

## Credit Rating Report (Surveillance)

### Non-Convertible Subordinate Bond (BDT 1,000.0 million) of IPDC Finance Limited

**Analysts:****Shahtaj Noor**

shahtaj.noor@crab.com.bd

**Tahmina Islam**

tahmina.islam@crab.com.bd

Methodology: CRAB's structured finance Rating Methodology ([www.crab.com.bd](http://www.crab.com.bd))

**RATING BASED ON:** Unaudited financial statement as of Mar'21, audited financial statements as of 31 December 2020 and other relevant quantitative as well as qualitative information up to the date of rating declaration.

**Assigned Ratings:****Bond Rating**Long Term : **AA<sub>2</sub> (Hyb)**Outlook : **Stable****Entity Ratings**

Date of Rating	Long Term	Short Term	Outlook
24 June 2021	AA <sub>1</sub>	ST-1	Stable

**Date of Rating**      **Valid Till**

24 June 2021      30 September 2021

**ISSUER PROFILE**

IPDC Finance Limited was incorporated in 1981 and commenced its commercial operation in 1983 as the first private sector financial institution with a vision to be the most innovative financial institution of the country. It was formerly known as "Industrial Promotion and Development Company of Bangladesh Limited". IPDC went for public issue of its shares in 2006 and its shares are listed with both DSE and CSE. IPDC offers financing and investment services for corporate, retail as well as SME customers. Presently, the Company is operating all over the country through its 12 branches with diversified product line. It has a customer base of more than 14,700 clientele. IPDC also has launched "Orjon" which is the first-ever block-chain based solution for SME credit, in collaboration with IBM.

**RATIONALE**

Credit Rating Agency of Bangladesh Limited (CRAB) has affirmed "AA<sub>2</sub> (Hyb)" (pronounced double A two hybrid) rating in the long term to IPDC Finance Limited's issue of zero coupon Bond of BDT 925.4 million, in line with CRAB's standard notching practices. The rating is positioned one notch below IPDC's AA<sub>1</sub> credit assessment.

IPDC issued BDT 1,000.0 million zero coupon Bond having denomination of each BDT 10.0 million in four phase starting from December 2018 to December 2019. The Bond was fully subscribed by four banks and one FI. The Bond's redemption started from December 2020. Up to now, BDT 90.0 million was redeemed. Outstanding value of the Bond is now BDT 910.0 million. The final maturity of the Bonds will be at the end of sixth year of the Bonds from the Issue Date.

Coupons of the Bond are payable semi-annually at the rate of reference rate with a margin of 3.0% p.a., ranging 7.5% to 11.0%. Reference rate of the Bond is to be determined as an average of Fixed Deposit Rates of 6 months of Private Commercial Scheduled Banks (excluding Islami Banks and Foreign Commercial Banks). As the interest rate reduced in the money market, coupon rate reduced to floor of 7.5% in 2021.

The Company has strength in strong capital against risk weighted assets, low large loan concentration, good asset quality, maintenance of substantial addition provision as well as earning generation capacity. The Company also has strong ownership structure. On the other hand, principal concerns of the Company are high cost to income ratio and relatively high funding cost result in lower net interest margin.

## CREDIT RATING SCALES AND DEFINITIONS – LONG TERM: DEBT INSTRUMENTS

Rating	Definition
<b>AAA</b> Triple A (Extremely Strong Capacity)	Debt instruments rated AAA have extremely strong capacity to meet financial commitments. These are judged to be of the highest quality, with minimal credit risk.
<b>AA<sub>1</sub>, AA<sub>2</sub>, AA<sub>3</sub>*</b> Double A Very Strong Capacity)	Debt instruments rated AA have very strong capacity to meet financial commitments. These are judged to be of very high quality, subject to very low credit risk.
<b>A<sub>1</sub>, A<sub>2</sub>, A<sub>3</sub></b> Single A (Strong Capacity)	Debt instruments rated A have strong capacity to meet financial commitments, but susceptible to the adverse effects of changes in circumstances and economic conditions. These are judged to be of high quality, subject to low credit risk.
<b>BBB<sub>1</sub>, BBB<sub>2</sub>, BBB<sub>3</sub></b> Triple B (Adequate Capacity)	Debt instruments rated BBB have adequate capacity to meet financial commitments but more susceptible to adverse economic conditions or changing circumstances. They are subject to moderate credit risk. Such rated projects possess certain speculative characteristics.
<b>BB<sub>1</sub>, BB<sub>2</sub>, BB<sub>3</sub></b> Double B (Inadequate Capacity)	Debt instruments rated BB have inadequate capacity to meet financial commitments. They have major ongoing uncertainties and exposure to adverse business, financial, or economic conditions. Such projects have speculative elements, and are subject to substantial credit risk.
<b>B<sub>1</sub>, B<sub>2</sub>, B<sub>3</sub></b> Single B (Weak Capacity)	Debt instruments rated B have weak capacity to meet financial commitments. They have speculative elements and are subject to high credit risk.
<b>CCC<sub>1</sub>, CCC<sub>2</sub>, CCC<sub>3</sub></b> Triple C (very Weak Capacity)	Debt instruments rated CCC have very weak capacity to meet financial obligations. They have very weak standing and are subject to very high credit risk.
<b>CC</b> Double C (Extremely Weak Capacity)	Debt instruments rated CC have extremely weak capacity to meet financial obligations. They are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
<b>C</b> Single C (Near to Default)	Debt instruments rated C are highly vulnerable to non-payment, have payment arrearages allowed by the terms of the documents, or subject of bankruptcy petition, but have not experienced a payment default. Payments may have been suspended in accordance with the instrument's terms. They are typically in default, with little prospect for recovery of principal or interest.
<b>D (Default)</b>	D rating will also be used upon the filing of a bankruptcy petition or similar action if payments on an obligation are jeopardized.

\*Note: CRAB appends numerical modifiers 1, 2, and 3 to each generic rating classification from AA through CCC. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

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