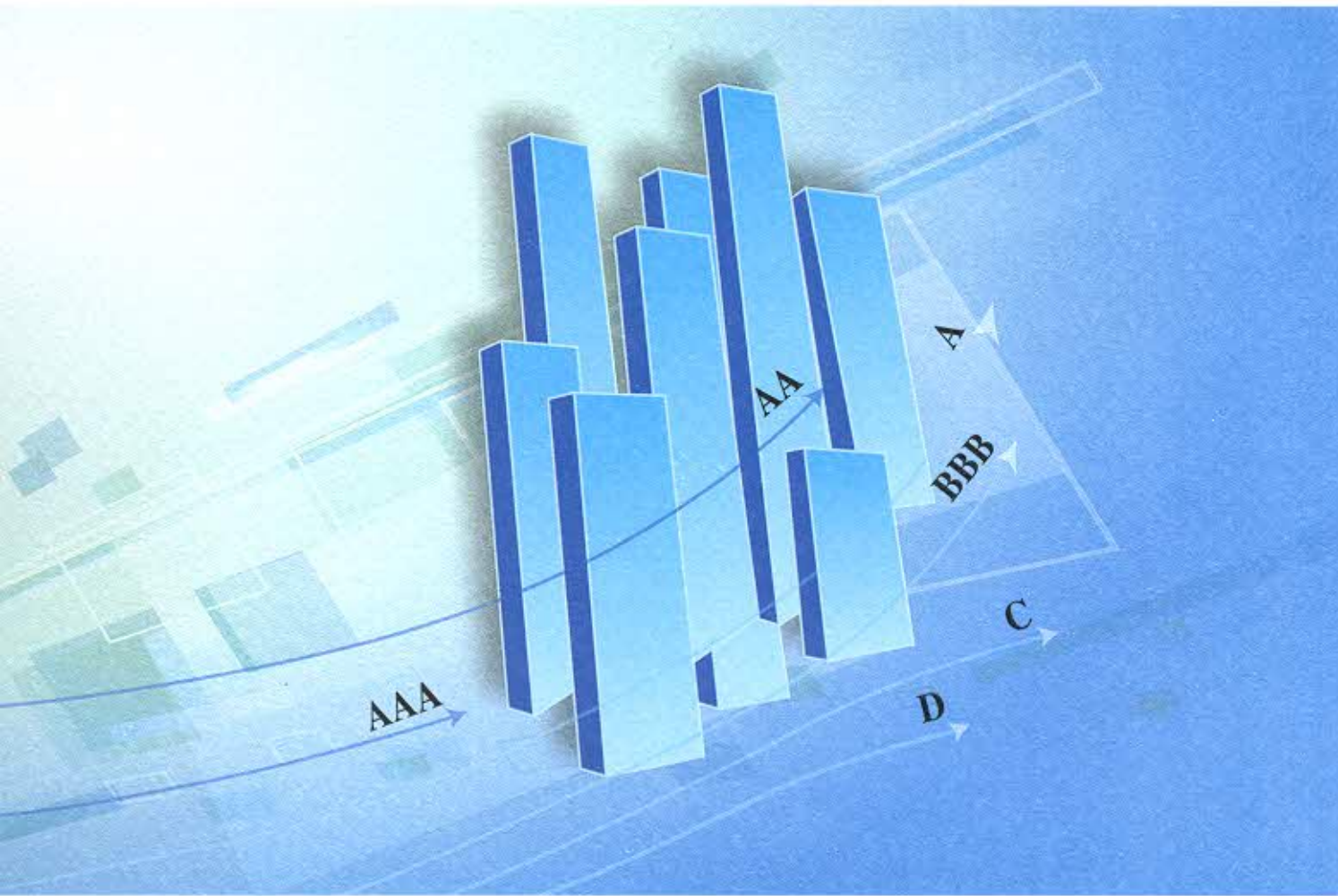


Credit Rating Report



AlphaRating

AAMRA NETWORKS LIMITED

*Safura Tower (9th, 12th & 15th Floor) 20, Kemal Ataturk Avenue, Banani Commercial Area,
Dhaka-1213.*

Disclaimer: Information used herein was obtained from sources believed to be accurate and reliable. However, Alpha Credit Rating Limited does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. The rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities or to finance in a project. All rights of this report are observed by Alpha Credit Rating Limited. The contents may be used by the news media and researchers with due acknowledgement. Under no circumstances Alpha Credit Rating Limited will or its affiliates will be liable for any special, indirect, incidental or consequential damages of any kind, including, but not limited to, compensation, reimbursement or damages on account of the loss of present or prospective profits, expenditures, loans or commitments, whether made in the establishment, development or maintenance of company reputation or goodwill, cost of substitute materials, products, services or information, cost of capital, and the claims of any third party, or for any other reason whatsoever.

10 October, 2023

Managing Director
Aamra Networks Limited
Safura Tower (9th, 12th & 15th Floor) 20, Kemal Ataturk Avenue, Banani Commercial Area,
Dhaka-1213.

Subject: Credit Rating of Aamra Networks Limited.

Dear Sir,

We are pleased to inform you that Alpha Credit Rating Limited (AlphaRating), vide credit rating Agreement No: 804 has assigned the following rating to **Aamra Networks Limited**.

Date of Declaration	Valid From	Valid Till	Rating Action	Long Term Rating	Short Term Rating	Outlook
10 October, 2023	26 August, 2023	25 August, 2024	8 th Surveillance	A-	ST-3	Stable

The Long-Term & Short-Term rating is valid up to the earlier of 25 August, 2024 or the limit expiry date of respective credit facility. The rating may be changed or revised prior to expiry, if warranted by extraordinary circumstances in the management, operations and/or performance of the entity rated.

We, Alpha Credit Rating Limited, while assigning this rating to **Aamra Networks Limited**.
Hereby solemnly declare that:

- (i) We, Alpha Credit Rating Limited as well as the analysts of the rating have examined, prepared, finalized and issued this report without compromising with the matters of our conflict of interest, if there be any; and
- (ii) We have complied with all the requirements, policy and procedures of these rules as prescribed by the Bangladesh Securities and Exchange Commission in respect of this rating.

We hope the rating will serve the intended purpose of your organization.

With Kind Regards,



Tanzina Khaled
Chief Rating Officer

This letter forms an integral part of the credit rating report.

Aamra Networks Limited

Rating Type 8th Surveillance

A- Long Term Rating

ST-3 Short Term Rating

Stable Outlook

Date of Declaration 10 October, 2023

Valid From 26 August, 2023

Valid Till 25 August, 2024

Business Risk	Liquidity	Profitability	Operating Cash Flow	Technical Expertise	Financial Support	Market Reputation	Sector
Medium	Fair	Good	Positive	Excellent	Sufficient	Distinguished	IT

ANL is one of the fastest growing ISP proved themselves with their excellence and nationwide coverage.

Previous Rating

Long Term Rating: A
Short Term Rating: ST-2
Outlook: Stable
Date of Declaration: 15 December, 2022
Valid From: 26 August, 2022
Valid Till: 25 August, 2023

Contact Analysts:

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Date of Incorporation:

10th January, 2001

Board Chairman:

Syed Faruque Ahmed

Managing Director:

Syed Farhad Ahmed

Total Asset:

BDT 3,236.43 million (As on 30 June, 2023)

Banks & FIs

Shahjalal Islami Bank Limited
The City Bank Limited
Alliance Finance PLC
Commercial Bank of Ceylon PLC

Loan/Investment Limit:

BDT 1,303.24 million

Outstanding:

BDT 728.02 million

Other Liability:

Limit: BDT 150.00 million
Outstanding: BDT 105.00 million

Rationale

Alpha Credit Rating Limited (AlphaRating) vide credit rating Agreement No: 804 downgrades long term rating to "A-" (Pronounced as "Single A Minus") from "A" (Pronounced as "Single A") and downgrades short term rating to "ST-3" from "ST-2" in favor of Aamra Networks Limited (herein after referred to as "ANL" or "the company"). The outlook for the rating is Stable.

AlphaRating considered financial performance, scale of the operation, quality of financial statements & data presentation, relationship with various stakeholders of the company with management and comparative strength of the company while assigning the rating. The above rating is based on the audited financial statements for the year ended 30 June, FY 2021-2023 and other qualitative information provided by the management.

The rating has been influenced by some positive factors such as increased revenue, sound profitability, sound liquidity position, positive CFO, low geared capital structure, adequate finance cost payment ability, improved net asset value, improved ROA & ROE, good cost control efficiency, improved cash conversion cycle, audit report and updated compliances. This improvement has become achievable because of insightful operation and long term experience of professional management team which was also considered while assigning the rating. AlphaRating observed that excellent track record, business development planning and increased demand has driven the company to retain outreach of its operation. Apart from this, good business relationship with all stakeholders was considered as one of the key strength behind the rating. In addition, quality financial reporting, positive attitude towards regulatory framework & strong corporate governance adherence has also been positively considered during the rating procedure.

However, the rating was constrained by irregular payment behavior with SMA status, overdue amount. Apart from this, increased competition & uncertain macro-economic environment has affected the rating. The Stable Outlook reflects AlphaRating's assessment on upside and downside risks to the rating which is currently well balanced.

Credit Metrics (BDT in Millions)

	2023	2022	2021
Cash in Hand	16.13	15.21	12.40
Total Debt	667.73	753.58	647.02
Financial Charges	68.56	68.32	44.28
Debt to Equity (%)	0.28	0.35	0.31
Current Ratio (x)	2.75	2.18	2.03
Cash Ratio (x)	0.04	0.03	0.02

Operating Summary (BDT in Millions)

	2023	2022	2021
Sales	1,274.17	1,029.24	999.45
% Change	23.80	2.98	2.81
EBT	234.96	119.76	131.26
Net Profit	225.67	109.29	120.39
NP % of Net Sales	17.71	10.62	12.05
Operating Cash Flow	382.33	502.33	291.83

Data obtained from audited financial statements of FY 2021-2023

ANL is availing external financing from Shahjalal Islami Bank Limited (Banani Branch), The City Bank Limited (Head Office Branch), Alliance Finance PLC (Gulshan Avenue Branch), Commercial Bank of Ceylon PLC. (Gulshan Avenue Branch), Dhaka. As per bank information, payment behavior of the company is irregular in Commercial Bank of Ceylon PLC & The City Bank Limited. However, the company has an overdue of BDT 47.62 million with SMA status in Commercial Bank of Ceylon PLC. As per company information overdue arise due to late payment. AlphaRating considered only above mentioned banking facilities.


Tanzina Khaled
Chief Rating Officer
Alpha Credit Rating Limited

Company Profile

Bank Facilities

Industry Overview

Management Quality

Business Risk

Company Information

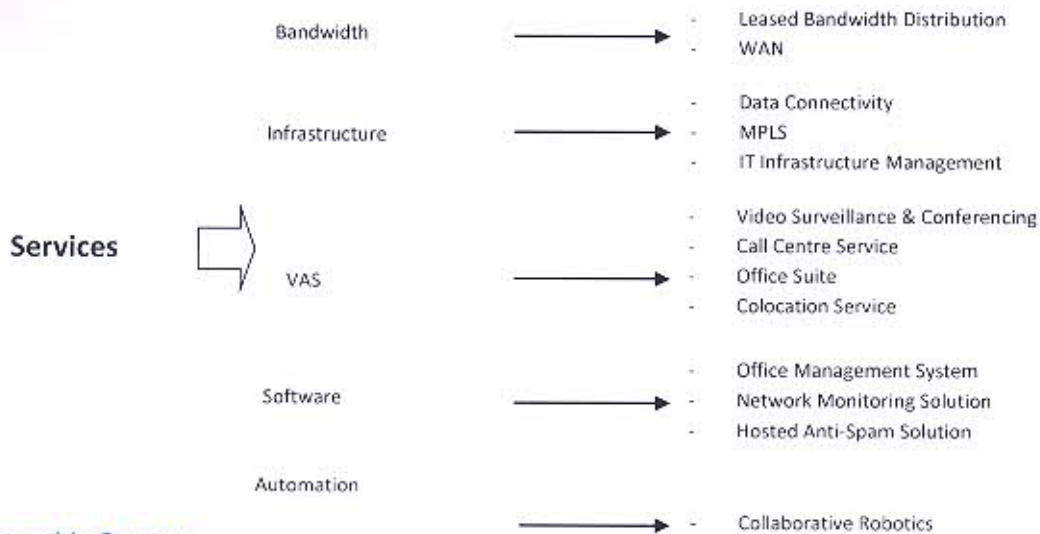
Financial Risk

Company Profile

Aamra Networks Limited is a renowned brand in the IT industry of Bangladesh. Over the last decade, the company has been providing state-of-the-art IT communication solutions and services ranging from internet access to web page development to leased port internet access, total network solution and maintenance services to its customers. The company has a rich customer profile that varies from banks, Govt. organizations, hotels, embassy, high commission etc. ANL is ISO certified internet service providers in the country, upholding the certification since 2003. In addition, the company has been complying with regulatory issues consistently. Aamra Networks Limited is one of the 18 concerns of Aamra Companies. Starting its journey in 1985, group has diversified investment in ICT, Textile, and Lifestyle sectors in Bangladesh.

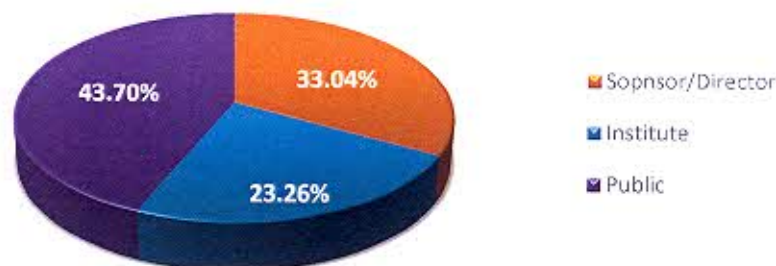
Service Offered

Being one of the industry pioneers, ANL offers following services to its clients:

**Ownership Pattern**

ANL was initially known as Global Online Services Limited. The company was incorporated on 10th January, 2001 as a private limited company. During 31st December 2007, the company has changed its name to Aamra Networks Limited and has been converted in to a public company limited by shares on 8th May, 2013. The company is now operating with authorized capital of BDT 1,000.00 million and paid up capital of BDT 619.87 million. The company became listed in the year of 2017 with market category 'A' and 'Y' electronic shares under Dhaka Stock Exchange and Chittagong Stock Exchange. Latest ownership of the company is pictured below:

As on 31 August 2023 (Source DSE)



Company Profile

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Business Risk

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Financial Risk

Optimal Revenue Mix

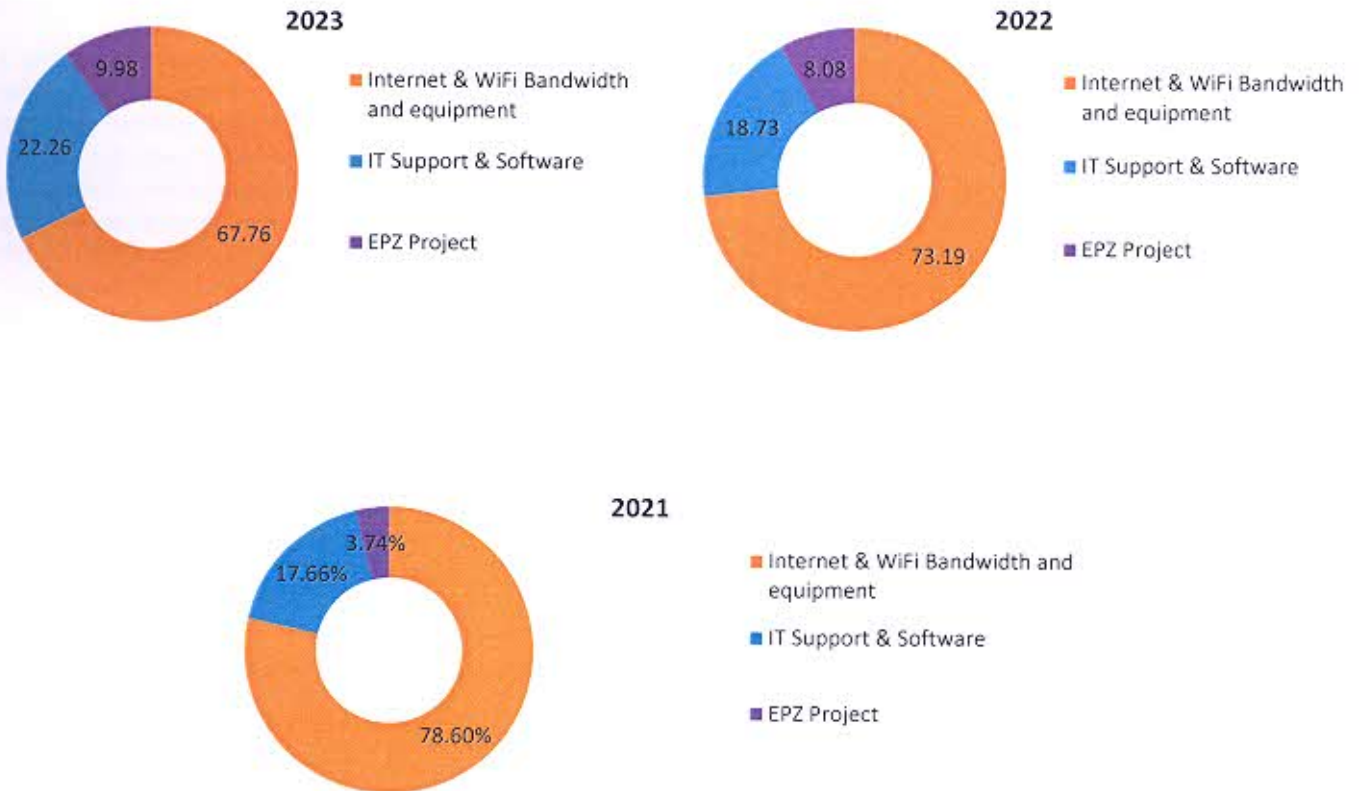


Figure: Revenue Mix in last 3 Years

Industry Overview

IT has become an integral part of modern economies, playing a critical role in transforming various sectors and contributing to economic growth and development. Its impact on the digital economy shapes how people work, communicate, and conduct business. As technology continues to evolve and disrupt traditional industries, understanding its effects on the economy is crucial for policymakers, investors, and individuals seeking to harness its potential for growth and development.

A particularly significant impact of IT on Bangladesh's economy has been the evolution of the outsourcing industry. Bangladesh has emerged as a popular outsourcing destination, particularly for software development, data entry, and customer services. This has been due to the nation's abundant supply of skilled labour and lower labour costs. The outsourcing industry has been instrumental in creating new job opportunities, particularly for the country's youth, and has substantially contributed to Bangladesh's export earnings. Over the past ten years, Bangladesh's software industry has experienced remarkable growth, according to data from the Bangladesh Association of Software and Information Services (BASIS). The industry's export earnings have risen from \$130 million in 2010 to \$800 million in 2020, representing a growth rate of over 500 percent. The software industry is now one of the fastest-growing sectors in the country, and its influence on Bangladesh's export earnings has been steadily increasing, and this growth rate demonstrates the industry's potential for further expansion. In 2020, this sector accounted for around 2 per cent of the country's total export earnings, a considerable increase from 0.3 per cent in 2010. This shows the substantial contribution of the software industry to the nation's economy and its potential to become a powerful player in the global software market. In 2021, the software industry's export earnings increased to \$1.1 billion, representing a growth rate of around 37.5 per cent. The industry's growth expects to continue in 2022 and 2023 due to various factors, including the rising demand for digital transformation services worldwide, development of e-commerce, and increasing adoption of IT across multiple sectors.

E-commerce based business is a new opportunity in Bangladesh. The use of e-commerce has seriously influenced the country's economy, enabling businesses to reach a broader customer base and reducing transaction costs. The growth of e-commerce has led to the emergence of new companies and allowed small and medium-sized enterprises (SMEs) to access new markets. The increased use of online payment systems has also reduced the reliance on cash transactions, promoting financial inclusion and transparency in the economy. IT has enabled the development of various payment systems, including mobile banking, digital wallets, and payment gateways, making transactions faster, more secure, and more convenient, thereby promoting e-commerce and driving economic growth. The adoption of IT has played a crucial role in reforming the Bangladesh finance sector, contributing to better customer services, enhanced efficiency, and economic growth. Technologies in the finance sector have implemented various initiatives to promote digital renovation in the industry. The widespread use of IT has enabled financial institutions to provide digital banking services, such as online banking, mobile banking, and ATM services, making banking more convenient and accessible to customers in remote areas. Financial institutions in Bangladesh use technology to monitor and manage risk more effectively, which includes detecting and preventing fraud and analyzing credit risk. This has enhanced the stability and security of the financial sector and enabled financial institutions to offer better customer services.

The integration of IT has changed the education sector in Bangladesh. E-learning has made education more accessible and affordable, enabling students to access education more efficiently. The COVID-19 pandemic has forced schools and universities to shift to online learning, making IT even more crucial. Online classes using video conferencing tools and learning platforms have allowed students to continue their studies from home, ensuring the continuity of education. Digital resources such as e-books and online assessments have reduced the need for physical textbooks and enabled students to access course materials anytime and anywhere. Training for teachers on digital tools and platforms has improved the quality of teaching and made the learning process more interactive and engaging. IT has played a vital role in ensuring that the education sector in Bangladesh continues despite the challenges posed by the pandemic. Adopting online learning platforms, digital assessments, educational apps, and teacher training has facilitated the continuity of education and helped mitigate the pandemic's impact on student's academic progress.

Source : <https://thefinancialexpress.com.bd/views/reviews/it-an-indispensable-factor-in-the-economic-growth>

Business Risk Analysis

Scale of Operation

The scale of player's operations is critical in the IT industry. The larger the scale, the greater the benefits of economies of scale and also the ability to withstand profitability pressure.

Over the last decade, ANL has been providing state-of-the-art IT communication solutions and services including internet access, web page development & hosting, leased port internet access, total network solutions, video conferencing solutions etc. to more than hundreds of its corporate clients. This certainly augments company's reliability to its customers.

Revenue Mix

AlphaRating analyses various vertical and horizontal segments in which a company operates. Vertical segments are defined in terms of client industries such as manufacturing, insurance, banking etc. A diversified presence across segments provides stability to earnings. Moreover, AlphaRating also considers a company's revenue mix in terms of the nature of contracts it implements.

ANL's client base is spread from renowned MNCs to hotels, universities, banks, embassy, international organizations and many more. The company works on fixed-price contracts for a definite time period. The contracts can be renewed by the parties after the expiry of the present contract. The diversified client based and fixed time contracts ensures revenue of the company for a specific time period. However, the company requires more projects and skilled project management to uphold its growth.

Geographic Diversity

The geographic spread of revenues is an important parameter in analyzing a company's business risk. With the increasing number of internet service providers, the company has extended its service area to almost each corner of the country to sustain in the competition. ANL also invests in IT enabled services and infrastructure services to be distinct from its peers.

Client Profile

In order to sustain in the competitive industry, the industry players need to build up well established relations with large clients. This leads to repeat business and provides stability to earnings. However, dependence on a single client increases risks as any setback in the event of a loss of client could be sizeable. New client acquisitions and the quality of such clients are good indicators of a company's marketing and delivery capabilities.

AlphaRating found that ANL has observed a smart growth rate in its new client acquisition during the last three years which confirms the competitiveness of the company in serving large number of client at a time.

Funding Risk

In order to finance its import of IT solution items, to support bid bond for tender security, to provide performance guarantee for execution of work order, the company is availing financing from a number of financial institutions. Interest rates charged for these facilities are only fixed for a certain period of time and the company is completely exposed to any adverse changes in the interest rates. This adverse change can decrease the profitability and operating cash flow of the company.

As per the financial intuitions' information, it is observed that the company has been performing well and is adjusting its liabilities within the time period. However, ANL has raised its fund through private placement and intended to use a portion of that proceed in debt payment to the financial institutes. The company is further planning to go for initial public offering which may help to arrange sufficient fund to finance its growth.

Human Resource and Knowledge Management

IT company's most important assets are human resources and accumulated knowledge. The outflow of professionals to developed markets has a two-fold impact on domestic firms. These are high employee attrition rates and increasing wages. In this circumstance, considering a company's ability to attract, train, motivate and retain quality manpower as critical to its business, AlphaRating emphasize on study of a company's HR policies.

ANL refers its recruitment process as 'Talent Acquisition' for the organization. Potential candidates have to go through a number of screening tests to ensure his place in the company.

Potential or Existing Government Regulations

IT companies have to comply with The Income Tax Ordinance, 1984; The Income Tax Rules, 1984; The value Added Tax Act, 1991; The value Added Tax Rules, 1991; The Customs Act, 1969 and Bangladesh Telecommunication Regulatory Commission Act, 2001 along with the Companies Act, 1994. Any adverse change in the policies can affect the overall performance of the industry players.

