CREDIT RATING REPORT
On
CENTRAL INSURANCE COMPANY LIMITED

REPORT: RR/81328/24

This is a credit rating report as per the provisions of the Credit Rating Companies Rules 2022. CRISL's Entity Rating is valid for only one year from the date of rating. After the above period, the rating will not carry any validity unless the company goes for rating surveillance. ***CRISL followed Insurance Rating Methodology published in CRISL website www.crislbd.com***

Entity Rating	AA+
Outlook	Stable
Date of Rating: August 22, 2024	**Valid up to:** August 21, 2025

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Entity Rating:
AA+

Outlook: Stable

Rating:
Based on Financials up to December 31, 2023

CENTRAL INSURANCE COMPANY LIMITED

ACTIVITY
Non-Life Insurance

DATE OF INCORPORATION
November 12, 1987

COMMENCEMENT OF BUSINESS
December 10, 1987

CHAIRMAN
Alhaj Md. Masud Hossain

CHIEF EXECUTIVE OFFICER (C.C.)
Md. Badrul Amin

EQUITY
TK.2,655.01 million

TOTAL ASSETS
TK.3,789.52 million

1.0 RATIONALE

CRISL has assigned 'AA+' (pronounced as double A plus) entity rating to the Central Insurance Company Limited (CICL). The above has been done in consideration of its position as highly structured and regulatory complied organization having long business experiences in the industry with very high record of meeting business and financial obligations. Risk factors and changing economic conditions are unlikely to have any significant impact on this category of insurance entities. This has been done on the basis of the financials of the company up to December 31, 2023, un-audited financials up to June 30, 2024 and other relevant qualitative and quantitative information up-to the date of the rating. The rating has been assigned on the basis of CICL's profitable underwriting performance, good capital base, good FDR base, experienced and professional management team etc. CICL sources significant business from renowned group of companies and banks. The company continues to deliver improved and innovative product and services taking due care of the compliance requirements. Based on the financial statement of 2023, its underwriting profit stood at Tk.101.77 million. Profit after Tax (PAT) stood at Tk.105.15 million in 2023. Pre-tax operating margin stood at 35.79% in 2023. CRISL views CICL's investment strategy is diversified having around major portion of its funds remaining in cash and deployed in fixed deposits as well as in fixed assets while rest in capital market. On the other hand, CICL faces challenges from substantial outstanding claim, unrealized loss on capital market exposure, moderate market share, decline in market capitalization etc. However, reduction of management expense will enhance its overall performance in near future. CRISL expects the company to continue to adopt a prudent underwriting approach, improve business and investment portfolio.

CRISL also views the company with 'Stable Outlook' from the industry viewpoint for overall industry growth and policy and regulations implicated by regulatory authority. CRISL believes that the company will be able to maintain its fundamentals in foreseeable future.

2.0 CORPORATE PROFILE

2.1 Background

Central Insurance Company Limited is a first generation non-life insurance company which was incorporated on November 12, 1987 as a public limited company with an objective to provide all types of general insurance services to the insuring community according to their need and expectation. It obtained the Certificate of Registration for carrying on insurance business from the Chief Controller of Insurance on November 30, 1987 and now has been operating under the legal framework of the Insurance Act, 2010. CICL was incorporated with the initiative of some renowned business personalities of the country having involvement in diversified businesses with the vision "to be leading and most confident and a reliable insurer of the country". The company started its business with an authorized capital of Tk.1,000.00 million and paid-up capital of Tk.415.19 million. However, capital base has been enhanced to Tk.531.45 million against the authorized capital of Tk.1,000.00 million as on December 31, 2023. CICL went into initial public offering in 1994. The shares of the company are listed with both the bourses of the country and are being traded as 'A' category issue. The company has been operating its business with a network of 41 branches located at different districts of the country. CICL earned a gross premium of Tk.558.58 million in 2023 and reported underwriting profit of Tk.101.77 million during the same period. Alhaj Mohammed Masud Hossain is the Chairman of the Board while Management team is headed by Mr. Md. Badrul Amin as acting Managing Director & CEO. The company carries out its business operation from its Head Office located at CIC Tower (3rd& 4th Floor), 7-8 Motijheel C/A, Dhaka-1000.

Md. Asaduzzaman Khan

CREDIT RATING INFORMATION AND SERVICES LIMITED
SECOND COPY ON REQUEST
28 AUG 2024
CRISL

CREDIT RATING REPORT
On
CENTRAL INSURANCE COMPANY LIMITED

Besides entity rating, CRISL also has assigned 'AA' (pronounced as double A) Claim Paying Ability (CPA) rating to the Central Insurance Company Limited (CICL). The above has been done in consideration of its position as very high claims paying ability. Protection factors are strong. Risk is modest but may vary slightly over time due to underwriting and economic condition.

2.2 Shareholding Pattern

Diversified shareholding pattern

CICL was sponsored by a good number of established limited companies which are operating in different sectors. Total number of the shares of the company stood at 53.14 million held by the sponsors, public and institutional shareholders as on March 31, 2024. Out of the above, 38.60% shares are held by sponsors and directors, 42.00% by the public shareholders, 0.20% hold by Government and remaining 19.20% by ICB & institutional investors. While reviewing the sponsor shareholding pattern of the company it has been observed that 36.97% of the shares are held by only 17 shareholders ranging between 1,000,001-2,000,000 shareholdings while the remaining shares are held by other 3329 shareholders as on March 31, 2024.

2.3 Market Share

Moderate Market Share

CICL has been operating its business with moderate market share over the last couple of years. The non-life insurance industry of Bangladesh reported a gross premium of Tk.42.60 billion in 2023 and Tk.70.07 billion in 2022 which was being shared by 46 companies including the Government owned SadharanBima Corporation (SBC). Out of total gross premium of Tk. 42.60 billion (including SBC), CICL has earned Tk. 0.56 billion in 2023 against Tk.0.50 billion in 2022. With considering the SBC's portion, CICL's market share stood at 1.31% in 2023 and 0.72% in 2022. Against industry's de-growth of 39.20% in gross premium earnings, CICL's business growth stood at 11.01% in 2022.

2.4 Branch Network

Good branch network

During the reporting period total branch network of CICL has been found to be increased. Total number of branches of CICL stood at 41 as on December 30, 2023, which were 36 in the previous reporting period. Out of the above, 19 branches are in Dhaka, 3 in Chittagong, 5 in Rajshahi, 5 in Khulna, 1 in Sylhet, 5 in Rangpur, 1 in Barisal and 2 in Mymensingh. The branch network has been found to be good compared to many first generation insurance companies.

3.0 INSURANCE INDUSTRY

Competitive Industry

The economy of Bangladesh has been rapidly shifting away from an agricultural dependence to the emergence of the services sector with the burgeoning of the latter. Insurance, as one of the critical ingredients of the financial services industry, can play a significant role if promoted properly. The Bangladesh insurance market is in an upward trend despite a low penetration rate. It has the embedded potential to grow and advance further as widely regarded by insurance experts both from home and aboard. In spite of a stable growth rate (around 10%) of the Bangladeshi insurance industry over the last few years, the expansion of the insurance business, particularly the non-life sector, has experienced a downward trend due to COVID-19 (Corona Virus) pandemic in 2020. As a whole, 2020 was characterized by uncertainty and challenges. The pandemic gave communities and businesses an impetus to innovate, rethink and manage unforeseen emergencies. The insurance industry snap backed strongly in 2022 due to normalized business flow and digitization of services. According to the Insurance Development and Regulatory Authority (IDRA) total gross premium of non-life insurance grew 15.58 per cent year-on-year to Tk.54,171 million in 2022 against Tk.46,868.53 million in 2020 which was being shared by 46 companies including the Government owned Sadharan Bima Corporation (SBC). Financial associates are interested and felt emergences to consider insurance for financial protection. This increased interest in insurance coupled with access and ease of premium payment through online channels has helped drive the upward trend of premium collection.

Md. Asaduzzaman Khan

CREDIT RATING REPORT
On
CENTRAL INSURANCE COMPANY LIMITED

There are 33 life insurance and 46 non-life insurance companies active in the country. Of them, 49 are listed with the stock market. Metlife (ALICO) is the first foreign insurance operator in Bangladesh. ALICO earned record-breaking gross premium in the life insurance sector. In April 2015, the regulator approved two other joint venture life insurance companies in Bangladesh namely Taiyo Summit Life Insurance Company and LIC Bangladesh Ltd. With the advent of two newly established companies in 2015, the number of foreign insurers will reach three, intensifying competition. Bangladesh's Bank and Financial Institution Division drafted the National Insurance Regulation 2014. The recommendation of the said regulation is expected to improve the insurance market of Bangladesh as it has defined both long-as well as short-term goals. GDP at current market price stood at Tk.35,301,848 million (FY2020-21) and Tk. 39,764,622 million (FY2021-22) on which Insurance sector contribution stood at Tk.96,426 million (FY2020-21) and Tk.105,493 million (FY2021-22). In both term the insurance contribution stood at 0.27%. The growth rate of GDP stood at 11.22% where as insurance sector growth rate stays 8.59% in FY2021-22. However, presence of large number of companies in a small market leads to tough market competition and unethical practices which has already created a significant number of sick insurance companies in the industry. Understanding the importance of revitalizing the sector in line with the international norms, the regulatory authority made mandatory credit rating in the industry from 2006. Under the above directives, all insurance companies get credit rating report with mandatory surveillance at the end of each year.

Insurance industry of Bangladesh has a long history of evolution. About a century back, couple of insurance companies started both non-life and life insurance business during the British regime in India. However, insurance business got the momentum during the Pakistan regime. Later, GoB established the Bangladesh Insurance Corporation under "The Bangladesh Insurance Corporation Order, 1972" for the purpose of management, administration and development of insurance and re-insurance business in Bangladesh. On the establishment of this corporation the Pakistan Insurance Corporation in Bangladesh dissolved and the Pakistan Insurance Corporation Act, 1952 in its application to Bangladesh also stood repealed. In order to provide for the management of the nationalized insurance business, a holding corporation with 4 subsidiary corporations was created. Out of the 4 subsidiaries, 2 were exclusively for life and 2 for non-life insurance business. The holding Corporation was, however, named 'Jatiya Bima Corporation'. The Insurance Corporation Ordinance VII of 1973 was promulgated and subsequently enacted as Act VI of 1973 providing for the establishment of a Jiban Bima Corporation for the purpose of taking over the undertaking of the Surma Jiban Bima Corporation and the Rupsa Jiban Bima Corporation on May 4, 1973; and a Sadharan Bima Corporation for the purpose of taking over the undertakings of the KarnaphuliBima Corporation and for the dissolution of the Jatiya Bima Corporation.

Insurance industry of Bangladesh has suffered from undue political interference, fraudulent claims, inadequate risk assessments and limited quality private sector participation. In order to reduce risk of insurance business the parliament has enacted two Acts namely Insurance Development and Regulatory Authority Act, 2010 and Insurance Act, 2010 and replaced the age old insurance laws. The Department of Insurance has been abolished and substituted by the five-member Insurance Regulatory Authority headed by the Chairman. For further enhancing the solvency position, the paid up capital for non-life and life insurance companies have been raised to Tk.400 million and Tk.300 million respectively. The number of Directors in the company has been fixed to 20 including 2 Independent Directors and debarred the Directors of an insurance company to be a Director of another insurance company of same class and of a bank or a financial institution simultaneously. The new law also introduced mandatory solvency margin for the insurance companies. Besides, the insurance companies will be required to ensure international accounting standard, separate Islamic insurance from conventional ones and put a limit on commission expenses. The law also allowed foreign investment in non-life insurance sector. With the promulgation of the Acts, the insurance industry has been placed under the Ministry of Finance from the Ministry of Commerce. The government formed Insurance Development and Regulatory Authority (IDRA), a five-member body to regulate the insurance sector. The authority has been formed in line with the section

CREDIT RATING REPORT
On
CENTRAL INSURANCE COMPANY LIMITED

3, 5 (1) and 6 of the Insurance Development and Regulatory Authority Act-2010. IDRA has taken initiative to develop of Bangladesh insurance industry as well as to regulate the industry within the purview of the Insurance Act, 2010 so as to ensure a level playing field for all companies. Within a short span of time the authority has succeeded in taking the industry to different height. IDRA has taken action by fixing 15% commission to stop unbridled competition and hefty commission of the insurance companies. The authority also barred on credit business and investment in land & building and discourage in- house business. Besides, IDRA also has taken initiative to introduce offsite supervision by applying CARAMEL rating like central bank's CAMELS rating based on seven key indicators- capital adequacy, asset quality, reinsurance, actuarial issues, management efficiency, earnings & profitability and liquidity. Insurers hope that the authority will bring significant changes in the industry if IDRA is allowed to work as an independent authority.

4.0 CORPORATE GOVERNANCE

4.1 Board of Directors and Board Committees

During the monitoring period, the composition of the company's Board has remained unchanged, with no significant alterations observed. The Board is currently comprised of 18 Directors including 2 Independent Directors and the Managing Director. This composition aligns with the requirements outlined in section 76 (1) of the Insurance Act 2010, which states that the Board can consist of twelve sponsors, six public, and three Independent Directors. One notable member of the Board is Mr. Mohammed Masud Hossain, who serves as the Chairman. Mr. Hossain is a well-known industrialist with extensive experience in various operational areas. His expertise and knowledge make him a valuable asset to the Board, providing guidance and leadership in strategic decision-making processes. The presence of independent directors on the Board is crucial for ensuring transparency and accountability. These directors bring an unbiased perspective to the decision-making process, as they are not affiliated with the company or its stakeholders. Their independence helps to safeguard the interests of shareholders and stakeholders, ensuring that the Board operates in the best interest of the company as a whole. The Board has been actively reviewing a range of policy issues related to business expansion. In 2023, the Board conducted 7 meetings, compared to 7 meetings in 2022, demonstrating a strong commitment to CICL's business operations. There are seven Committees formed by the Board which are Executive Committee(EC), Audit Committee (AC), Nomination & Remuneration Committee (NRC), Investment Committee (IC), Risk Management Committee (RMC), Policyholder Protection & Compliance Committee (PP& CC) and Management Committee.

The **Executive Committee** (EC) is responsible for overseeing the day-to-day operations, ensuring that the company is meeting its strategic goals and objectives. They work closely with the board of directors to develop and implement policies and procedures that align with the company's mission and values. The Executive Committee also plays a key role in managing relationships with key stakeholders, such as customers, employees, and regulatory agencies. They are responsible for communicating the company's vision and goals to these stakeholders and ensuring that the company is meeting their needs and expectations. Chaired by Mrs. Dr. Jahanara Arzu as the Chairman of the committee, She is a Vice Chairman of the Board. This Committee has twelve members including the Chairman. In 2023, the EC conducted 8 meetings, compared to 7 meetings in 2022.

The **Audit Committee**, Chaired by Independent Director Mr. Md. Amirul Islam, FCA, FCS, oversees matters such as conflicts of interest, fraud, irregularities, and compliance with laws and regulations. The Audit Committee conducted its functions with the aim of improving best practices in financial reporting and risk management, ensuring the implementation of sufficient internal controls and compliance with laws and regulations, verifying that the preparation, presentation, and submission of financial statements have been done in accordance with the applicable laws, standards, and regulations and carrying out other specified responsibilities. This committee has six members including the Chairman. The Audit

CREDIT RATING REPORT
On
CENTRAL INSURANCE COMPANY LIMITED

Committee held 8 meetings in both 2023 and 2022.

The **Nomination and Remuneration Committee**, under the leadership of Mr. Abu Md. Abid Chowdhury, comprises six members including himself. The primary role of the committee is to supervise the nomination process within the Company, which includes succession planning for senior management and the Board. Additionally, the committee is tasked with aiding the Board in the identification, screening, and evaluation of suitable candidates for Non-Executive and Independent Director positions. Furthermore, the committee supports the Board in fulfilling its duties regarding the compensation of Non-Executive Directors and Senior Management of the Company. In the year 2023, the Committee conducted 2 meetings.

As per the guidelines outlined in the letter Ref. No.53.03.0000.075.22.025.2020.230 from the Insurance Development and Regulatory Authority (IDRA), dated October 19,2023, regarding the "Insurer's Corporate Governance Guidelines,2023," Central Insurance has formed the **Investment Committee (IC)**, designating it as a compulsory Board committee. This Committee Chaired by Mr. Mohammed Musa having seven other members. The purpose of this committee is to oversee the investment portfolio of the company for the benefit of the insurance customers and shareholders. The Investment Committees play a crucial role in recommending the approval of an effective Investment Policy to the Board of Directors, ensuring compliance with the investment-related provisions of the Insurance Act 2010. They have access to all relevant information, documents, and reports related to the company's investments. The Committee monitors and reviews monthly reports on investment and investment income prepared by the Finance department, informing the Board of Directors when necessary. They also assess investment appropriateness by considering risks; invest in suitable categories, and review investment risks and results quarterly to ensure timely and proper payments.

As per the guidelines outlined in the letter Ref. No. 53.03.0000.075.22.025.2020.230 from the Insurance Development and Regulatory Authority (IDRA), dated October 19, 2023, regarding the "Insurer's Corporate Governance Guidelines, 2023," Central Insurance has formed the **Risk Management Committee** consists of 9 (nine) members, designating it as a compulsory Board committee. Mrs. Dr. Jahanara Arzu is the Chairman of the committee having eight other members. This Committee is responsible for assessing the risks associated with different activities within the organization, developing suitable strategies for risk control, and ensuring their proper implementation. The committee oversees the organization's risk management policies and procedures, taking corrective actions when necessary. It also verifies the effectiveness of existing risk management procedures, sets risk limits, and provides the Board with cost-benefit analysis and qualitative reviews of identified risk exposures. Additionally, the committee supervises institutional risk across various categories such as insurance, current context, liquidity, business, compliance, and legal risks. It advises the Board on corporate strategy, mergers and acquisitions, and risk mitigation decisions, while also monitoring and reviewing information related to business continuity. The committee prepares action plans for risk mitigation systems, reviews the company's solvency margin, and assists in meeting regulatory requirements, providing reports to the Board on risk mitigation efforts.

As per the instructions of Insurance Development and Regulatory Authority (IDRA), dated October 19, 2023, concerning the "Insurer's Corporate Governance Guidelines, 2023," CICL has established the **Policyholder Protection & Compliance Committee**. This committee, comprising of eight members. This committee is led by Mr. Mohammed Masud Karim as the Chairman with seven other members. The Committee is responsible for ensuring that regulatory requirements are followed, ethical standards are upheld, and the interests of policyholders are safeguarded in insurance operations. Its duties include monitoring compliance, addressing regulatory changes, assessing risks, and implementing measures to protect policyholders. The committee also maintains transparency, oversees claims procedures, and upholds the highest standards of corporate governance.

CREDIT RATING INFORMATION AND SERVICES LIMITED
SECOND COPY ON REQUEST
2 8 AUG 2024
CRISL

CREDIT RATING REPORT
On
CENTRAL INSURANCE COMPANY LIMITED

Management Committee is headed by Mr. Md. Badrul Amin with other five members. This committee is responsible for establishing the strategic course to provide guidance and oversight for the organization's operations. They also ensure the efficient management of the organization and its activities, as well as monitor these activities to ensure alignment with the organization's founding principles, objectives, and values.

4.2 Management Team

Experienced Top Management

During the period under surveillance there have been a no major changes found in corporate management team of CICL. Management team comprised of some experienced personnel. Mr. Md. Badrul Amin, an experienced personality in the insurance sector is leading the management team as the acting CEO. In the management team, the CEO is aided by Head of Business Development Department, Chief Financial Officer, Head of Reinsurance, Head of Internal Audit and Compliance (HIAC), Head of IT, Head of HR & Admin, Head of Underwriting and Chief Risk Officer (CRO), Head of Claims and Company Secretary (Acting).The number of meetings has been found to be good. The Committee has set financial delegation regarding various procurements and administrative expenses. The CEO has power to pay up to Tk.1,00,000 in his own power. Moreover, payment beyond above limit is transferred to the Board with the recommendation of the committee. CICL has eight departments namely Accounts & Finance, Claims & Reinsurance, BCD & Underwriting, Internal Audit, IT, Establishment & Share, Board and Administration.

4.3 Human Resource management

CICL has been operating with a large human resources base. The company has recruited 131 new employees in 2023 while 10 employees have been promoted and left 27 employees. Total human resource strength stood at 431 as on December31, 2023. The company has arranged various training programs for its senior officers having considerable experience on underwriting. The company has been developed separate HR department to look after activities of the large human resource base. However, CICL has introduced HR policy and service rule to cover wide range of benefits. The compensation package for the employees' covers gratuity, provident fund, group insurance etc. The company has no separate training wing. In order to develop skills of the employees, different level executives of the company attended different programs relating to insurance business in 2023. A significant number of different level employees participated in different training programs organized by Bangladesh Insurance Academy, Academy of Learning etc. in 2023.

4.4 IT Infrastructure and MIS

Improving IT infrastructure

Internal communication Established an IP-Phone systems for entire company including all branches and a virtual communication service for all workstations via sparks messaging and file sharing application as well as highly security based central file storage server. Also using Microsoft share points and Teams. Replaced old servers with high-performance, energy-efficient models and deploying new workstations with improved processing power and memory. Adopting server virtualization technology VMware v Sphere 7.0 to utilized more standalone services and minimize cost. To ensure better customer service & protection, CICL has in progress to implement customer relation systems & setup 9:00 AM to 10:00 PM virtual complaint & support center. CICL has followed the standard data protection methodology of confidentiality, integrity, availability (CIA) of networks, systems and process of data store, transition and access. Company has already started a project to develop online insurance and mobile application that customer can purchase policy over online. Also, our future plan is moving critical applications and data storage to a secure cloud environment. Central Insurance uses integrated insurance software for underwriting, reinsurance, claims, accounts, HR & payroll management, Inventory controls, MIS and employee performance measuring module. There is disaster recovery system and IT risks assessment & treatment plan. Auto data backup system in Microsoft azure cloud and on premises data storage server Also, alternative VPN data tunnel over mobile network in case of fiber data network failure. All the branches are centralized.

CREDIT RATING REPORT
On
CENTRAL INSURANCE COMPANY LIMITED

4.5 Marketing Strategy

CICL has been operating with other 45 general insurance companies (except the state-owned SBC) through its traditional product lines. The marketing activities of the company are being carried out by development officers under direct supervision of Mr. Md. Badrul Amin, acting CEO. Major businesses of the company come from garments textile sector, poultry, Light & heavy engineering, cement, pharmaceuticals, jute mill, dairy business and other industry. CICL also earned 18.35% of its gross premium from the government business in 2023 against 19.90% in 2022. CICL's total gross income stood at Tk.558.58 million in 2023.

5.0 BUSINESS PROFILE

5.1 Business Mix

Business portfolio concentrated to capital city Dhaka

CICL carries out all types of general Insurance business as per Insurance Act. The underwriting risk of the company has been found to be increasing during the reporting period. The total underwriting risk stood at Tk.300,114.62 million in 2023 against Tk. 263,326.99 million in 2022. The above underwriting risk constituted of Tk.118,256.15 million (Tk. 90,123.09 million in 2022) in fire business, Tk.156,765.47 million (Tk. 152,204.48 million in 2022) in marine, Tk.21,258.53 million (Tk. 1,7202.92 million in 2022) in Miscellaneous & Engineering and Tk.3,834.47 million (Tk. 3,796.51 million in 2022) in motor business category. It has been observed that the company's sum insured highest increased in fire business. However, against the above underwriting risk marine business contributed the highest 52.24% of total gross premium, followed by 39.40% from fire, 7.08% from miscellaneous and 1.28% from motor business during 2023. Business portfolio of CICL is yet highly concentrated towards capital city Dhaka. After Dhaka zone, the company had small exposure in other zone during the same period.

5.2 Reinsurance & Claim Settlement

In accordance with the present rule 50% of the re-insurable general insurance business shall be reinsured with SBC and the remaining to be reinsured either with the corporation or any other reinsurer inside or outside Bangladesh. CICL, in line with the existing regulation, has made 100% reinsurance arrangement with SBC. The Re-insurance and Claims Department of CICL composed of 3 members headed by Mr. Ainur Rahman, EVP & Head of Claims and Re-insurance, Md. Mohaimanul Hoque (Assistant Manager) and Mrs. Sonia Akter (Assistant Manager). CICL has surplus treaty for all class of business except motor business, for which the company has excess of loss treaty. In addition, the retain account of the company is protected by XL treaty to minimize the retained loss in fire business. During 2023, the company underwrote total risk of Tk.300,114.62 million against which reinsurance coverage was Tk.39,753.32 million representing 13.25% gross reinsurance coverage. Claim settlement process starts with the intimation of claim by the claim department. Subsequent to the intimation, a government licensed surveyor is appointed for the assessment of actual quantum of loss. On receipt of required documents from the client and survey report from the surveyor, the documents and the survey report are scrutinized and placed before the authority for approval of the claim. The claims department is headed by Mr. Ainur Rahman, EVP & Head of Claims and Re-insurance having long experience in claim settlement. The CEO is empowered to approve claim up to Tk.10.00 lac for all business claims. On the other hand, Executive Committee is empowered to approve claim above Tk.10.00 lac up to Tk.25.00 lac for all business claims. Any claims beyond the above limits are placed before the Board of Directors for final approval. As on December 31, 2023 total outstanding claim stood at Tk.537.77 million of which CICL's portion was Tk.49.81 million, SBC's portion was Tk.484.46 million. The above claims are outstanding due to litigation, approval awaiting for SBC, delay in proper document submission etc.

5.3 Underwriting Quality and Expertise

CICL's underwriting activities are being carried out under a separate Underwriting Department supervised by an Assistant Managing Director. The company has been continuously following fire, marine and motor tariff published by Central Rating Committee named as Bangladesh Fire tariff, Bangladesh Marine tariff, Motor tariff. Exceptionally Miscellaneous insurance

CREDIT RATING REPORT
On
CENTRAL INSURANCE COMPANY LIMITED

Profitable underwriting performance

business underwrites as per underwriting manual & underwriting guideline which is provided by IDRA & CRC. The Central Rating Committee modifies tariff rates after every specified period and has flexibility to adjust the tariff rate according to the performance of the specific sector and the client. The officers and staff involved in underwriting activities are well educated and well trained; most of them have long years of experience. CICL underwrote 30 high valued risks (more than one billion) assignments during 2023 with a total amount of Tk. BD 110,273.81 million. CICL's business portfolio has been found to be average; its underwriting profit has been decreased to Tk.101.77 million in 2023 from Tk.103.10 million in 2022 registering a 1.30% de-growth.

5.4 Sectoral Business Review

CICL, as mentioned earlier, carries out all types of general insurance business. While analyzing the performance in terms of business classes, CRISL reviewed the sector wise businesses as follows:

5.4.1 Fire Business

Tk.31.39 million underwriting profit in 2023 from Fire segment

Underwriting performance in fire business has been found to be average during the period. The total sum insured in this business segment stood at Tk.118,256.15 million in 2023 against Tk.90,123.09 million in 2022` registering 31.22% growth. The reinsurance coverage stood at 27.80% in 2023 against 31% in 2022. Due to increased business, the gross premium earnings also increased to Tk.320.83 million in 2023 against Tk. 240.13 million in 2022 having 33.60% growth. Net premium less reinsurance increased to Tk.237.85 million in YE2023 from Tk.189.18 million in 2022. Consequently, retention ratio in this segment decreased to 74.14% from 78.78% during the above periods respectively. Underwriting profit decreased to Tk.31.39 million in 2023 against Tk.50.37 million in 2022 indicating 37.68% de-growth. Underwriting profit decrease due to increased in net claim paid and management expenses. Claim ratio increase to 17.61 % in 2023 against of 12.75 % in 2022. Management expenses to adjusted net premium moved upward to 44.33% in 2023 from 38.06 % in 2022 due to comparatively low increase of management expense (46.49% increase in 2023) against adjusted net premium earnings increase (25.79% in 2023). Moreover, agency commission to adjusted net premium increased to 18.03 % in 2023 from 16.79% in 2022 due to decrease of agency commission. Expense ratio in this segment moved upward to 62.36 % in 2023 against 54.85% in 2022 due to significantly high growth of expenses against adjusted net premium earnings.

5.4.2 Marine Business

Tk.57.30 million underwriting profit in Marine business

Underwriting performance in marine business has been found to be improving. The total sum insured in this business segment stood at Tk.156,765.47 million in in 2023 against Tk.152,204.48 million in in 2022 registering 3% growth. The reinsurance coverage stood at 3.02% in 2023 against 32.05 % in 2022. The gross premium earnings in this segment decreased to Tk.130.59 million in 2023 from Tk. 162.98 million in 2022. Underwriting profit increased to Tk.57.30 million in 2023 from Tk.37.67 million in 2022. Underwriting profit increased due to decrease in claim paid. Retention ratio in this segment decreased to 68.69 % in 2023 from 79.79% in 2022. Claim ratio has been found downward to 11.23 % from 26.38% during the above periods respectively due to comparative decreased in net claim payment against adjusted net premium. Expense ratio decreased to 47.89 % in 2023 from 50.82 % in 2022 due to control over management and agency expenses against adjusted net premium earnings. Combined ratio found decrease to 59.12% in 2023 against 77.20% in 2022 due to decrease claim ratio and expense ratio.

Md. Asaduzzaman Khan
Chief Executive Officer

CREDIT RATING REPORT
On
CENTRAL INSURANCE COMPANY LIMITED

5.4.3 Motor Business

Tk.2.52 million underwriting profit from Motor segment

Underwriting performance in motor segment has been found to be moderate. Total underwriting risk was Tk.3,834.47 million in 2023 (Tk.3,796.51 million in 2022) against no reinsurance coverage found. The gross premium increased to Tk.22.83 million in 2023 against of Tk. 21.88 million in 2022 indicating a increase of 4.35%. The net premium earning increased to Tk.21.75 million in 2023 from Tk. 20.83 million in 2022. The underwriting profit decreased to Tk.2.52 million from Tk.8.90 million during above periods respectively due to increase in agency commission, Net Claims Paid and management expenses. The retention ratio increased to 95.26% in 2023 from 95.20% in 2022. The Claim ratio soared to 39.49 % from 32.32% during the above periods respectively due to comparative increase of net claim against adjusted net premium. Expense ratio increased to 47.21% in 2023 from 46.04% in 2022.

5.4.4 Miscellaneous Business

Tk.10.55 million underwriting profit in Miscellaneous segment

Underwriting performance in miscellaneous business has been found to be improved. CICL underwrote total risk of Tk.21,258.53 million in 2023 (Tk.17,202.92 million in 2022. Gross premium increased to Tk.84.34 million from Tk. 78.21 million. The net premium increased to Tk.29.43 million against Tk. 18.44 million during the above periods respectively. The underwriting profit increased to Tk.10.55 million in 2023 from Tk. 6.16 million in 2022 due to decreased in net claim paid. Claim ratio drive down to 0.16 % in 2023 against 1.02% 2022 due to decrease in net claim payment against net premium earnings. Expense ratio in this segment decreased to 55.43% in 2023 from 59.43 % in 2022.

5.5 Retention Capacity

SBC revises retention limit of private sector general insurance companies from time to time depending on the financial strength, underwriting expertise etc. As per latest treaty (for the period April 1, 2024 to March 31, 2025), retention limit has been fixed at Tk.15.00 million in fire business, Tk.2.5 million in marine (cargo) business, Tk.3.00 million in marine (hull) business. Fire business is protected by excess of loss treaty in current reporting year. Retention limit for miscellaneous business stood at Tk.1.00 million for all business, Tk.0.2 million for personal accident and Tk.1.00 million for personal accident (accumulation). The motor business is also protected by excess of loss treaty in current year. The retained loss in this segment is protected of Tk.0.50 million while maximum amount of Tk.2.50 million in excess of Tk.1.5 million is protected by SBC.

5.6 Investment Portfolio

Good Investment portfolio

CICL's investment portfolio has been found to be good. Total investment of the company stood at Tk.1032.99million in 2023 against Tk.996.43 million in 2022. Out of the above investment, Tk.764.25million has been invested in FDR (Tk.740.65 million in 2022), Tk.55.18 million has been invested in BGTB (Tk.55.18 million in 2022), Tk.86.45 million has been invested in shares (Tk.94.72 million in 2022, Tk.100.00 million has been invested in CIC investment limited (Tk.100.00 million in 2022). The company has considerable investment in capital market with the trading intent. As capital market is highly volatile and market prices of securities fluctuate very frequently, CICL is exposed to equity risk. Share market investment stood at Tk.86.45 million in 2023 with cost value of Tk.120.39 million indicating unrealized loss of Tk.(33.94) million. The provision for fair value of shares stood at Tk.30.54 million in 2023 which creates significant equity risk. During the surveillance period the interest earned on FDR & STD decreases of Tk.49.06million in 2023 compared to Tk.42.91million in 2022.

Md. Asaduzzaman Khan
Chief Executive Officer
Credit Rating Information and Services Limited

CREDIT RATING REPORT
On
CENTRAL INSURANCE COMPANY LIMITED

6.0 PERFORMANCE

6.1 Financial Performance

Average Financial Performance

The overall financial performance of the company has been found to be average as against the previous year's performance. The total gross premium has been increased to Tk.558.58 million in 2023 from Tk.503.19 million in 2022 registering 11.01% growth. Net Premium also increased to Tk.378.72 million from Tk.358.49 million as re-insurance premium has been charged proportionately. The underwriting profit decreased to Tk.101.77 million in 2023 against Tk.103.10 million in 2022.Interest on FDR & STD has been increased to Tk.49.06 million in 2023 against Tk.42.91 million in 2022. Dividend income decreased to Tk.5.06 million in 2023 against Tk 8.26 million in 2022, others income increase to Tk.29.35 million 2022 against Tk.28.16 million in 2022. Total income increases to Tk.185.39 million 2022 against Tk.182.45 million. The management expenses stood at Tk.40.04 million in 2023 against Tk.42.38 million in 2022. Profit before tax (PBT) increase and reached at Tk.145.36 million against Tk.140.07 million during the above periods respectively. Profit after tax (PAT) slightly decreased to Tk.105.15 million in 2023 against Tk.107.93 million in 2022. Major financial performance indicators slightly decreasing during the period compared to previous year. Gross underwriting margin decrease to 62.75 % in 2023 against 65.37% in 2022. The net underwriting margin decrease to 25.06 % in 2023 against 27.00% due to comparatively significant increase of adjusted net premium earnings against underwriting profit. Pre-tax operating margin decrease to 35.79 % against 36.68 % during the above periods respectively due to significant increase of adjusted net premium earnings against PBT. Return on Average Asset (ROAA) decrease to 3.90 % in 2023 and 3.84% in 2022. Return on Average Equity (ROAE) decrease to 3.98 % against 4.07%.

6.2 Technical Analysis

Average Technical Performance

The overall technical performance of CICL has been found to be in line with its peers. The retention ratio of the company has been found to be decreasing to 67.80 % in 2023 against 71.24 % in 2022 due to retaining maximum business in its own retention. The increased of management expenses stood at 15.78 %(Tk.165.21 million in 2023 against Tk.142.70 million in 2022) and the adjusted net premium earnings stood at Tk.406.14million in 2023 against Tk. 381.91 million in 2022 registering 6.35% growth. Consequently management expense to adjusted net premium ratio increased to 40.68 % against 37.36% during the above periods respectively. The claim ratio improved to 15.81 % in 2023 against 18.01% in 2022 due to decreased of net claim payment against adjusted net premium earnings. However, CICL is yet to reduce its management expenses and it is far above from allowable limit.

7.0 BALANCE SHEET STRENGTH

7.1 Solvency Analysis

Average Solvency

Solvency position of CICL has been found to be average. As per Insurance Act 2010, the paid up capital has been re-fixed at Tk.400 million as minimum capital requirement for all general insurance companies while CICL has already enhanced its capital base to Tk.531.45 million from 2023 and fulfilled regulatory minimum capital requirement. The equity base also increased to Tk.2655.01million in 2023 against Tk.2627.81million in 2022. Maximum portion of equity has been financed by capital. The equity consists of 20.02% paid up capital, 15.81% reserve for exceptional losses,1.88% Dividend Equalization Reserve, 2.12% share premium, 1.09% general reserve, 56.04% other reserve and the remaining 3.04% as retained earnings. While analyzing the overall solvency position of the company, it has been found to be average in terms of relative measurement. An external liability to equity ratio has been found to be increase to 0.35 times in 2023 and 0.33 times in 2022. Unexpired risk reserve to net claim ratio increased to 2.38 times against 2.13 times in 2022 due to decreased of net claim payment. Net worth to total assets decreased to 70.06 % in 2023 from 71.54 % in 2022 due to low growth in net worth against total asset. Internal Capital Generation Ratio (ICGR) increased to 1.62 % against 1.15 %, however, it has been found to be moderate among its peers. Net worth to total liability downward to 234.02 % in 2023 from 251.34 % in 2022,

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On
CENTRAL INSURANCE COMPANY LIMITED

however, it has been found to be average. Insurance liability to total asset moved upward and stood at 5.08 % in 2023 from 4.74% in 2022 indicating relatively higher growth of total liability against lower growth of total assets.

7.2 Liquidity and Funding

Good liquidity

The overall liquidity position of the company has been found to be good. Liquid assets to insurance fund ratio moved upward to 6.01 times in 2023 against 5.97 times in 2022 due to comparatively lower growth of insurance fund against total liquid assets. Liquid assets to total assets slightly moved upward to 24.29 % from 23.84% during the above periods respectively due to comparatively lesser growth of total assets against total current assets. Current ratio increase to 2.48 times in 2023 and 2.49 times in 2022. Liquid assets to net claim ratio increased to 14.33 times in 2023 against 12.73 times 2022. However, it has been found to be good among its peer. Moreover, liquid asset to total current liability ratio slightly decreased to 1.34 times in 2023 against 1.38 times in 2022.

8.0 RISK MANAGEMENT

8.1 Industry Risk

Too many insurance companies in a small market pose significant risk for all the companies. The two acts 'Insurance Development and Regulatory Authority Act, 2010' and 'Insurance Act, 2010' has brought significant changes in the regulation of the industry. For further enhancing the solvency position, the paid up capital for non-life and life insurance companies have been raised to Tk.400 million and Tk.300 million respectively. Moreover, mandatory credit rating for the insurance companies created a positive vibration in the industry as the institutional insured expect for good credit rating to safeguard their interest. The same will pressurize the underperforming (non investment grade) insurance companies to retain their market share. Moreover, two more non-life insurance companies have commenced their business in small market.

8.2 Business Risk Management

CICL adopted underwriting guidelines to mitigate the business risk. In case of underwriting a policy, Underwriting professionals at branch level are given specific instructions and guidelines, time to time from Head Office regarding underwriting of different types of policies. The company has regular risk inspection team headed by Mr. Mohammed Tazul Islam Mozumder with Deputy Vice president and Assistant Vice president, Senior manager. Risks involved with policies are assessed by surveyors companies for underwriting different types of policies involving specific limit of sum insured. However, in case of higher value at risk, the company makes inspection as and when required. Among the different business classes CICL has more concentration in risky fire (39.40%) followed by marine business (52.24%), miscellaneous (7.08%) and motor (1.28%) in 2023 in terms of business risk undertaken. Besides, the zonal concentration of the company remained same in Dhaka region indicating significant business risk.

8.3 Internal Control Risk Management

CICL has separate Internal Audit Department (IAD) besides the Board Audit Committee to ensure proper internal control of the company. The Department comprises of 4 officials headed by Mr. Salah Uddin who is serving CICL as a AVP & Head of Internal Audit (CC) having professional background on Internal Audit. Internal control department mainly deals with compliance issues of financial obligations. Internal Audit team of CICL audited the branches on their own program and sent the report to the MD/CEO and respective branches to comply with. When the branches replied, the reports were placed before the Audit Committee. During 2023, the audit department conducted audits of 41. However, number branches audited have been found to be average among its branch network.

Md. Asaduzzaman Khan
Chief Executive Officer

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On
CENTRAL INSURANCE COMPANY LIMITED

8.4 Catastrophic Risk Management

Bangladesh is vulnerable to natural disaster which exposes CICL to catastrophic risk. The company does not have CAT excess of loss treaty with SBC or any other insurance to protect the risk from fire business. For which there is a risk of catastrophic loss. However, CICL did not encounter any catastrophic loss in 2023 & 2022.

8.5 Financial Risk

The applicable income tax rate for insurance companies has presently been fixed at 37.5% on the taxable net profit. CICL is yet to finalize tax dispute of several years at DCT, AJICT and Tribunal Level and two appeals remain pending as stay order by Honorable High Court Division.

9.0 OBSERVATION SUMMARY

Rating Comforts: • Profitable underwriting performance • Average financial performance • Good capital base • Good liquidity • Good FDR base • Diversified investment portfolio • Experienced top management • Good branch network	**Rating Concerns:** • Substantial outstanding claim • High expense ratio • Unrealized loss on capital market exposure • Moderate market share • No reinsurance agreement with foreign reinsurer • Yet to start business of subsidiary operation • Decline in market capitalization • Static retention limit
Business Prospects: • Expansion of branch network • Product diversification	**Business Challenges:** • Too many companies in small market • Unethical business practice • Compliance of Insurance Act • Impact of Russia-Ukraine War and Middle east tension in the local and Global economy • Regulatory pressure for minimizing agency commission

END OF THE REPORT

[We have examined, prepared, finalized and issued this report without compromising with the matters of any conflict of interest. We have also complied with all the requirements, policy procedures of the BSEC rules as prescribed by the Bangladesh Securities and Exchange Commission.

Md. Asaduzzaman Khan
Chief Executive Officer
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On
CENTRAL INSURANCE COMPANY LIMITED

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CRISL RATING SCALES AND DEFINITIONS
ENTITY RATING

RATING	DEFINITION
AAA Triple A	Highly structured and regulatory complied organization having long business experience in the industry with very high record of meeting business and financial obligations. Risk factors and changing economic conditions are unlikely to have any significant impact on this category of insurance entities.
AA+, AA, AA- Double A	Sufficiently structured and good regulatory organization having long business experience in the industry with high record of meeting business and financial obligations. Risk factors are modest and changing economic conditions are unlikely to have any significant impact on this category of insurance entities.
A+, A, A- Single A	Good structured and complied organization having long business experience in the industry with good record of meeting business and financial obligations. Risk factors are low and changing economic conditions are likely to have impact on this category of insurance entities.
BBB+, BBB, BBB- Triple B	Average structured and complied organization having long business experience in the industry with average record of meeting business and financial obligations. Risk factors are moderate and changing economic conditions may have some impact on this category of insurance entities but risks are appeared to be manageable.
BB+, BB, BB- Double B	Moderate structured and complied organization having business experience in the industry with moderate record of meeting business and financial obligations. Risk factors are average and changing economic conditions may have impact on this category of insurance entities.
B+, B, B- Single B	Below average structured and complied organization with below record of meeting business and financial obligations. Risk factors are there and changing economic conditions may have adverse impact on this category of insurance entities.
CCC+, CCC, CCC- Triple C	Weakly structured and complied organization with weak record of meeting business and financial obligations. Risk factors are significant and changing economic conditions may have direct adverse impact on this category of insurance entities.
CC+, CC, CC- Double C	Poorly structured and complied organization with poor record of meeting business and financial obligations. Risk factors are high and changing economic conditions will have direct adverse impact on this category of insurance entities.
C+, C, C- Single C	Highly non structured and non complied organization with extremely poor record of meeting business and financial obligations.
D	Highly non structured and non complied organization and at default in meeting business and financial obligations.

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CRISL RATING SCALES AND DEFINITIONS
INSURANCE CLAIM PAYING ABILITY RATING

RATING	DEFINITION
AAA Triple A	Highest claims paying ability. Risk factors are negligible and almost risk free.
AA+, AA, AA- Double A	Very high claims paying ability. Protection factors are strong. Risk is modest. but may vary slightly over time due to underwriting and/or economic condition.
A+, A, A- Single A	High claims paying ability. Protection factors are good and there is an expectation of variability in risk over time due to economic and/or underwriting conditions.
BBB+, BBB. BBB- Triple B	Good claims paying ability. Protection factors are good. Changes in underwriting and/or economic conditions are likely to have impact on capacity to meet policyholder obligations than insurers in higher rated categories.
BB+, BB, BB- Double B	Average claim paying ability. Protection factors are average. The companies are deemed likely to meet these obligations when due. But changes in underwriting and/or economic conditions are more likely to weaken the capacity to meet policyholder obligations than insurers in higher rated categories.
B+, B, B- Single B	Inadequate Claim paying ability. Protection factors are weak. Changes in underwriting and/or economic conditions are very likely to further weaken the capacity to meet policyholder obligations than insurers in higher rated categories.
CCC	Uncertain claims paying ability. The companies may not meet these obligations when due. Protection factors are very weak and vary widely with changes in economic and/or underwriting conditions.
CC	Poor claims paying ability. Adverse underwriting or economic conditions would lead to lack of ability on part of insurer to meet policyholder obligations.
C	Very high risk that policyholders obligations will not be paid when due. Present factors cause claim paying ability to be vulnerable to default or very likely to be default. Timely payment of policyholder obligations possible only if favorable economic and underwriting conditions emerge.
D	Insurance companies rated in this category are adjudged to be currently in default.

Md. Asaduzzaman Khan
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On
OFFSHORE AND MARINE ENGINEERING LIMITED

REPORT : RR/81234/24

Address:
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Dil Khadija Banu
beli@crislbd.com

Md. Sahadat Hossain
sahadathossain@crislbd.com

Bank Loan Rating:
blr CRISL Se-3

Status of the Rating:
Second Surveillance

OFFSHORE AND MARINE ENGINEERING LIMITED

Activity:
Marine Vehicles Design and marine vehicles Part Supplier

Commencement Of Business:
2016

Managing Director:
Md. Humayun Kabir

Business Net Worth:
Tk. 13.87 million

This is a credit rating report as per the provisions of the Credit Rating Companies Rules 2022. CRISL's SME rating is valid up to 365 days or the tenure of the facilities whichever less from the date of rating declaration. CRISL recognizes the SMEs in accordance with the definition of Bangladesh Bank. The bank exposure of SME will enjoy the same rating assigned to the SME unless otherwise specified. After the above periods, the rating will not carry any validity unless the enterprise goes for rating surveillance. **CRISL followed SME Rating Methodology published in CRISL website www.crislbd.com**

Date of Rating: August 19, 2024	Valid up to: August 18, 2025	
Bank Facilities Rating:		
Bank/FI	**Mode of Exposure (Figure in million)**	**Bank Loan Rating**
Dhaka Bank PLC	WCLL of Tk. 18.00	blr CRISL Se-3

WCLL- Working Capital Loan Limit

1.0 RATIONALE

CRISL has assigned 'blr CRISL Se-3' rating to Offshore and Marine Engineering Limited (OAMEL). This rating has been done on the basis of both its relevant qualitative and quantitative information up to the date of rating and financials as on FY 2022-23. The above rating has been assigned after due consideration of some fundamentals such as experienced management team, regular loan repayment status, profitable business performance etc. The above factors are, however, constrained to some extent by debt based capital structure, foreign exchange rate risk, supply risk etc.

Bank Loan/ Facilities rated in this category are adjudged to carry adequate safety for timely repayment/ settlement. This level of rating indicates that the loan / facilities enjoyed by an entity have adequate and reliable credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories.

2.0 ENTITY AND SHAREHOLDER'S PROFILE

2.1 ENTITY PROFILE

Name of the Entity	Offshore and Marine Engineering Limited
Legal Status of the Entity	Private Limited
Type of Enterprise	Small
Nature of Business	General Service
Basis of Category	Fixed assets (excluding land and building) : Tk. 27.76 million.
	No. of Employees : 32
	Loan Limit : Tk. 18.00 million.
Business Activity	Ship design and marine vehicle parts
Trade License No.	21671/23-24
Office and Business Address	Navana Rahim Ardent, 5th Floor 185 Shahid Syed Nazrul Islam Sarani Dhaka

2.2 SHAREHOLDING PATTERN

Name	Position	No. of Shares	% of Share
Md. Humayun Kabir	Managing Director	7,500.00	50.00
Fatema Yesmin	Director	6,000.00	40.00
Tasmina Taher	Shareholder	1,500.00	10.00
	Total	**15,000.00**	**100.00**

Authorized Capital	Tk. 10.00 million
Paid Up Capital	Tk. 1.50 million
No. of Shareholders	3

For Chief Executive Officer
Tanzirul Islam
Vice President
Credit Rating Information and Services Limited

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On
OFFSHORE AND MARINE ENGINEERING LIMITED

3.0 ANALYTICAL FRAMEWORK

The report has been prepared on the basis of information provided by the client, concerned bank(s). Since the SME supplied financial statements carry minimum information in general CRISL collects and collates information through physical verification, interviewing key management officials of the enterprise. In absence of any structured financial information CRISL applies its own techniques, analysts' judgment and assumption to cross check the data supplied in order to draw meaningful conclusion. In absence of physical site visit, in some cases, CRISL conducts off-site interview of core management personnel and concerned officials of the lending bank(s) to assess the loan repayment status and history. With the above, CRISL factors industry information along with peer group comparison of same business.

4.0 BUSINESS OPERATION AND MANAGEMENT

4.1 BUSINESS OPERATION

Major Suppliers	Foreign suppliers and local importers
Payment Terms	80% cash and 20% credit
Major Clients	BD Navy, BD Cost Guard, khulna Shipyard, etc.
Collection Terms	70% cash and 30% credit
Legal Title of the Office with area	Two rented office
Sales Type	Wholesale and Retail

4.2 BUSINESS MANAGEMENT

Key Management	Position	Experience (Years)
Md. Humayun Kabir	Managing Director	8

5.0 BUSINESS PERFORMANCE AND PROFITABILITY

Financial Performance Status: Average

Particulars	FY 2022-23	FY 2021-22
Revenue (in million Tk.)	105.76	95.27
Cost of Goods Sold (COGS) (in million Tk.)	84.61	80.78
Gross Profit (in million Tk.)	21.15	14.49
Net Profit (in million Tk.)	3.96	4.72
Gross Profit Margin (%)	20.00	15.21
Net Profit Margin (%)	3.74	4.95
Return on Asset (%)	* 15.06	19.01
Return on Equity (%)	** 33.29	47.60

FY-Fiscal Year *- Return on Average Asset, **- Return on Average Equity

Overall, the business performance of the entity has been found to be profitable.

6.0 FINANCIAL STRENGTH AND SOLVENCY

Leverage Structure: Debt Based

Solvency Status: Capable to Discharge Bank/FI's Liability

Particulars	FY 2022-23	FY 2021-22
Total Asset (in million Tk.)	27.76	24.83
Total Liability (in million Tk.)	13.89	14.91
Business Net Worth (in million Tk.)	13.87	9.91
Leverage Ratio (Times)	1.00	1.50
Debt Service Coverage Ratio (Times)	18.78	26.10
Interest Coverage Ratio (Times)	18.78	26.10

FY-Fiscal Year

For Chief Executive Officer
Tanzirul Islam
Vice President

CREDIT RATING REPORT
On
OFFSHORE AND MARINE ENGINEERING LIMITED

The company has been operating as an debt-based enterprise with 49.97% equity and 50.03% debt. CRISL also found that the business net worth position of the proprietor is average and sufficient to discharge bank loan obligation in any distressed situation.

7.0 LIQUIDITY

Liquidity Position: Average

Particulars	FY 2022-23	FY 2021-22
Current Ratio (Times)	1.58	1.27
Quick Ratio (Times)	1.58	1.27
Inventory Holding Period (Days)	0	0
Receivable Collection (Days)	12	8
Payable Payment (Days)	3	5
Cash Conversion Cycle (Days)	10	2
Net Operating Cash Flow (in million Tk.)	-3.86	3.49

FY-Fiscal Year   Note: Net Operating Cash Flow Calculated By 'Indirect Method'

The company has been carrying out its operation with average liquidity. Presently, the company has availed the working capital loan facilities from Dhaka Bank Limited, at Kakrail Branch, Dhaka.

8.0 BANK/FIs LIABILITY AND SECURITY ARRANGEMENT

8.1 LIABILITY POSITION AND REPAYMENT PERFORMANCE

(Figure in Million Tk.)

Bank/FI	Mode	Limit		Outstanding as on 18-08-2024		No. of Overdue	Overdue Amount	Loan/ Investment Status
		F	N-F	F	N-F			
Dhaka Bank PLC	Revolving BG (BB)	0.00	11.00	0.00	7.20	-	0.00	Unclassified
	OD (WO)	7.00	0.00	1.85	0.00	-	0.00	Unclassified
	LC (Foreign-Sight)	0.00	(6.50)	0.00	0.00	-	0.00	Unclassified
	LTR	(5.20)	0.00	0.00	0.00	-	0.00	Unclassified
	Total	7.00	11.00	1.85	7.20		0.00	

F- Funded, N-F- Non-Funded

8.2 SECURITY ARRANGEMENT AGAINST BANK EXPOSURE

Bank/FI	Security Arrangement Against Bank Exposure
Dhaka Bank PLC	1. RM on 4.125 decimal land at Dhaka 2. RM on 18.71 decimal land at Narayanganj 3. Personal guarantee of the director of the firm & the mortgagors 4. Hypothecation of stock in trade

8.3 PERFORMANCE TRACK RECORD

Relationship With The Bank	6 Years
No. of Times Reschedule	None
Past Performance Record	Satisfactory

For Chief Executive Officer
Tanzirul Islam
Vice President
Credit Rating Information and Services Limited

CREDIT RATING REPORT
On
OFFSHORE AND MARINE ENGINEERING LIMITED

9.0 RISK ANALYSIS

9.1 Foreign Exchange Rate Risk: Moderate

Exchange rate risk arises from currency fluctuation in international trade. If Bangladeshi Taka is devalued and/or foreign currency revalued then the price of imported raw materials will go up which will decrease the overall profit margin. However, both purchase and sales of the enterprise takes place in USD so the enterprise gets a natural hedge hence exchange risk is minimal for the enterprise.

9.2 Supply Risk: Moderate

The enterprise procures its traded items from different companies. The supplies are likely to be affected by any uncontrollable events or country risk to shipment or political barriers. The entity is therefore exposed to supply risk.

9.3 Price Fluctuation Risk: Moderate

The price of the product(s) is volatile and these prices are dependent on international market. Any change in the price level can affect the profitability of the enterprise.

9.4 Competition Risk: Moderate

There are a lot of competitors in the market, who are involved in selling the same product. The enterprise may also lack structural marketing strategy to expand the market horizon. Absence of any marketing policy and entrance of new competitors may create competition risk for the entity.

10.0 OBSERVATION SUMMARY

Rating Comfort(s)	Rating Concern(s)
* Experienced management team	* Debt based capital structure
* Regular loan repayment status	* Foreign exchange rate risk
* Profitable business performance	* Supply risk
Business Prospect(s)	**Business Challenge(s)**
* Expansion in other related business	* Significant competition in the market

END OF REPORT

[We have examined, prepared, finalized and issued this report without compromising with the matters of any conflict of interest. We have also complied with all the requirements, policy and procedures of the BSEC rules as prescribed by the Bangladesh Securities and Exchange Commission.]

For Chief Executive Officer
Tanzirul Islam
Vice President
Credit Rating Information and Services Limited

Setting global standard at national level

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On
OFFSHORE AND MARINE ENGINEERING LIMITED

CRISL RATING SCALES AND DEFINITIONS
BANK LOAN/FACILITY RATING SCALES AND DEFINITIONS- LONG TERM

	Investment Grade
blr CRISL Se-1 (Highest Safety)	Bank Loan/ Facilities enjoyed by banking clients rated in this category are adjudged to have highest credit quality, offer highest safety and carry almost no risk. Risk factors are negligible and almost nearest to risk free Government bonds and securities. Changing economic circumstances are unlikely to have any serious impact on this category of loans/ facilities.
blr CRISL Se-2 (High Safety)	Bank Loan/ Facilities enjoyed by banking clients rated in this category are adjudged to have high credit quality, offer higher safety and have high credit quality. This level of rating indicates that the loan / facilities enjoyed by an entity has sound credit profile and without any significant problem. Risks are modest and may vary slightly from time to time because of economic conditions.
blr CRISL Se-3 (Adequate Safety)	Bank Loan/ Facilities rated in this category are adjudged to carry adequate safety for timely repayment/ settlement. This level of rating indicates that the loan / facilities enjoyed by an entity have adequate and reliable credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories.
blr CRISL Se-4 (Moderate Safety)	Bank Loan/ Facilities rated in this category are adjudged to offer moderate degree of safety for timely repayment /fulfilling commitments. This level of rating indicates that the client enjoying loans/ facilities under-performing in some areas. However, these clients are considered to have the capability to overcome the above-mentioned limitations. Cash flows are irregular but the same is sufficient to service the loan/ fulfill commitments. Risk factors are more variable in periods of economic stress than those rated in the higher categories.
	Speculative/ Non investment Grade
blr CRISL Se-5 (Inadequate Safety)	Bank Loan/ Facilities rated in this category are adjudged to lack key protection factors, which results in an inadequate safety. This level of rating indicates loans/ facilities enjoyed by a client are below investment grade. However, clients may discharge the obligation irregularly within reasonable time although they are in financial/ cash problem. These loans / facilities need strong monitoring from bankers side. There is possibility of overcoming the business situation with the support from group concerns/ owners. Overall quality may move up or down frequently within this category.
blr CRISL Se-6 (Somewhat Risk)	Bank Loan/ Facilities rated in this category are adjudged to have weak protection factors. Timely repayment of financial obligations may be impaired by problems. Whilst a Bank loan rated in this category might be currently meeting obligations in time, continuance of this would depend upon favorable economic conditions or on some degree of external support. Special monitoring is needed from the financial institutions to recover the installments.
	Risky Grade
blr CRISL Se-7 (Risky)	Bank Loan/ Facilities rated in this category are adjudged to be in vulnerable status and the clients enjoying these loans/ facilities might fail to meet its repayments frequently or it may currently meeting obligations through creating external support/liabilities. Continuance of this would depend upon favorable economic conditions or on some degree of external support. These loans / facilities need strong monitoring from bankers side for recovery.
blr CRISL Se-8 (High Risky)	Bank Loan/ Facilities rated in this category are adjudged to carry high risk. Client enjoying the loan/ facility might not have required financial flexibility to continue meeting obligations; however, continuance of timely repayment is subject to external support. These loans / facilities need strong monitoring from bankers side for recovery.
blr CRISL Se-9 (Extremely Speculative)	Bank Loan/ Facilities rated in this category are adjudged to be extremely risky in timely repayment/ fulfilling commitments. This level of rating indicates that the clients enjoying these loan/ facilities are with very serious problems and unless external support is provided, they would be unable to meet financial obligations.
	Default Grade
blr CRISL Se-10 (Default)	Bank Loan/ Facilities rated in this category are adjudged to be either already in default or expected to be in default.

For Chief Executive Officer
Tanzirul Islam
Vice President
Credit Rating Information and Services Limited