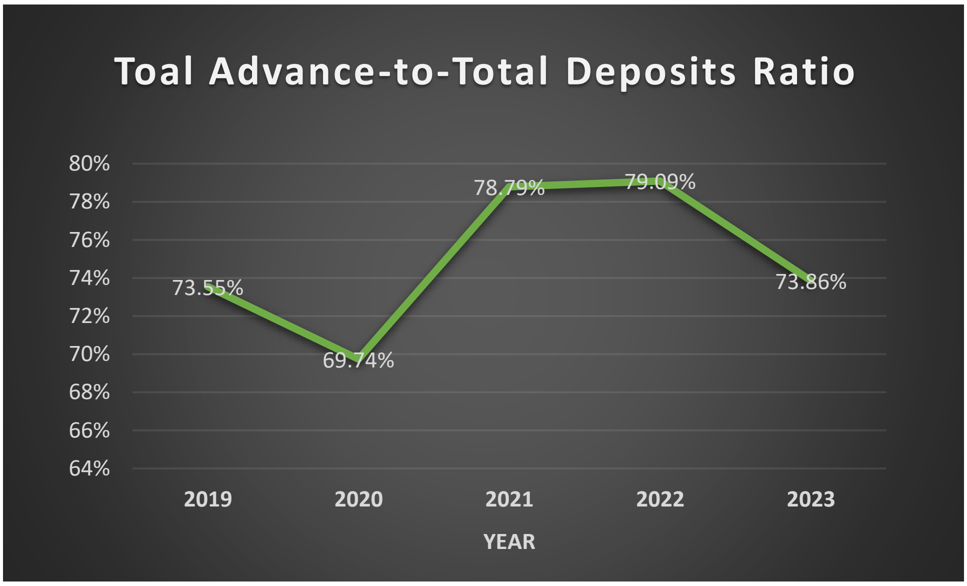


Figure 5: Total Advance-to-total Deposits Ratio over the past 5 years

By observing the following graph, the bank tried to maintain the ADR ratio efficiently over the years. Starting from 2019, the ratio was 73.55% which unfortunately declined to 69.74% in 2020 due to the Covid-19 effect. However, in 2021 the ratio again increased to 78.79% which is almost 13% more than the previous year. In the next year, the ratio was 79.09% which is almost as close as the previous year's and later in 2023 it declined to 73.86%. The ADR ratio of HBL Bangladesh over the five years indicates how the bank is trying to maintain efficiency.

Earnings

Return on Assets

Earnings capacity indicates the long-term feasibility of an institution. It is important for a bank to get proper returns to sustain its operations as well as maintain its competitiveness. First of all, the Return on Assets (ROA) ratio helps to measure the profitability of a company, it indicates how much profit a company is generating by using its assets. This ratio is calculated by dividing the bank's net profit after tax by its average assets.

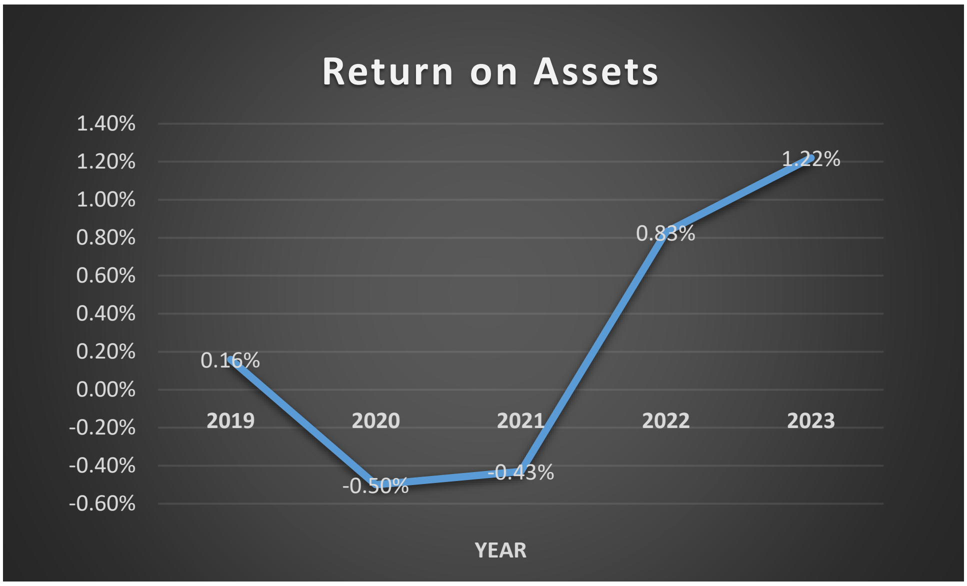


Figure 6: Return on Assets over the past 5 years

From the above graph, it can be seen that the return on assets fell sharply at first but in later years it made a great improvement. In 2019, the ROA was 0.16% which fell sharply to -0.50% in 2020. In 2021, it was -0.43%. However, in the following year, the bank made an impressive return, and the ROA became 0.83% in 2022. And lastly, in 2023, the ratio made progress again and it was 1.22%. From this, it can be said that the bank was making efforts to use its assets efficiently to generate profits.

Return on Equity

Return on Equity (ROE) is also being used to evaluate the profitability of a company like ROA ratio. This ratio is measured by dividing the bank's net profit after tax by its average shareholder's equity.

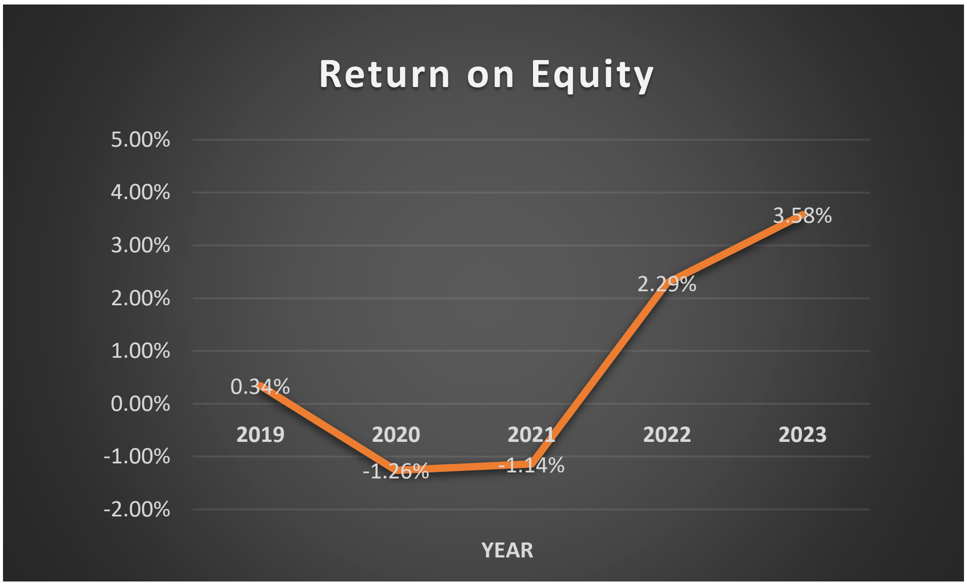


Figure 7: Return on Equity over the past 5 years

From the given graph, it can be said that in 2019 the return on equity ratio was 0.34% However, it fell sharply in 2020 to -1.26%. In 2021, it was -1.14%. Whereas there was a wonderful improvement in the ratio in 2022, it became 2.29%. In 2023, it improved again to 3.58%. This suggests that the bank was making efforts and improving in making profit by utilizing its shareholder's investment.

Net Interest Margin

Another indicator of the earning capacity of a bank is the net interest margin ratio. It measures the degree of the investment decisions of a bank as well as any company. The formula of this ratio is net interest income divided by the advances provided by the bank. A good investment decision of a bank is indicated by a positive or a higher net interest margin ratio. On the other hand, a negative margin means the investment decisions were not good.

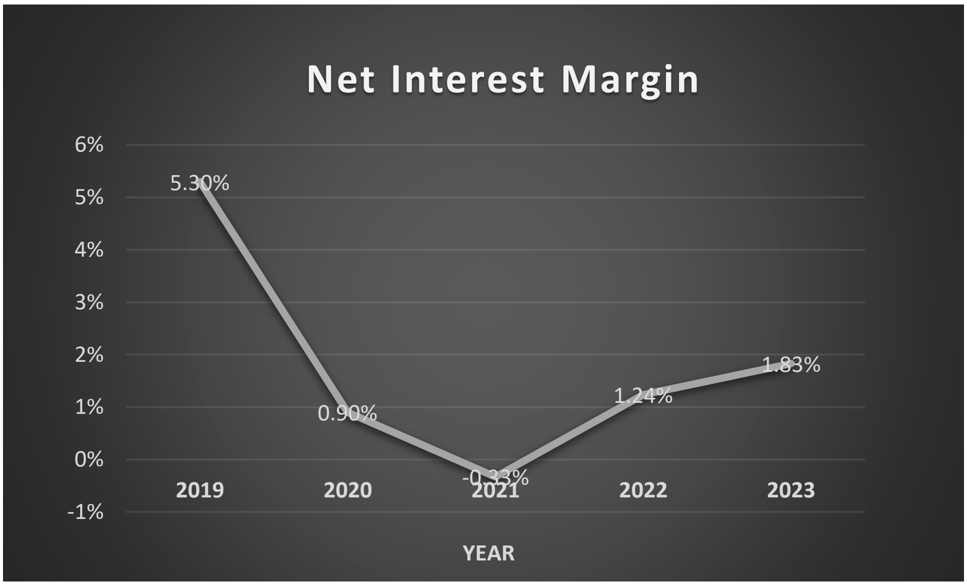


Figure 8: Net Interest Margin over the past 5 years

From the given graph, it can be seen that the Net Interest Margin was 5.30%. However, the ratio fell significantly to 0.90% in 2020. In 2021, it got worsened and became -0.33%. In the following years, the ratio made a little improvement. In 2022 and 2023, the net interest margins were 1.24% and 1.83% respectively. In order to avoid difficulties in the future, the bank should take action in this situation.

Liquidity Management

Credit Deposit Ratio

Credit Deposit Ratio is one of the key ratios of a bank. This ratio indicates how much deposit a bank lends out to its borrowers. It is calculated by dividing the total loans by aggregate deposits.

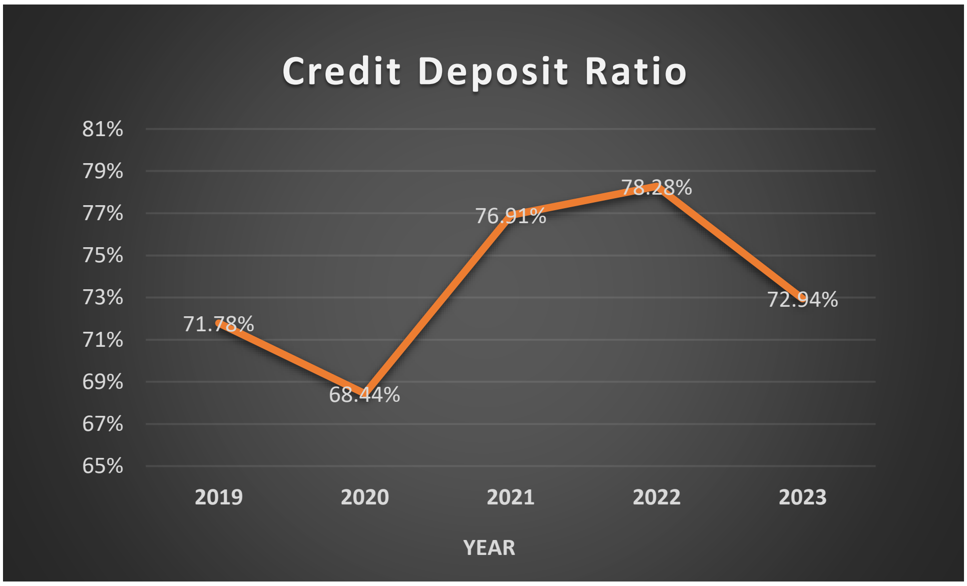


Figure 9: Credit Deposit Ratio over the past 5 years

By assessing the given graph, it can be said that the credit deposit ratio of the bank fluctuated over the five years. In 2019, the ratio was 71.78% which decreased to 68.44% in 2020. However, the ratio increased in 2021 to 76.91%. In the following year, the ratio again rose to 78.28%. But in 2023, the credit deposit ratio dropped to 72.94%

Other Important Ratios:

Net Profit Margin

The ratio which helps a bank as well as other financial institutions to measure the overall profitability is Net Profit Margin. It is calculated by dividing net profit after taxation with the revenue of the bank. The net profit margin of HBL Bangladesh over the last five years is described below:

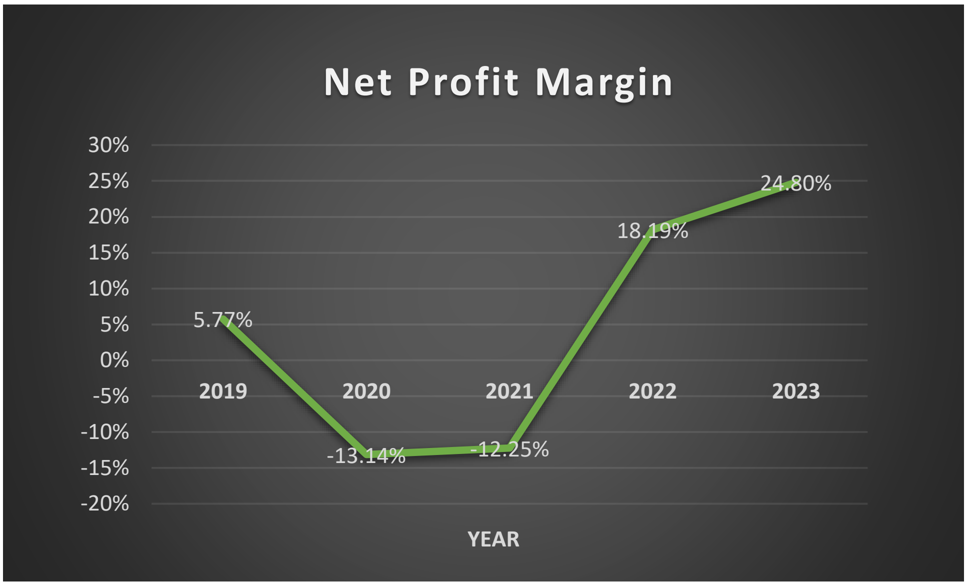


Figure 10: Net Profit Margin over the past 5 years

From the given graph, the net profit margin ratio was 5.77% in 2019. Therefore, the ratio dropped significantly to -13.14% in 2020. In 2021, the ratio was -12.25%. Regardless of how, the ratio improved greatly in 2022 to 18.19% which was impressive compared to the last couple of years. In 2023, the ratio rose to 24.80%. Though the bank faced difficulties in managing its revenue and expenses, it managed to make a great improvement and the results came as very impressive where the ratio was all-time higher in the year 2023.

Cost of Fund

The cost of funds indicates how much a bank or any financial institution needs to spend to receive funds from various sources. It refers to the interest rate paid by a bank to the central bank to borrow money. A low cost of funds is preferred as it makes better returns for the bank. A bank can make its profit from the gap between the interest rate charged to the potential borrowers and the cost of funds for borrowing.

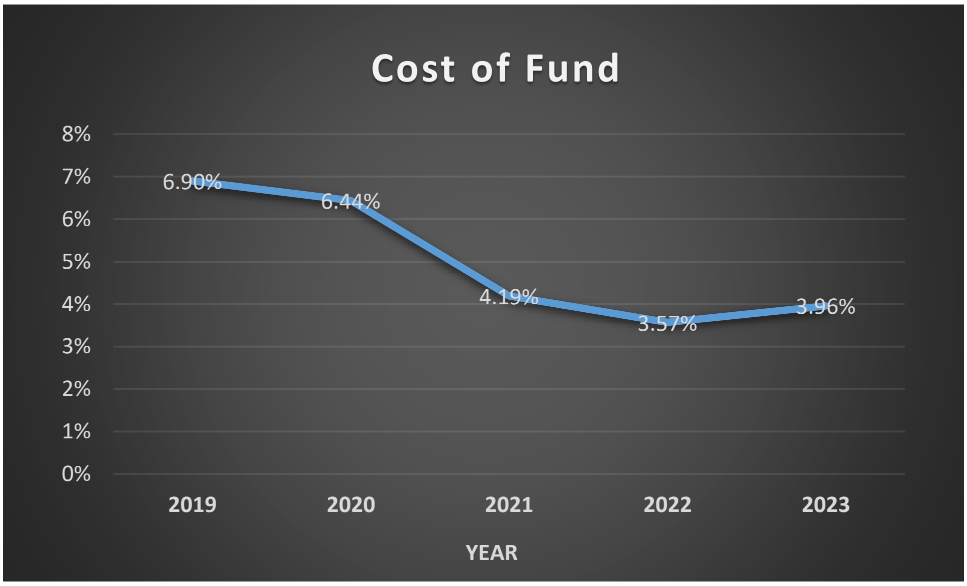


Figure 11: Cost of Fund over the past 5 years

From the above graph, it can be seen that the cost of funds of HBL Bangladesh was 6.90% in 2019. Therefore, it had a downward trend between the years 2020 and 2022. The ratios became 6.44%, 4.19%, and 3.57% in the years 2020, 2021 and 2022 respectively. In 2023, the ratio was 3.96%, slightly more than the year before. It can be said that the bank was able to control and lower the cost of borrowing funds over the five years.

2.5.2 Accounting Practices

The financial statement of Habib Bank Limited- Bangladesh contains the statement of financial position, income statement, statement of changes in equity, and cash flow statement. By using the basis of going concern, all of the statements of financials are prepared to represent a clear picture of the bank's financial position by maintaining appropriate books of account, and notes and by disclosing all of its revenue, expenditures, profits, assets, liabilities, etc. All of the statements of financials are prepared in BDT - Bangladeshi Taka.

The financial report of HBL Bangladesh is made in accordance with the Company Act 1994, the Bank Company Act 1991, and the rules regulations set by Bangladesh Bank. The financial performances as well as statements of cash flow were maintained following International Financial Reporting Standards (IFRSs). The statements have been prepared on an accrual basis using the measure of historical cost, except for government treasury bills and bonds assigned as ‘Held for Trading (HFT)’ and ‘Held to Maturity (HTM)’, which are being measured at the present value using the mark to market and premeasured at the present value using amortization concept as per circulars by Bangladesh Bank. Therefore, proper books of accounts as per the requirement by the law were kept by the bank as of now, brunches of HBL in Bangladesh have been maintaining and consolidating the records as well as statements accurately in the financial statements. Disclosure of internal audit, internal control, and risk management of the bank in the statements of financials are adequate. It can be said that the bank is able to maintain its accounting policies constantly. Another important thing about HBL Bangladesh is that the bank maintains adequate provisions for advance as well as other assets to face any unpredictable situations. In addition, the bank also has been maintaining the CRAR (Capital to Risk-weighted Asset Ratio) effectively over the years as per the requirement of the central bank of Bangladesh.

2.6 Operations Management and Information System

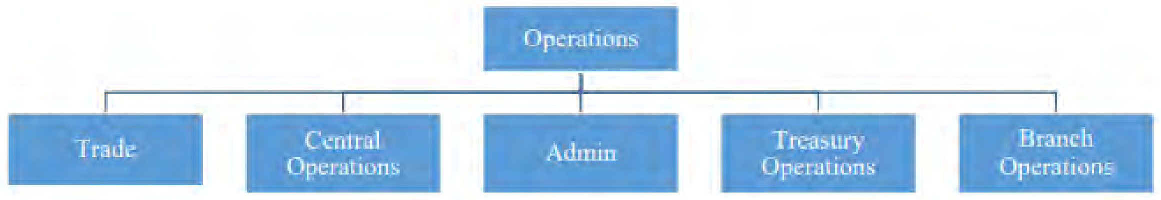


Figure 12: Operations at HBL Bangladesh

Trade Operations

Trade operations of HBL Bangladesh mostly work with products such as L/C (Letter of Credit) and LG (Letter of Guarantee). This department deals with L/C as well as Guarantees issuing, processing, and making payments. However, trade operations in HBL Bangladesh are limited to corporate clients only.

Central Operations

Central operation is an essential part of the bank which plays a significant role. This department is always supporting the primary banking operations of HBL Bangladesh. Central operations handle activities such as account opening & closing, performing RTGS, issuing FDR, and processing EFTs.

Admin

This department is accountable for day-to-day activities, managing office supplies, organizing office events, and coordinating with other departments. They are also responsible for taking care of the needs of employees as well as the maintenance of the office.

Treasury Operations

The treasury is one of the most important parts of a bank -as it is in charge of the cash flows: cash inflows and cash outflows. The treasury department of HBL Bangladesh is divided into two parts. Among those, one part is administered by the operations department which communicates with Bangladesh Bank for document sending and other purposes.

Branch Operations

A bank always needs branches to run its day-to-day activities. At present, HBL has 5 branches in Bangladesh - among which three are in Dhaka, one in Chattogram, and one in Sylhet. Branch operations include customer handling, cash collection, cash disbursement, record keeping, etc.

2.7 Industry and Competitive Analysis

2.7.1 SWOT Analysis

SWOT analysis for HBL Bangladesh:

Strengths:

- **Brand image:** Over the years, HBL has gathered trust and secured its brand image among its customers by running its operations successfully. Also, the parent organization of the bank which is AKFED, handles and supports it well.
- **Multinational Bank:** As a multinational bank, HBL is now operating in over 25 countries which is why it is possible for the bank to do international trade easily.
- **Experienced top management:** The personnel from the top management team of HBL are very experienced which is really helpful to operate the bank efficiently. Most of the personnel from the top management gathered years of experience while working with different organizations.

Weakness:

- **Less manpower:** The manpower at HBL Bangladesh is small. Though it has certain goals, the operations have become smaller as less manpower is not enough.
- **Process of loan confirmation:** Compared to other banks, the bank's loan confirmation process is lengthy, which can be counted as a weak point of the bank.
- **Involvement of less automation:** HBL still does some work manually which is easy to do automatically by software and takes less time. But as of now, the bank hasn't changed those systems.

Opportunities:

- **Mitigating risk by focusing on compliance and market risk:** HBL Bangladesh has the opportunity to mitigate risk because the management focus on market risk as well as compliance risk thoroughly.
- **SME loans:** The bank, HBL Bangladesh has the opportunity to go for the SME loans industry which will be helpful for the bank by the quick profit generated.
- **Foreign remittance:** Collecting foreign remittance is another sector that HBL Bangladesh can also explore. Because HBL has many branches all over the world by which they can obtain this service.

Threats:

- **Nonperforming Loans (NPL):** The percentage of defaulted loans among the outstanding loans is relatively high in Bangladesh. It is not only a threat to HBL but to the banking industry as a whole. According to the data from Bangladesh Bank, the score of defaulted loans of the banking sector of Bangladesh stood at 20.7% in 2023. So, banks need to be very cautious while approving and dealing with any disbursement of loans.

- **Fluctuation in currency exchange rates:** Because of the frequent fluctuations in currency exchange rates, banks face a variety of risks including interest rate risk, credit risk, transaction risk, etc. which can impact the profitability of a bank.
- **Regulatory barriers:** Due to the regulatory bindings, trade barriers, and guidelines from the government, export-import can slow down by which banks may lose opportunities.

2.7.2 Porter's Five Forces Analysis

- **Power of Customers:** The degree of bargaining power of the buyers for HBL Bangladesh is high. In the banking industry, the power of buyers depends on the type of customers or accounts. For instance, business or corporate clients hold most of the bargaining power whereas retail customers have less bargaining power. Products that are offered by banks in general are loans, trade services, etc. For HBL Bangladesh, most of the clients are mainly corporate clients or businesses. Therefore, businesses have more bargaining power as they mostly refer to banks for loans and cross-border trade settlements.

- **Power of Suppliers:** The degree of bargaining power of the suppliers is moderate. For a bank, suppliers are depositors - individuals, businesses, and large corporations. In order to keep the operations of the bank running and generating profit, a bank needs a continuous flow of money. The bargaining power of individual depositors is minimum but the threat of large businesses is greater than the individuals.

- **Threat of Substitutes:** In the banking industry, the degree of threat of substitutes was not that much higher but the threat has increased compared to before as there's a huge number of banks in Bangladesh now. Because of the products and services offered by non-banking financial institutions (NBFI) and other banks threats have increased such as mobile financial services like nagad, bkash, rocket, ucash, internet banking facilities, etc.

- **Competitive Rivalry:** The degree of competitiveness for HBL Bangladesh is very high. Presently, there are 61 Banks in Bangladesh inclusive of international banks such as HSBC, Citibank N.A., Standard Chartered Bank (SBC) etc. Thus, the buyer group has options to switch banks. In addition, the switching costs from one bank to another are low which is why the rivalry among the competitor banks is even more.

- **Threat of New Entrants:** The degree of threat of new entrants in the banking sector is low. Compared to the other industries, the threat of newcomers in the banking industry is less. Due to the requirement of paid-up capital, rules, regulations, and barriers by the government and the competition in the banking sector, it is difficult to form a bank. The Paid-up capital needed to form a bank is Tk 5 billion.

2.8 Summary and Conclusion

This whole chapter was about the organization - HBL Bangladesh. Firstly, the overview of the organization was discussed focusing on objectives, achievements, leadership style, management team, HR practices, marketing practice, accounting practice, financial analysis, and so on. The financial analysis was performed using the financial ratios following the CAMELS rating and all of the ratios were shown in separate graphs with explanations. One noticeable thing from the financial analysis is that - the financial performance started growing steadily after 2020 and the bank is now performing comparatively well which is expected to do better even further. In addition, the bank performed well during the pandemic. Furthermore, the SWOT analysis as well as Porters' five forces also explained that there are certain strengths the bank has which competition does not. Besides strengths, the weaknesses were also described where the organization can focus on.

To conclude, Habib Bank Limited- Bangladesh is one of the reputed foreign commercial banks that has been operating in Bangladesh since 1976. Throughout the journey, the bank always served its customers well. HBL Bangladesh has a very experienced management team who are working with dedication in order to achieve the long-term goal of the organization.

2.9 Recommendations

Till now HBL Bangladesh is operating well and improved in many areas. I have found some certain criteria from my observations that I believe can be improved. Here are some recommendations that can be helpful for the bank in order to achieve its future goals effectively:

- Currently, HBL is focusing on bringing more advanced technologies. So, I believe it will be really helpful for the customers as well as the employees if the backdated software is changed which is not efficient enough now.

- There are still some processes that are being done manually and by using paperwork which is time-consuming. These procedures can be automated which will be very efficient as well as easier for the employees to do their tasks.

- Furthermore, the bank can arrange more interactive activities for the employees in order to engage them which will be helpful for creating more team building potentiality.

CHAPTER 03: Project Part

3.1 Introduction

Credit risk management is a crucial factor of a bank's operations in order to make a balance between risk and return efficiently. It is important for a bank to manage the credit risk of the bank's overall portfolio as well as every borrower's transaction. To succeed and compete in the long run, a bank must handle its risk management comprehensively.

In 2005, a new rating system was introduced which replaced the previous credit risk grading system - this rating system is known as The Internal Credit Risk Rating System (ICRRS). ICRRS is a tool used by the banking industry to assess the creditworthiness of borrowers from different sectors following the assessment criteria. The criteria that are included in this evaluation - profitability, leverage, liquidity, and some other quantitative and quantitative indicators. A relevant number of financial ratios and qualitative questionnaires are used in this rating system to assess the financial and credit strength of the borrowers which ensures that the borrowers are being evaluated based on the unique characteristics of individual sectors. By implementing such techniques of risk management, Banks are ensuring long-term success.

3.1.1 Background

The term ICRRS (Internal Credit Risk Rating System) refers to an approach that analyzes the repayment capability of customers based on their financial condition. Information about the borrowers that are being considered in this analysis incorporates - cash flow, profitability, liquidity, market indicators, debt profile, operational and industry background, management capabilities, and others. Moreover, the Internal Credit Risk Rating (ICRR) is the summary indicator of the system and is a significant tool for assessing credit risk as well as decision-making.

Functions of Internal Credit Risk Rating System:

i. The Internal Credit Risk Rating System is an automated system for the scoring of credit risk that embraces the attributes of different sectors and businesses into a single model

ii. To get a proper rating and score, the specific sector or industry has to be selected from the dropdown list which is on the initial page of the template. The rating may not be adequate to reflect the characteristics of a particular sector if the industry or sector selection is not accurate.

iii. If the borrower is connected with multiple sectors, that sector should be used for the evaluation which generates the largest portion of the revenue and/or profit. If a certain line of business cannot be pointed out, the ICRRS should be conducted using " other industry " if manufacturing or " other service" if service.

Sectors that are selected:

The following sectors were picked out by considering the degree of exposure of banks in these industries to ensure the functionality of the current system:

A. Industry

1. Ready Made Garments (RMG)
2. Textile (including spinning, knitting, weaving)
3. Pharmaceutical
4. Food and Allied Industries
5. Cement
6. Ceramic
7. Chemical
8. Fertilizer
9. Ship Breaking
10. Ship Building
11. Steel Engineering

12. Jute Mills
13. Power and Gas
14. Other Industry

B. Trade and Commerce

C. Agro Base and Agro Processing

D. Service

1. Housing and Construction
2. Telecommunication
3. Hospitals and Clinics
4. Other Service

3.1.2 Objectives

The credit policies created by the Central Bank of Bangladesh - Bangladesh Bank, have been a guiding principle for all financial institutions. Banks as well as its depositors are following the principles across the time. The Internal Credit Risk Rating System is an essential part of credit risk management for banks. To keep pace with the economic progress of the country, Bangladesh Bank makes sure to update the guidelines. For instance, Bangladesh Bank updated the guidelines of the previously implemented ICRR System in 2019, which allows the banks to identify, evaluate, and regulate the creditworthiness of the borrowers within limits (Guidelines on Internal Credit Risk Rating System for Banks - Version 2.0, 2019). Therefore, this report is about the risk rating of a cement manufacturing client of the Corporate Banking division at HBL Bangladesh by following the ICRRS guidelines of Bangladesh Bank. In addition, this report will focus on the findings after conducting the ICRRS. Finally, the readers will be able to understand the following from the report:

- Guidelines of The Internal Credit Risk Rating System (ICRRS) for the banks.
- Risk rating of a cement manufacturing client at HBL Bangladesh by ICRRS.

- To find out how ICRRS is a precise, transparent, unbiased, and consistent framework for determining the credit risk of the borrowers.

3.1.3 Significance of The Study

For the financial institutions, it is loan facilities from where the greater part of the revenue comes. The more a bank provides loan facilities, the more credit risk exposure increases. Hence, the presence of credit policies is very crucial in every bank to make sure that the banks minimize the exposure of credit risk while lending to the borrowers - by following the guidelines of Bangladesh Bank. Therefore, ICRRS plays a significant role in assessing the creditworthiness of the borrowers and the exposure to credit risk for a bank. This study will show how HBL Bangladesh conducts the ICRRS to do the credit assessment of their borrowers.

3.2 Methodology

For this research, both qualitative and quantitative data were collected which can be categorized under the primary and secondary data. First of all, the observation method was used to accompany small interviews with the experts from the workplace who handled the credit assessment task.

However, for the collection of quantitative data - annual reports of the company and other archival data were being followed that have been analyzed. In addition, the ICRRS guidelines for Banks by Bangladesh Bank (BB) were another important source for collecting information; it's very insightful to understand the purposes and procedures of the internal credit risk rating system. These sources were considered secondary sources of data collection to do the secondary data analysis.

3.3 Findings and Analysis

3.3.1 Internal Credit Risk Rating Scores & Features

The quantitative and qualitative criteria are covered by the 4-notched rating system of ICRRS. The ratings and scores are presented in the following table:

Rating	Scores Aggregate
Excellent	≥80%
Good	≥70% to <80%
Marginal	≥60% to <70%
Unacceptable	<60%

Table 1: Credit Risk Rating Scores by Bangladesh Bank

The attributes of the different categories of Credit Risk Ratings are following:

A. Excellent

- Cumulative score of 80 or higher in ICRR.
- Good capacity of the borrower to repay the loan which indicates high liquidity, lower leverage, high earnings and enough cash flow of the borrower.
- Borrower is well-established and owns strong market share.
- Superb management skills and knowledge.

B. Good

- Cumulative score of equal to or greater than 70 but less than 80.
- Repayment capacity of these borrowers are not good as "Excellent" categorized borrowers but still exhibits regular profits, cash flows and have a positive performance record.
- Borrower is well-established and owns strong market share.
- Good management skills and knowledge.

C. Marginal

- Cumulative score of equal to or greater than 60 but less than 70 and minimum score of 30 for quantitative score.
- This rating has some weaknesses which should be observed by the management carefully. If left neglected, these weaknesses might worsen the chance of making repayment ability of the borrower.

D. Unacceptable

- Aggregate score of 60 or less.
- Unstable financial condition, severely inadequate capacity.
- There are noteworthy management problems.
- Facilities should be diminished to this category if financial condition get worsen constantly (sequential losses, negative net worth, very high leverage).

3.3.2 Management Action Triggers & Exceptions to Credit Risk Rating

Management Action Triggers:

i. Borrowers who get the "Excellent" or "Good" rating on Internal Credit Risk Rating (ICRR) – Banks are allowed to lend those borrowers. However, for the "Marginal" rated borrowers, Banks have to be careful enough while renewing credit facilities or lending for the first time to the customers. While evaluating credit proposals, Banks have to be cautious on the future outlooks of the borrowers, the net worth of the collateral, and other significant variables. In addition, Banks have to monitor such accounts proactively, visit clients, monitor the improvement plans, observing the repayment performance, etc.

ii. No loan request should be approved to the borrower with "Unacceptable" rating on ICRR except some criteria – when the loan is 100% covered with cash, or Government or Multilateral Development Banks (MDBs) give full guarantee, or any state-owned organization or state-owned project apply for the loan. However, the ICRR rating will be "Excellent" when the credit facility gets fully covered by cash or covered by government guarantee no matter what rating the borrower gets.

iii. While assessing the quantitative and qualitative risk, if the ICRR rating get "Marginal" or "Unacceptable" for any risk criteria (among the 16 quantitative and 18 qualitative), The relationship manager must examine how those risks might affect loan repayment. The manager also needs to justify how those risks can be reduced. The authority should review all of these things before approving any loan proposal.

iv. Regardless of what score a borrower gets in the qualitative part of ICRR, if the score of the quantitative part is below 50%, the overall ICRR will be counted as "Unacceptable".

v. If a borrower's ICRR rating get "Unacceptable", the bank may renew and enhance the current loans up to twice (2 times).

vi. While doing a qualitative analysis, every criterion required to be backed with explanations.

vii. For asset base, Bank must maintain portfolio level with "Excellent", "Good", "Marginal" or "Unacceptable" category as well as define the risk tolerance level for portfolio.

Exceptions to Credit Risk Rating:

a) A newly established company can't have an impactful financial statement, for this a bank can apply a rating depending on the projected financial statements but the borrower's rating will not be more than "Marginal". However, when the audited financial statements of one year will be available, the bank must assess again and give a rating.
b) Enterprises which are under major conglomerates business, rating replacement is allowed based on the Corporate Guarantor's rating of the performing concern of the

same group or parent company. To determine whether the guarantee has the capacity to assist the borrower in difficult times, the guarantor's full ICRR have to be conducted.

c) Use of outdated financial statements is not allowed to create ratings (i.e., obtainable audited financial statements which are more than 18 months old). However, if the recent financial statements are unaudited, the outdated one can be used but the rating cannot be better than "Marginal".

d) A borrower's ICRR rating will be diminished if there is any internal or external context which have a significant impact on the client's business operations and loan repayment but were not included in the rating or financial statements. Employing judgements should be done cautiously and steadily in case of situations such as decease of a key sponsor, protracted shutdown of the factory, a change in the structure of tax, a diminishing financial profile in interim financial reports, mergers and acquisitions, an excessive leverage ratio and so on.

e) An unaudited financial statement can be used for the rating of proprietorship & partnership firms because audited financials are not required for these types of firms. However, the accuracy of the financials as well as documents of the bank statements of sales collection, stock or receivable position, bank liabilities, peer analysis etc. need to be checked very carefully with due diligence.

f) A customer who is involved with multiple businesses, the most appropriate sector/industry will be the line of business which brings the highest portion of total revenue.

3.3.3 Components of Credit Risk Rating

The components of Credit Risk Rating are mainly divided into two parts with associated weights, these are:

- Quantitative Indicators (is assigned a weight of 60%)
- Qualitative Indicators (is assigned a weight of 40%)

In the former version of Credit Risk Grading Manual, the assigned weights for the indicators were different from the current version. Previously, financial risk (quantitative indictors) was assigned a weight of 50% whereas, the other 50% weights were assigned for subjective evaluation.

3.3.4 Quantitative Indicators and Assigned Weights

There are six major categories for quantitative indicators in ICRR – leverage, liquidity, profitability, coverage, operational efficiency and earnings quality. The indicators along with weights are presented below:

Quantitative Indicators		Weight	Definition
1. Leverage (10%)	a) Debt to Tangible Net Worth (DTN)	7	Total Interest-Bearing Liabilities or Financial Debt/Total Tangible Net Worth
	b) Debt to Total Assets (DTA)	3	Total Interest-Bearing Liabilities or Financial Debt/Total Assets
2. Liquidity (10%)	a) Current Ratio (CR)	7	Current Assets/Current Liabilities
	b) Cash Ratio (Cash)	3	Cash and Easily Marketable Securities/Current Liabilities
3. Profitability (10%)	a) Net Profit Margin (NPM)	5	Net Profit after Tax/Net Sales
	b) Return on Assets (ROA)	3	Net Profit after Tax/Total Assets
	c) Operating Profit to Operating Assets (OPOA)	2	Operating Profit/Average Operating Assets
4. Coverage (15%)	a) Interest Coverage (IC)	3	Earnings Before Interest and Tax/Interest Expense
	b) Debt Service Coverage Ratio (DSCR)	5	Earnings Before Interest Tax Depreciation Amortization/Debts to be Serviced

	c) Operating Cash Flow to Financial Debt Ratio (OCDR)	4	Operating Cash Flow/Financial Debt
	d) Cash Flow Coverage Ratio (CCR)	3	Cash Flow from Operation/Debts to be Serviced
5. Operational Efficiency (10%)	a) Stock Turnover Days (STD)	4	(Total Inventory/Cost of Goods Sold) *360
	b) Trade Debtor Collection Days (TDCD)	3	(Total Accounts Receivable/Sales) *360
	c) Asset Turnover (AT)	3	Sales/Total Assets
6. Earning Quality (5%)	a) Operating Cash Flow to Sales (OCFS)	3	Operating Cash Flow/Sales
	b) Cash Flow based Accrual Ratio (CFAR)	2	NI-(CFO+CFI)/Average Net Operating Assets

Table 2: Quantitative Indicators and assigned weights

3.3.5 Qualitative Indicators and Assigned Weights

The qualitative indicators of ICRR which are associated with overall 40 percent of the weights are categorized into six primary components – performance behavior, business and industry risk, security risk, management risk, relationship risk, and compliance risk. The details of the indicators and assigned weights are following:

Indicators	*Weights*
1. Performance Behavior	**10**
Performance Behavior with Banks Borrowings	
Regarding Classification	5
Regarding Rescheduling/Restructuring	4
Performance Behavior with Suppliers/Creditors	1
2. Business and Industry Risk	**7**
Sales Growth	2
Age of Business	2
Industry Prospects	1
Long-Term External Credit Rating of the Borrower	2
3. Management Risk	**7**
Experience of the Management	2
Existence of Succession Plan	2
Auditing Firms	2
Change of Auditors in Last 4 Years	1
4. Security Risk	**11**
Primary Security	2
Collateral	2
Eligible Collateral Coverage	5
Type of Guarantee	2
5. Relationship Risk	**3**
Account Conduct	3
6. Compliance Risk	**2**
Compliance with Environmental Rules, Regulations and Covenants	1
Corporate Governance	1
Total	40

Table 3: Qualitative Indicators and assigned weights

3.3.6 An ICRRS Conducted on Crown Cement PLC by HBL Bangladesh

The Internal Credit Risk Rating System (ICRRS) is being conducted on Microsoft Excel to get an aggregate final score for a borrower. In order to get that, it is necessary to ensure the accuracy of the required data in particular cell for input. Based on obtained total score, automatically the risk grading of the particular borrower will be calculated. The following data are from the ICRRS conducted on the Crown Cement PLC which is a client of HBL Bangladesh from Cement manufacturing industry:

Crown Cement PLC.

Balance Sheet

	Analyst	**__, Relationship Associate**		
	Verifier	**__, Team Leader**		
	Name of Audit Farm	**MABS & J Partners**	**MABS & J Partners**	**oda Vasi Chowdhury & C**
	Period (months)	**12**	**12**	**12**
	Amount in thousand	**('000)**	**('000)**	**('000)**
	Statement Year	**2023**	**2022**	**2021**
	Current Assets:			
1	Inventories (raw materials+work in progress+Finished Goods)	2,188,559.28	1,630,861.11	1,687,723.00
2	Trade Debtors/Accounts Receivables	2,667,830.90	2,411,091.82	2,802,790.00
3	Advances, Deposits and Prepayments	1,244,006.33	248,266.52	319,259.00
4	Cash Subsidy Receivable	0.00	0.00	0.00
5	Other Receivables	0.00	0.00	0.00
6	Advance Income Tax	3,298,624.69	3,134,685.18	2,842,919.00
0	-	0.00	0.00	0.00
7	Interest Receivables	0.00	0.00	0.00
8	Loan to Associate/Subsidiary/Inter Company Loan	0.00	0.00	0.00
9	Short Term Loan/Investment	0.00	0.00	0.00
10	Inter Company Receivables/Dues	0.00	0.00	0.00
11	Investments Held for Sale/Marketable Securities	667,868.18	1,769,110.42	792,058.00
12	Goods in Transit	0.00	0.00	0.00
13	Cash & Bank Balance	893,903.48	222,653.96	169,999.00
14	Other Current Assets	0.00	0.00	0.00
	Total Current Assets	**10,960,792.86**	**9,416,669.01**	**8,614,748.00**
	Non-Current Assets:	0.00	0.00	0.00
17	Net Property, Plant and Equipment	6,283,448.20	6,383,937.49	6,915,720.00
18	Net Land and Buildings	0.00	0.00	0.00
19	Net Furniture & Fixture	0.00	0.00	0.00
16	Net Other Fixed Assets	0.00	0.00	0.00
21	Goodwill	0.00	0.00	0.00
22	Trademark/Patent/Software	21,577.09	26,659.84	31,743.00
23	other Intangible Assets	0.00	0.00	0.00
24	Investment in Subsidiary and Associates/ Joint Venture	424,996.02	384,281.66	331,045.00
25	Investment in Shares/Bond	0.00	0.00	0.00
26	Other Investments	0.00	0.00	0.00
27	Deferred Tax Assets	0.00	0.00	0.00
28	Loan to Subsidiary/Associate	0.00	0.00	0.00
29	Preliminary Expenses	0.00	0.00	0.00
30	Product Development Cost	0.00	0.00	0.00
31	Capital Work In Progress	5,026,852.99	1,658,172.07	785,093.00
32	Prepayment of Rent	0.00	0.00	0.00
33	IPO Expenses	0.00	0.00	0.00
34	Other Long Term Receivables	0.00	0.00	0.00
35	Other Non-Current Assets	132,914.13	17,566.97	310,934.00
	Total Non- Current Assets	**11,889,788.43**	**8,470,618.03**	**8,374,535.00**
	Total Assets	**22,850,581.29**	**17,887,287.04**	**16,989,283.00**

	Current Liabilities:			
1	Working Capital Loan	0.00	0.00	0.00
2	Short Term Loan	9,337,317.78	6,825,431.26	5,922,895.00
3	Bank Overdraft	0.00	0.00	0.00
4	Current Portion of Long Term Borrowing/Loan	11,049.05	40,559.04	754,286.00
5	Current Portion of Long Term Lease	34,944.23	21,343.85	296,733.00
6	Creditors/Liabilites for expenses/ Accrued Expenses	0.00	0.00	0.00
7	Creditors for goods and services/Accounts Payable/Accruals	1,501,781.65	1,689,186.58	684,149.00
8	Creditors for Services	0.00	0.00	0.00
9	Creditors for Other Finance	0.00	0.00	0.00
10	Income Taxes Payable	0.00	25,066.53	0.00
11	Provision for Tax	1,865,888.34	814,612.45	374,817.00
12	Provision for Royalty and Technical Know-How	0.00	0.00	0.00
13	Other Provisions	0.00	0.00	0.00
14	Advance Against Sales	0.00	0.00	0.00
15	Deferred Liabilities	0.00	0.00	0.00
16	Accrued Expenses	45,381.76	95,155.16	0.00
17	Interest Payable	0.00	0.00	0.00
18	Unclaimed Dividend/Dividend Payable	48,372.76	131,957.65	69,644.00
19	Intercompany Payable/ Dues	0.00	0.00	0.00
20	IPO Share Application Money	0.00	0.00	12,850.00
21	Other Current Liabilities	132,086.64	54,883.72	50,219.00
	Total Current Liabilities	**12,976,822.21**	**9,698,196.23**	**8,165,593.00**
	Non Current Liabilities:			
24	Long Term Loan	1,165,644.81	48,663.19	140,576.00
25	Deferred Tax Liability	565,421.18	582,286.75	616,606.00
26	Provision for Employee Benefits (Gratuity)	287,332.79	255,124.77	221,074.00
27	Bond/ Preference Shares	0.00	0.00	0.00
28	Long Term Lease	100,651.03	0.00	21,344.00
29	Intercompany Loan	0.00	0.00	0.00
30	Product Warranties	0.00	0.00	0.00
31	Deferred Liability	0.00	0.00	0.00
32	Other Non-Current Liabilities	0.00	0.00	0.00
	Total Non-Current Liabilities	**2,119,049.81**	**886,074.71**	**999,600.00**
	Total Liabilities	**15,095,872.02**	**10,584,270.94**	**9,165,193.00**
	Equities			
36	Paid-Up Capital/ Share Capital	1,485,000.00	1,485,000.00	1,485,000.00
37	Share Premium Account	2,956,560.00	2,956,560.00	2,956,560.00
38	Retained Earnings	0.00	2,080,535.16	2,583,726.00
39	Fair Value Gain on Investment/ Unrealised gain from available for sale investments	752,632.00	0.00	0.00
40	Share Money Deposit	0.00	0.00	0.00
41	Tax Holiday Reserve	0.00	0.00	0.00
42	General Reserve	0.00	0.00	0.00
43	Revaluation Reserve	752,632.00	780,920.94	798,804.00
44	Dividend Equalization Reserve	0.00	0.00	0.00
45	Other Reserves	0.00	0.00	0.00
46	Other Equity Items	0.00	0.00	0.00
	Total Equity	**7,754,709.28**	**7,303,016.10**	**7,824,090.00**
48	Minority Interest	0.00	0.00	0.00
	Total Equity & Liabilities	**22,850,581.29**	**17,887,287.04**	**16,989,283.00**
	Validation	TRUE	TRUE	TRUE

Table 4: Balance Sheet of CCPLC conducted for ICRRS

	Crown Cement PLC.			
	Profit & Loss Statement			
	Analyst	___, Relationship Associate		
	Verifier	___, Team Leader		
	Name of Audit Farm	MABS & J Partners	MABS & J Partners	ɔda Vasi Chowdhury & C
	Period (months)	12	12	12
	Amount in thousand	('000)	('000)	('000)
	Statement Year	**2023**	**2022**	**2021**
1	Sales /Revenue/Turnover	24,183,479.55	19,139,536.20	16,315,315.00
2	VAT & Supplementary Duty	0.00	0.00	0.00
3	**Net Sales/Revenue**	**24,183,479.55**	**19,139,536.20**	**16,315,315.00**
4	Cost of Goods/Service Sold	20,418,664.03	17,547,740.11	14,059,539.00
5	**Gross Profit**	**3,764,815.53**	**1,591,796.09**	**2,255,776.00**
6	Salaries	0.00	0.00	0.00
7	Marketing, Selling & Distribution Expenses	581,699.87	453,947.86	489,459.92
8	Administrative Expenses	228,770.11	235,138.43	198,950.55
9	Depreciation/ Amortization	42,377.44	77,463.63	88,628.37
10	Other Operating Expense	0.00	0.00	0.00
11	**Total Operating Expenses**	**852,847.42**	**766,549.93**	**777,038.83**
12	Other Operating Income	100,508.92	59,365.03	84,757.24
13	**Operating Profit**	**3,012,477.03**	**884,611.19**	**1,563,494.42**
14	Exchange Gain	0.00	0.00	0.00
15	Exchang Loss	0.00	0.00	0.00
16	Investment/Interest Income	38,528.92	29,903.16	52,520.00
17	Rental Income	0.00	0.00	0.00
18	Gain on Disposals of Fixed Assets	0.00	0.00	0.00
19	Loss on Disposals of Fixed Assets	0.00	0.00	0.00
20	Surplus on Revaluation of Property	0.00	0.00	0.00
21	Deficit on Revaluation of Property	0.00	0.00	0.00
22	Other Income	0.00	0.00	0.00
23	Other Expenses	0.00	0.00	0.00
24	Provision For Welfare and profit participation fund	79,907.64	6,333.28	50,219.00
25	Share of profit from associates	40,214.35	54,736.61	49,788.00
27	**Earnings Before Interest and Tax (EBIT)**	**3,011,312.65**	**962,917.67**	**1,615,583.42**
28	Financial/Interest Expenses	1,372,945.00	781,515.44	561,409.00
29	**Earnings Before Tax (EBT)**	**1,638,367.65**	**181,402.23**	**1,054,174.42**
30	Current Tax	1,027,921.00	410,667.87	194,953.34
31	Deferred Tax/ Advance Tax Expense	0.00	0.00	0.00
32	Deferred Tax/Advance Tax Income	0.00	0.00	0.00
33	**Total Tax**	**1,027,921.00**	**410,667.87**	**194,953.34**
34	**Net Profit After Tax (NPAT)**	**610,446.65**	**(229,265.63)**	**859,221.08**
35	Extraordinary Income/ Other Comprehensive Income	846.00	0.00	212,955.66
36	Extraordinary Expenses/ Other Comprehensive Expense	3,763.00	0.00	15,026.05
37	**Total Comprehensive Income**	**607,529.65**	**(229,265.63)**	**1,057,150.68**

Table 5: Profit & Loss Statement of Crown Cement PLC

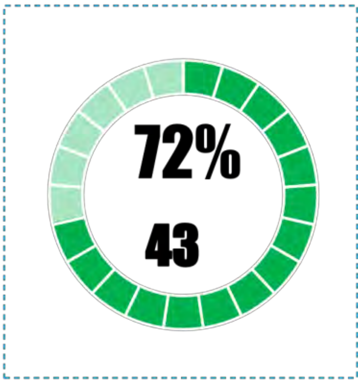
Crown Cement PLC.				
Cash Flow Statement				
Analyst		___, Relationship Associate		
Verifier		___, Team Leader		
Name of the Audit Farm		MABS & J Partners	MABS & J Partners	da Vasi Chowdhury &
Period (months)		12	12	12
Amount in thousand		('000)	('000)	('000)
Year		**2023**	**2022**	**2021**
A.	Net cash flows from operating activities	1,697,917.09	3,243,567.81	3,623,507.00
B.	Net cash flows from investing activities	(2,989,622.73)	(1,928,154.19)	604,179.00
C.	Net cash flows from financing activities	1,962,955.16	(1,262,759.11)	(4,429,436.00)
D.	**Net inflow of cash and cash equivalents**	**671,249.52**	**52,654.51**	**(201,750.00)**
E.	Cash and cash equivalent at opening	222,653.96	169,999.46	280,774.00
E.	**Cash and cash equivalent at closing**	**893,903.48**	**222,653.96**	**79,024.00**

Table 6: Cash Flow Statement of Crown Cement PLC

Table 7: Quantitative Analysis of Crown Cement PLC

Quantitative Analysis

File / Reference No:	0
Borrowe Name	Crown Cement PLC.
Group Name (if any)	N/A
Industry Name	7. Cement
Latest CIB Status	Standard
Audit Status	Audited
Auditor Name	MABS & J Partners
Analyst Name, Designations	___, Relationship Associate
Verifier Name, Designation	___, Team Leader
Date of Analysis	45243
Date of Financials	45107

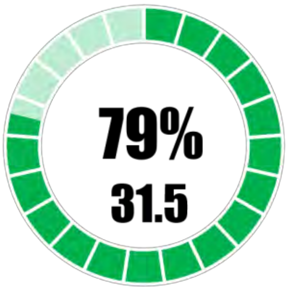


Quantitative Indicators (60)				
Criteria	**Parameter**	**Scale**	**Actual Parameter**	**Score Obtained**
A. Leverage		**10**		**8.00**
1. Financial Debt to Tangible Net Worth (DTN)		7	**1.38**	**6.00**
2. Financial Debt to Total Assets (DTA)		3	**0.47**	**2.00**
B. Liquidity		**10**		**8**
1. Current Ratio (CR)		7	**0.84**	**5.00**
2. Cash Ratio (Cash)		3	**0.12**	**3.00**
C. Profitability		**10**		**4**
1. Net Profit Margin (NPM)		5	**2.52%**	**1.00**
2. Return on Assets (ROA)		3	**2.67%**	**1.00**
3. Operating Profit to Operating Assets (OPOA)		2	**13.43%**	**2.00**
D. Coverage		**15**		**11**
1. Interest Coverage (IC)		3	**2.19**	**2.00**
2. Debt Service Coverage Ratio (DSCR)		5	**2.15**	**4.00**
3. Operating Cashflow to Debt Ratio (CDR)		4	**0.16**	**3.00**
4. Cashflow Coverage Ratio (CCR)		3	**1.20**	**2.00**
E. Operational Efficiency		**10**		**10**
1. Stock Turnover Days (STD)			**39**	**4.00**
2. Trade Debtor Collection Days (TDCD)			**40**	**3.00**
3. Asset Turnover (AT)			**105.83%**	**3.00**
F. Earning Quality		**5**		**2**
1. Operating Cash Flow to Sales (CFS)		3	**7.02%**	**2.00**
2. Cashflow based accrual ratio (CAR)		2	**0.12**	**0.00**
Total		**60**		**43**
Percentage			72%	

Table 8: Qualitative Analysis of Crown Cement PLC

Qualitative Analysis

File / Reference No:	0
Borrower Name	Crown Cement PLC.
Group Name (if any)	N/A
Industry Name	7. Cement
Latest CIB Status	Standard
Audit Status	Audited
Auditor Name	MABS & J Partners
Analyst Name, Designations	___, Relationship
Verifier Name, Designation	___, Team Leader
Date of Analysis	13-11-23
Date of Financials	30-06-23



Qualitative Indicators (40)

	Criteria	Paraeter	Score	Actual Paramenter	Score Obtained
G	***Performance Behavior***		10		10
G.1	**Performance behavior with lending banks**				
G.1.1	How many times the borrower was adversely classified in last 3 years			0 time	5
	[Aversely classified means the borrower's loans classified as per BB loan classifications policy i.e SS, DF, BL]	0 time	5		
		1 time	4		
		2 times	3		
		3 times	1		
		>3 times	0		
G1.2	How many times the borrower's loans was rescheduled/ restructured in last 3 years			0 time	4
		0 time	4		
		1 time	3		
		2 times	2		
		3 times	1		
		>3 times	0		
G.2	**Performance behavior with suppliers/ Creditors**			Yes	1
	Did The Borrower Pay Its Suppliers/ Creditors Regularly In Last 1 Year	Yes	1		
		No	0		
H	**Business and Industry Risk**		**7**		**7**
H.1	**Sales Growth**			**>10%**	2
	* Sales growth means annual sales growth	>10%	2		
	The formula for calculating sales growth is [(current year sales - previous year sales)/ previous year sales]*100	5%-10%	1		
		Less than 5%	0		
H.2	**Age of Business**			**>10 years**	2
	The number of years the borrower	>10 years	2		

	engaged in this line of business	7 to 10 years	1.5		
		5 to 7 years	1		
		4 to 5 years	0.5		
		<4 years	0		
H.3	**Industry Prospects**			**Growing and Low Volatility**	1
	Critical assessment of 5 (five) years prospect of industry and borrower's sales volatility	Growing and Low Volatility	1		
	* Volatility denotes sales volatility	Stable	0.75		
		Growing but High Volatility	0.5		
		Declining	0		
H.4	**Long-Term External Credit Rating of the Borrower**			**1**	**2**
		1	2		
	Rating Grade should be assigned in line with BB Rating Mapping as per BRPD circular 18/2014 on Risk-Based Capital Adequacy in line with Basel III (see annex: Rating Mapping)	2&3	1.5		
		>3	0.5		
		Unrated	0		
I	**Management Risk**		**7**		**7**
I.1	**Experience of the Management**			**More than 10 years in the related line of business**	**2**
	Quality of the management based on total number of years of experience of the senior management in the Industry.	More than 10 years in the related line of business	2		
	* Senior Management means MD and next two tiers	5–10 years in the related line of business	1		
		Less than 5 years	0		
			0		
I.2	**Existence of Succession Plan**			**Yes, with good capability of successor**	**2**
		Yes, with good capability of successor	2		
		Yes, but questionable capacity of successor	1		
		No successor	0		
I.3	**Auditing Firms**			**Recognized Auditors**	**2**
		Recognized Auditors	2		
	BSEC listed auditors are considered as recognized	Other Auditors	1		
		Un audited	0		
I.4	**Change In External Auditors In Last 4 Years**			**Yes**	1
		Yes	1		
		No	0		

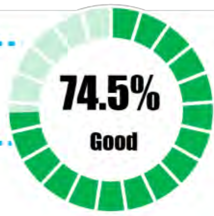
J	**Security Risk**		**11**		**2.5**
J.1	**Primary Security**			**Registered Hypothecation (1st Charge/1st Pari Passu Charge)**	**1.5**
		Fully Pledged Facilities	2		
		Registered Hypothecation (1st Charge/1st Pari Passu Charge)	1.5		
		2nd Charge/Inferior Charge	1		
		No Security	0		
J.2	**Collateral**			**No Collateral**	**0**
		Registered Mortgage On Municipal Corporation/Prime Area Property	2		
		Registered Mortgage On Pourashava/Semi-Urban/ Union Parishad Area Property	1.5		
		Equitable Mortgage Or No Property But Plant And Machinery As Collateral	1		
		No Collateral	0		
J.3	**Eligible Collateral Coverage**			**<50%**	**0**
	The formula of eligible collateral coverage is [eligible collateral / total loans]	>100%	5		
		80% to 100%	4		
	* Eligible collateral should be determined as per BRPD circular no 14 issued on September 23, 2012 (Para 07, Page 10). (see annex: Eligible Collateral)	70% to 80%	3		
		50% to 70%	2		
		<50%	0		
J.4	**Type of Guarantee**			Personal Guarantees or Corporate Guarantee without Strong Financial Strength	**1**
		Government Guarantee and/or Bank Guarantee	2		

	Strong Corporate Guarantee means the credit rating of the guarantor should be at least 1 or 2 as per BB rating mapping mentioned in BRPD circular 18/2014 on Risk Based Capital Adequacy in line with Basel III.	Strong Corporate Guarantee	1.5		
		Personal Guarantees or Corporate Guarantee without Strong Financial Strength	1		
		No support/guarantee	0		
K	**Relationship Risk**		**3**		**3**
K.1	Account Conduct	More than 3 years Accounts with Faultless Record	3	More than 3 years Accounts with Faultless Record	3
		Less than 3 years Accounts with faultless record	2		
		Accounts having satisfactory dealings with some late payments.	1		
		Frequent Past dues & Irregular dealings in account	0		
L	**Compliance Risk**		**2**		**2**
L.1	**Compliance with environmental rules, regulations and covenants**			**Yes**	**1**
		Yes	1		
		No	0		
L.2	**Corporate Governance**			Good Corporate Governance	1
	**Independence of Management	Good Corporate Governance	1		
		Questionable Corporate Governance	0		
	Total		40		31.5
		Percentage			78.8%

Table 9: ICRRS – Executive Summary of Crown Cement PLC

File / Reference No:	0
Borrower Name	Audited
Group Name (if any)	N/A
Industry Name	7. Cement
Latest CIB Status	Standard
Audit Status	Audited
Auditor Name	MABS & J Partners
Analyst Name, Designations	__, Relationship Associate
Verifier Name, Designation	__, Team Leader
Date of Analysis	13-11-23
Date of Financials	30-06-23

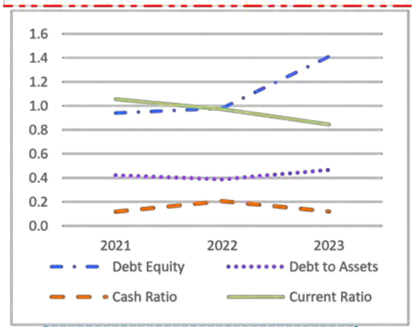
Total Score



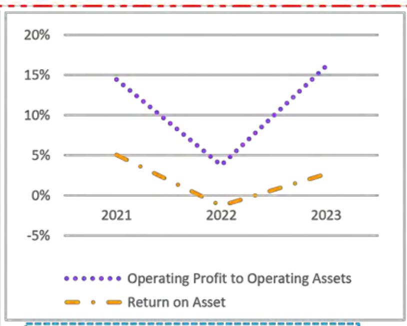
Quantitative Score

Qualitative Score

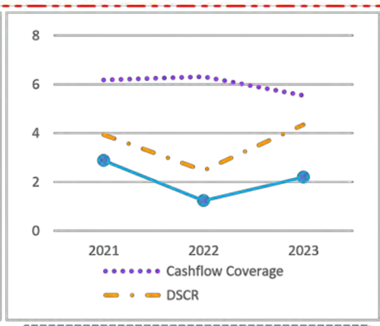
Assessment Criteria: *Greater than or equal to 80%= Excellent; 70%-80% = Good; 60% to 70% = Marginal; Less than 60% = Unacceptable*



LEVERAGE & LIQUIDITY



PROFITABILITY



COVERAGE

		Score Obtained	Scale	Percentage	ICRR
	Quantitative Assessments	***43***	***60***	***71.7%***	**Good**
A	Leverage	8	10	80.0%	**Excellent**
B	Liquidity	8	10	80.0%	**Excellent**
C	Profitability	4	10	40.0%	**Unacceptable**
D	Coverage	11	15	73.3%	**Good**
E	Operational Efficiency	10	10	100.0%	**Excellent**
F	Earning Quality	2	5	40.0%	**Unacceptable**
	Qualitative Assessments	***31.5***	***40***	***78.8%***	**Good**
G	Performance behavior	10	10	100.0%	**Excellent**
H	Business and Industry Risk	7	7	100.0%	**Excellent**
I	Management Risk	7	7	100.0%	**Excellent**
J	Security Risk	2.5	11	22.7%	**Unacceptable**
K	Relationship Risk	3	3	100.0%	**Excellent**
L	Compliance Risk	2	2	100.0%	**Excellent**
	Aggregate	**74.5**	**100**	***74.5%***	**Good**

3.3.7 Summary of The Assessment of Crown Cement PLC

Quantitative Assessment:

After completing the assessment of Crown Cement PLC, it is shown in the Executive summary (Table 10) that Crown Cement PLC obtained a Quantitative score of 43 out of 60 which is 71.70%. According to the internal credit risk rating, the Quantitative assessment is rated as "Good". Among the six categories under quantitative assessment – leverage, liquidity and operational efficiency got the rating of "Excellent' and the coverage is rated as "Good". However, the other two of the six categories are rated as "Unacceptable" – profitability and earnings quality.

The explanations of these two categories being marked as unacceptable are given below:

- Profitability: The ability to generate profit from the business operations is known as profitability. An unacceptable rating which is less than 60% can indicates that, Crown Cement PLC might have face trouble to keep its profitability consistent. The probable causes of this lower score in profitability are – rising expenditures or costs, decline in revenue, lower return on assets, inefficiency in cost management etc.

- Earnings Quality: Earnings quality is an indicator to measure the financial condition as well as effective management of a business. The probable causes of low earnings quality can be – high influence of accounting manipulation, inadequate cash flow, and non-recurring items. There are some potential risks that might arise from low earnings quality such as instable financial performance and issues in management. As an "unacceptable" rating indicates a low earnings quality, investors might face difficulties to judge whether the financial performance of a particular business is authentic.

For the indicators that were marked as "unacceptable" on the assessment, Crown Cement PLC needs to address the issues that caused the lower scores of those particular indicators. The company may implement approaches such as reducing costs, handling the cost management efficiently, optimize operations, enhance marketing and so on. Also, the company need to improve the financial performances by addressing the underlying issues with market dynamics.

Qualitative Assessment:

From the Executive Summary of Crown Cement PLC (Table 10) determined by the ICRR, it is demonstrated that, Crown Cement PLC has a Qualitative score of 31.50 out of 40 which is equivalent to 78.80%, rated as "Good". Except one of the six primary components, all of the components of qualitative assessment (performance behavior, business and industry risk, management risk, relationship risk, and compliance risk) got the "Excellent" rating on ICRR. However, only one indicator got the "Unacceptable" rating is Security risk.

The unacceptable rating of security risk signifies deficiencies in the company's security systems. Security risks might be a threat to a company's systems, operations, and information which can eventually lead to unavailability of data, breaches, or unauthorized access. The probable reasons for this component getting the unacceptable rating are the following:

- Lacking in Security Policies: The particular business may not have strong security measures as well as policies to defend significant and sensitive information, and key company operations.
- Insufficient guarantee: Corporate guarantees or personal guarantees without adequate financial strength are another reason for the rise in security risk.
- Inadequate IT Infrastructure: If a company's IT infrastructure is not sufficient or secure enough against cyber risks, it can result in malware or hacking.

Crown Cement PLC have to focus on these issues and take measures in order to improve the security protocols and change the "unacceptable" rating in Security risk category. The company may follow the tactics such as enhance or tightening the access control, ensuring strong authentication, cybersecurity awareness training for the staffs, adequate data protection.

Crown Cement PLC obtained an aggregate score of 74.50 out of 100 (74.50%) which is rated as "Good". By following the mentioned approaches, the company may take necessary measures to improve the overall assessment and get a satisfactory rating in all of the indicators as per the internal credit risk rating.

3.4 Conclusion

To conclude, this study focused on the credit risk rating guidelines initiated by Bangladesh Bank and its practical execution via an evaluation of Crown Cement PLC. The result shows how the overall Internal Credit Risk Rating System assists in determining the creditworthiness of a borrower.

At first, the risk rating categories, aggregate scores, indicators of credit risk rating, what should be done in different situations, exceptions to credit risk rating, etc. were discussed for the evaluation. In the later part, the detailed result after conducting an ICRRS on Crown Cement PLC was shown along with quantitative analysis, qualitative analysis, and executive summary. The client obtained an overall "Good" rating. However, despite obtaining a good rating, there were still some indicators that were rated as "unacceptable" by the system. The probable reasons along with suggestions are also included in this report. A significant point to mention is that the conclusion of this study may not apply to all of the clients of HBL Bangladesh as it is based on a particular client of the bank from the cement manufacturing industry.

3.5 Recommendations

This paper stated the fact that how ICRR system is remarkable and effective in evaluating the creditworthiness of borrowers and how HBL Bangladesh is complying with the procedure. However, there are several issues regarding the internal credit risk rating system that can be reviewed in order to make this system more effective. The following are some recommendations:

- The incorporation of forward-looking indicators like macroeconomic variables, market conditions, and industry trends into the ICRRS can be refined. It will be useful for the system to foresee future conditions and come up with possible strategic decisions.

- Technologies to automate data gathering and analysis can be executed. It may increase the speed of the process, improve data accuracy, and enhance productivity.

- The credit risk rating criteria are recommended to be evaluated and updated frequently which will be beneficial to the system to adapt to the evolving market conditions.

- Training sessions can be arranged for the employees who work on the credit risk rating process. It will be helpful for the employees to be updated with the changes in the sectors and businesses.

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Appendix A.

Detailed Management Report

File / Reference No:	0	**Assessment Criteria:** Greater than or equal to 80%= Excellent; 70%-80% = Good; 60% to 70% = Marginal; Less than 60% = Unacceptable		
Borrower Name	Crown Cement PLC.			
Group Name (if any)	N/A			
Industry Name	7. Cement			
Latest CIB Status	Standard	**Indicators**	**Score Obtained**	**Risk Rating**
Audit Status	Audited	Quantitative	43	Good
Auditor Name	MABS & J Partners		71.7%	
Analyst Name, Designations	__, Relationship Associate	Qualitative	31.5	Good
Verifier Name, Designation	__ Team Leader		78.8%	
		Aggregate	74.5	Good
Date of Analysis	13-11-23		74.5%	
Date of Financials	30-06-23			

		Outcome	**Score Obtained**	**Scale**	**Percentage**	**Risk Rating**
	Quantitative Assessments		**43**	**60**	**71.7%**	Good
A	***Leverage***		**8.00**	**10.00**	**80.0%**	Excellent
A.1	1. Financial Debt to Tangible Net Worth (DTN)	1.38	6.00	7	85.7%	Excellent
B.2	2. Financial Debt to Total Assets (DTA)	0.47	2.00	3	66.7%	Marginal
B	***Liquidity***		***8***	***10***	**80.0%**	Excellent
B.1	1. Current Ratio (CR)	0.84	5.00	7	71.4%	Good
B.2	2. Cash Ratio (Cash)	0.12	3.00	3	100.0%	Excellent
C	***Profitability***		***4***	***10***	**40.0%**	Unacceptable
C.1	1. Net Profit Margin (NPM)	0.03	1.00	5	20.0%	Unacceptable
C.2	2. Return on Assets (ROA)	0.03	1.00	3	33.3%	Unacceptable
C.3	3. Operating Profit to Operating Assets (OPOA)	0.13	2.00	2	100.0%	Excellent
D	***Coverage***		***11***	***15***	**73.3%**	Good
D.1	1. Interest Coverage (IC)	2.19	2.00	3	66.7%	Marginal
D.2	2. Debt Service Coverage Ratio (DSCR)	2.15	4.00	5	80.0%	Excellent
D.3	3. Operating Cashflow to Debt Ratio (CDR)	0.16	3.00	4	75.0%	Good
D.4	4. Cashflow Coverage Ratio (CCR)	1.20	2.00	3	66.7%	Marginal
E	***Operational Efficiency***		***10***	***10***	**100.0%**	Excellent
E.1	1. Stock Turnover Days (STD)	38.59	4.00	4	100.0%	Excellent
E.2	2. Trade Debtor Collection Days (TDCD)	39.71	3.00	3	100.0%	Excellent
E.3	3. Asset Turnover (AT)	1.06	3.00	3	100.0%	Excellent
F	***Earning Quality***		***2.00***	***5***	**40.0%**	Unacceptable
F.1	1. Operating Cash Flow to Sales (CFS)	0.07	2.00	3	66.7%	Marginal
F.2	2. Cashflow based accrual ratio (CAR)	0.12	0.00	2	0.0%	Unacceptable
	Qualitative Assessments		**31.5**	**40**	**78.8%**	Good

G	***Performance Behavior***		**10**	**10**	**100.0%**	Excellent
G.1.1	How many times the borrower was adversely classified in last 3 years	0 time	5.00	5	100.0%	Excellent
G.1.2	How many times the borrower's loans was rescheduled/ restructured in last 3 years	0 time	4.00	4	100.0%	Excellent
G.2	Did The Borrower Pay Its Suppliers/ Creditors Regularly In Last 1 Year	Yes	1.00	1	100.0%	Excellent
H	*Business and Industry Risk*		***7***	***7***	**100.0%**	Excellent
H.1	Sales Growth	>10%	2.00	2	100.0%	Excellent
H.2	Age of Business	>10 years	2.00	2	100.0%	Excellent
H.3	Industry Prospects	Growing and Low Volatility	1.00	1	100.0%	Excellent
H.4	Long-Term External Credit Rating of the Borrower	1.00	2.00	2	100.0%	Excellent
I	*Management Risk*		***7***	***7***	**100.0%**	Excellent
I.1	Experience of the Management	More than 10 years in the related line of business	2.00	2	100.0%	Excellent
I.2	Existence of Succession Plan	Yes, with good capability of successor	2.00	2	100.0%	Excellent
I.3	Auditing Firms	Recognized Auditors	2.00	2	100.0%	Excellent
I.4	Change in Auditors in last 3 years	Yes	1.00	1	100.0%	Excellent
J	*Security Risk*		***2.5***	***11***	**22.7%**	Unacceptable
J.1	Primary Security	Registered Hypothecation (1st Charge/1st Pari Passu Charge)	1.50	2	75.0%	Good
J.2	Collateral	No Collateral	0.00	2	0.0%	Unacceptable
J.3	Collataral Coverage	<50%	0.00	5	0.0%	Unacceptable
J.4	Guarantee	Personal Guarantees or Corporate Guarantee without Strong Financial Strength	1.00	2	50.0%	Unacceptable
K	Guarantee		***3.00***	***3***	**100.0%**	Excellent
K.1	Account Conduct	More than 3 years Accounts with Faultless Record	3.00	*3*	100.0%	Excellent
L	*Compliance Risk*		***2.00***	***2***	**100.0%**	Excellent
L.1	Compliance with environmental rules, regulations and covenants	Yes	1.00	1	100.0%	Excellent
L.2	Corporate Governance and CSR activities	Good Corporate Governance	1.00	1	100.0%	Excellent