CREDIT RATING

# REPORT









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# CREDIT RATING REPORT [SURVEILLANCE]
# QUASEM INDUSTRIES LIMITED

| Particulars | Rating | Remarks |
|---|---|---|
| Quasem Industries Limited | A1 | |
| BDT 258.3 million long term outstanding | A1 (Lr) | |
| BDT 130.0 million short term fund limits | ST-3 | Vide Appendix-1 |
| BDT 453.1 million short term non-funded limits | ST-3 | |
| Outlook | Stable | |

Lr - Loan Rating, ST - Short Term

**Date of Rating:** 12 December 2021.

**Validity:** The rating is valid up to 15 December 2022.

**Rating based on:** Audited financial statements up to 30 June 2021, bank liability position as on 30 November 2021 and other relevant quantitative & qualitative information up to the date of rating declaration.

**Auditor**: Shiraz Khan Basak & Co. Chartered Accountants.

**Methodology:** CRAB's Corporate Rating Methodology (www.crab.com.bd)

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**Financial Highlights**

| | Year ended June 30 | |
|---|---|---|
| **Particulars (Mil. BDT)** | **2021** | **2020** |
| Sales | 1,161.7 | 1,375.2 |
| Sales Growth | -15.5% | -25.9% |
| EBITDA | 210.1 | 189.2 |
| Net Profit after Tax | 91.6 | 44.2 |
| EBITDA Margin | 18.1% | 13.8% |
| Net Profit Margin | 7.9% | 3.2% |
| Inventory | 581.2 | 574.2 |
| Accounts Receivable | 28.1 | 27.0 |
| Cash Conversion Cycle (Days) | 237 | 187 |
| Equity | 2,013.3 | 1,952.9 |
| Total Liabilities | 1,021.7 | 1,061.3 |
| Borrowed Fund | 658.9 | 720.7 |
| Total Liabilities/Equity | 0.5 | 0.5 |
| Borrowed Fund/Equity | 0.3 | 0.4 |
| Borrowed Fund/EBITDA | 3.1 | 3.8 |
| TIER | 3.5 | 1.9 |

## PROFILE

Quasem Industries Limited (hereinafter, referred as "QIL" or "The Company") is a public limited company incorporated in 1980. The Company is engaged in manufacturing three sizes of batteries (UM-1, UM-3, and UM-4), metal & tin can with printing facilities, can-filling based products: air freshener, body spray, insect killer, shaving foam, butane gas, flashlights, and lamps. The Company has successfully established its 'SUNLITE' brand in the market and captured a large market share. Currently, it has three factories where unit 1 and unit 2 are situated at Gorai, Mirzapur, Tangail and unit 3 is situated at Baimail, Gazipur, Dhaka. The corporate office is located at North Baridhara, Dhaka. QIL is also engaged in trading and distribution of gas lighter, chips, crackers, ghee and bottled drinking water. The Company has reported BDT 1,161.7 million in net revenue and BDT 91.6 million in net profit after tax (7.9%) in FY21.

## RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has retained the long-term rating of **Quasem Industries Limited** at "**A1**" (Pronounced as Single A One). CRAB has assigned **A1 (Lr)** loan rating to BDT 258.3 million long-term outstanding of the Company. CRAB has further assigned **ST-3** rating to BDT 130.0 million funded and BDT 453.1 million non-funded limits in the short term. The rating outlook is stable.

The assigned rating favorably considers the qualitative factors in addition to quantitative positives such as long operating history and good track record being in operation since 1980, vastly experienced and qualified management comprised of sponsors and key executives to ensure corporate governance, established brand name, reputation and nation-wide distribution channel. The Company has a well-diversified product mix expanding from manufacturing of dry cell batteries, high-pressure canned products, to trading and distribution of Sun chips, crackers, ghee and bottled drinking water. The Company also provides metal tin plate manufacturing and printing services to various renowned corporates. Over the last few years, it has launched some high-pressure can filling based products such as air freshener, body spray, butane gas, insect repellent aerosol and shaving foam. The revenue from high pressure can-based products grew by 28.8% in FY21 while addition of gas lights and bottled





Managing Director
Credit Rating Agency

-drinking water in its distribution has boosted its distribution income substantially by 26.0% in FY21 over FY20. Relatively stable revenue (adjusting the revenue from trading of gas lights for prior years), coverage and leverage has also been factored in the assigned rating.

In February 2020, the Board of the Company had approved it plan to expand its business into manufacturing and export of artificial quartz through marketing collaboration with Sunstone International LLC, a US based trading company operating in the same line of business. The Company's capital expansion project cost is estimated to be ~BDT 920.0 million whereby QIL's equity injection would be around ~32.7% while the rest will be comprised of supplier's credit (machinery) and term loan plus IDCP. As of December 2021, the construction work has been completed, machinery has been brought at site while partial installation work has been completed. The management expects to initiate trial production in February/March followed by commercial operation.

Besides the positives, the rating is constrained by high competition in the local industry from low-cost brands and other established peers in different product segments. Technological changes have played a large role in decreasing use cases and demand of dry cell batteries as well as flash lights. Import-based procurement is also susceptible to various import barriers and exchange rate fluctuation which could hinder its procurement while price volatility of raw material may increase its cost further. Relatively low-capacity utilization (except for high pressure can line) may indicate saturated demand and ample supply which further challenge the Company's future business growth which has been relatively slow over the past few years. As per recent financial performance, the Company's revenue had experienced 15.5% decline relative to FY20 and prior years which resulted due to termination of trading agreement with Quasem Lamps Limited whereby the Company will no longer buy and market gas lighters rather only distribute their product against distribution charges. However, if we adjust the gas light trading revenue for prior years, the revenue from core business segments were relatively stable negating the sharp decline to a great extent seen in FY21 and FY20. Adjusted revenue would stand at BDT 1,216.8 million in FY20 and BDT 1,187.3 million in FY19 compared to BDT 1,161.7 million in FY21. Although, the Company's revenue may seem to have declined visibly, distribution charge has risen substantially to boost its operating profits negating any impact of such decline in the bottom-line profitability. The Company has undertaken a new capital expansion project for manufacturing artificial quartz whereby it is expected to incorporate additional debt to meet capital expenditure which may impact its leverage for coming years while additional working capital borrowing may be required once the project comes into operation. Going forward, the company's ability to maintain revenue sustenance and growth, profitability and coverage position, comfort in leverage, proper management of current assets along with future performance of the industry may impact future rating consideration.

Rating Positives

+ Long experience of the management and available group support.
+ Manufacturing facilities with contemporary setup along with capital expansion under progress.
+ Nation-wide distribution network and diverse revenue mix.
+ Room for revenue growth through higher capacity utilization exists through penetration of the market.
+ Substantial growth in distribution income boosting profitability to some extent.
+ Relatively stable leverage and coverage position in the long run.

Rating Challenges

- Price volatility of raw material in the international market and R&D expenditure for new product lines may put pressure on its cost structure as well as profitability.
- Decline in revenue due to termination of gas lighter trading agreement with Quasem Lamps Limited; however, revenue from core business segments remains relatively stable.
- Increased borrowing may tax its profitability in the form of financial expenses.
- Pressure from other established brands in different product segments. Relatively low-capacity utilization may indicate market saturation.
- Capital expansion through new project may lead to book additional debts in FY21 impacting its leverage whereby first stream of revenue, partially, from the Quartz project may be seen in FY22.

## ■ Background of the Company

Quasem Industries Limited (QIL), previously known as Quasem Drycells Limited, is one of the leading dry cells (electric battery) manufacturers in Bangladesh which started the journey on June 14, 1980. From the inception, the Company's business was concentrated on dry cell batteries which was later expanded with trading of LED flashlight along with

marketing and distribution of gas lights and Sun Chips. However, in last few years, the Company included other products in its product mix as means for diversification, such as high pressure can-based products and manufacturing of metal tin can and printing services. Consequently, to represent a diverse portfolio of products under its belt, the Company went through name change on 14 January 2018 from Quasem Drycells Limited to Quasem Industries Limited. It has successfully established its 'SUNLITE' brand in Dry Cell Manufacturing Industry and has captured around 70% of the respective market share and working towards establishing 'Wave' brand for high pressure-can based products. QIL is a public limited company being listed in 1988. The Company is listed in both the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE).

Currently, the Company has been manufacturing three sizes of batteries: UM-1 'D' size, UM-3 'AA' size and UM-4 'AAA' size. Earlier, the Company used to purchase zinc calots from its associated concern - Quasem Zinc Limited (QZL); however, since 2017, QIL has taken the factory premise of QZL on lease and plans to operate the facility as such going forward. The Company has assembly lines for flashlights and tin can manufacturing with metal plate printing facilities as well. In 2017, QIL started a new production line which is high pressure can with filling facility with a view to diversify its product portfolio. By 2018, the Company had introduced air freshener and body sprays branded under the name - Wave. It has also started selling Butane Gas cans marketed towards jewelry makers and other users. In 2020. QIL has also started marketing shaving foam and aerosol products under the brand of 'Wave'. The Company, in future, plans to introduce 'spot lifter' spray (for fabric) which is currently under development. As of September 2019, QIL acts as the marketer and distributor of Sunlite Gas Lighters, Sun Chips and Prawn Crackers, Sun Ghee and Sun Bottled Drinking water. The Company expects healthy growth from its newly introduced products accompanied by its existing offerings.

Table 1 - Quasem Industries Limited at a Glance

| Particulars | | Details |
|---|---|---|
| Year of Incorporation | : | 14 June 1980 |
| Stock Exchange Listing | : | 1988 |
| Product/Service | : | Manufacturing of UM-1 (D), UM-3 (AA), UM-4 (AAA) Batteries, Flashlights, Air Freshener, Body Spray, Shaving Foam, Aerosol, Butane Gas, Metal Printing & Can, Marketing & Distribution of Gas Light, 'Sun' Chips, Ghee, Papor, Water |
| Administrative Office | : | Icon Center (4th, 6th & 9th Floor)<br>Plot 57/4, Progati Sarani, North Baridhara, Dhaka-1212 |
| Factories | : | Unit 1 & 2 - Gorai, Mirzapur, Tangail; 556 and 202 Decimals |
| | : | Unit 3 - Baimail, Gazipur, Dhaka; 517 Decimals |
| Authorized Capital | : | BDT 2,000.0 million |
| Paid-up Capital | : | BDT 661.2 million (66.11 million shares issued) |
| Dividend | : | 10% stock dividend for FY2021 |
| Chairperson | : | Dr. Reyan Anis Islam |
| Managing Director | : | Mr. Tasvir Ul Islam |
| Website | : | www.quasemindustries.com |

## ■ Overview of The Group

Quasem Industries Limited (QIL) - Quasem Industries Limited is a public limited company incorporated in 1980 and the frontrunner concern of Quasem Group. The Company has successfully established its 'SUNLITE' and 'SUN' brand in the market and captured a large market share. The Company is engaged in manufacturing three sizes of batteries (UM-1 (D), UM-3 (AA), UM-4 (AAA)), Flashlights, Air Freshener, Body Spray, Shaving Foam, Aerosol, Metal Printing & 3-Piece Can. The factories are located at Gorai, Mirzapur, Tangail and Baimail, Gazipur. The Company is a distributor of chips, crackers, ghee, papor, gas lights and bottled water produced by its associates.

Quasem Zinc Limited (QZL) - Quasem Zinc Limited is one of the associated concerns of Quasem Industries Limited which is one of the leading dry cell manufacturers in the country. The Company was established in 1989 as a backward linkage of QIL to provide zinc calot which is one of the major raw materials for dry cell batteries. The Company has put its production facility on lease to Quasem Industries Limited.

Quasem Food Products Limited (QFPL) – Quasem Food Products Limited is the manufacturer of real potato chips in Bangladesh under the brand name 'Sun Chips'. It was incorporated as a private limited company in 2005 and started production in 2010. The Company is one of the associated concerns of Quasem Industries Limited. The factory is located at Baimail, Gazipur. QFPL produces potato chips of various flavors and distributing the products through the countrywide distribution network of Quasem Industries Limited. QFPL produces different types of chips with different flavor where current tests include Tomato Tango, Mix Masala, Garlic & Chili, Wasabi, Salt & Pepper, Cream and Onion. The Company has started production and marketing 'Sun Ghee', clarified butter product, in 2019. In recent years, the Company has also started production and marketing of Sun Prawn Crackers, Sun Papor. Additionally, the Company is currently working on fried groundnuts.

Quasem Lamps Limited (QLL) – Quasem Lamps Limited is one of the associated concerns of Quasem Industries Limited. The Company was incorporated in 1996 and started its operation in 1997 with the production of incandescent electric bulbs. As the demand continued to diminish, the Company moved to gas lighter production in 2004. Currently, the Company produces and markets different types of lighters distinguished by features.

Sunlite Trading & Services Limited (STSL) – Sunlite Trading and Services Limited was incorporated on August 17, 2002 as a private company limited by shares. In the inception, the Company was focused on importing Bakery Items, Electric Bike and Finished Gas Lighters and, gradually, shifted its focus on indenting and other different business along with importing Gas Lighter Parts as well as Finished Gas Lighters. From 2008, Sunlite Trading and Services Limited fully concentrated on importing Gas Lighter Parts, SAN Resin, ABS Resin, Polyoxymethylene (POM), and different Textile Chemical where about 90% of total revenue comes from supplying to Quasem Lamps Limited. At present, the Company has discontinued trading of some items as it is heavily focused on manufacturing and marketing of Sun Bottled Drinking Water through the distribution channel of Quasem Industries Limited.

Table 2 – Financial Highlights of Quasem Group (Mil. BDT)

| Company | QIL | | QFPL | | QLL | | STSL | | QZL | | Group Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | FY21 | FY20 | FY21 | FY20 | FY21 | FY20 | FY21 | FY20 | FY21 | FY20 | FY21 | FY20 |
| Revenue | 1,161.7 | 1,375.2 | 465.0 | 402.8 | 760.6 | 651.3 | 41.3 | 23.9 | 1.2 | 1.2 | 2,429.9 | 2,454.5 |
| Growth | -15.5% | -25.9% | 15.4% | 1.7% | 16.8% | 76.3% | 73.0% | -73.1% | - | - | -1.0% | -9.5% |
| EBITDA | 210.1 | 189.2 | 60.6 | 37.0 | 58.5 | 50.7 | 20.8 | (11.3) | 0.9 | 1.1 | 350.9 | 266.6 |
| Net Profit | 91.6 | 44.2 | 5.2 | 7.0 | 28.1 | 21.3 | (10.8) | (15.4) | (5.3) | (5.2) | 108.8 | 51.9 |
| EBITDA % | 18.1% | 13.8% | 13.0% | 9.2% | 7.7% | 7.8% | 50.4% | -47.5% | 75.4% | 90.1% | 14.4% | 10.9% |
| NP % | 7.9% | 3.2% | 1.1% | 1.7% | 3.7% | 3.3% | -26.1% | -64.3% | -446% | -430% | 4.5% | 2.1% |
| Total Assets | 3,035.0 | 3,014.2 | 897.8 | 744.4 | 834.7 | 361.0 | 380.6 | 372.1 | 104.7 | 99.9 | 5,252.7 | 4,591.6 |
| Equity | 2,013.3 | 1,952.9 | 276.9 | 260.9 | 566.6 | 125.5 | 36.4 | 47.2 | 33.5 | 38.9 | 2,926.7 | 2,425.3 |
| A. Equity | 1,148.2 | 1,050.1 | 111.6 | 95.3 | 123.9 | 98.8 | 36.4 | 47.2 | - | - | 1,420.1 | 1,291.4 |
| Liabilities | 1,021.7 | 1,061.3 | 620.9 | 483.5 | 268.1 | 235.5 | 344.2 | 324.9 | 71.2 | 61.1 | 2,326.0 | 2,166.3 |
| BF | 658.9 | 720.7 | 502.5 | 411.1 | 112.1 | 78.6 | 297.1 | 281.9 | 60.9 | 51.6 | 1,631.5 | 1,544.0 |
| L/E | 0.5 | 0.5 | 2.2 | 1.9 | 0.5 | 1.9 | 9.4 | 6.9 | 2.1 | 1.6 | 0.8 | 0.9 |
| BF/Equity | 0.3 | 0.4 | 1.8 | 1.6 | 0.2 | 0.6 | 8.2 | 6.0 | 1.8 | 1.3 | 0.6 | 0.6 |
| BF/AE | 0.6 | 0.7 | 4.5 | 4.3 | 0.9 | 0.8 | 8.2 | 6.0 | - | - | 1.1 | 1.2 |
| BF/EBITDA | 3.1 | 3.8 | 8.3 | 11.1 | 1.9 | 1.5 | 14.3 | (24.9) | 67.3 | 47.7 | 4.6 | 5.8 |
| TIER | 3.5 | 1.9 | 1.2 | 2.0 | 6.0 | 4.5 | (3.8) | (3.1) | (0.05) | (0.1) | 2.5 | 1.8 |

Note: NP=Net Profit, BF=Borrowed Fund, L=Liabilities, Equity=Adjusted Equity for revaluation reserve

Looking at the aggregate financial performance of the group in FY21 compared to FY20, aggregate revenue decreased to BDT 2,429.9 million, by around 1.0%, from previous BDT 2,454.5 million. Overall growth in revenue was hindered as Quasem Industries Limited which registered negative growth. The decline in revenue of QIL stemmed from termination of trading agreement of Sun gas lighters manufactured by QLL whereby QIL's FY20's revenue includes revenue from trading of gas light during the period of July-August 2019 in the absence of which the year-on-year revenue decline would be much lower. In terms of profitability, EBITDA (earnings before interest, tax, depreciation and amortization) stood at 14.4% (BDT 350.9 million) in FY21 compared to 10.9% (BDT 266.6 million) in FY20 registering a 31.6% growth. While net profit in FY21 stood at 108.8% (BDT 4.5 million) over 2.1% (BDT 51.9 million) in preceding year registering a 109%. Overall, leverage position was still comfortable in the long run when borrowed fund is compared against the coverage of Equity. Equity, adjusted for revaluation surplus, still shows comfort in leverage. Leverage in the short run, Borrowed Fund to EBITDA, shows stress to a higher degree which may be a result of high working capital requirement. Coverage against annual interest obligation is found comfortable with improvement in FY21

## ■ Business & Operations

At its inception, Quasem Industries Limited was solely involved in manufacturing three sizes of batteries – UM-1 (D size), UM-3 (AA size) and UM-4 (AAA size); however, presently, the Company has diversified its product portfolio with different products in order to sustain revenue and stimulate growth. Over time, the Company has established a strong distribution channel and, currently, sells all products in its portfolio through this distribution channel throughout the country which ensures the efficiency in its delivery and marketing at the end point. The distribution channel includes 248 partners across different distribution zones: Narayanganj, Chittagong, Barisal, Sylhet, Mymensingh, Khulna, Bogra, Rangpur and Comilla. Currently, the same distribution channel is used to market the products of its associate concerns – gas lighters, real potato chips, prawn crackers, ghee and bottled drinking water. Current product portfolio of Quasem Industries Limited includes 3 forms of dry cell batteries, flashlights, aerosol insect killer and butane gas under Sunlite brand, high pressure can-filled products under Wave brand such as air freshener, body spray and shaving foam. While Air Freshener was presented to the market in August 2017 followed by Body Spray and Butane Gas. QIL, only recently, has started marketing Shaving Foam and Aerosol (flying insect killer) in 2020 respectively. Another product, fabric spot lifter, is currently under development. The Company also provides tin can manufacture and printing services for other manufacturers and producers as well as marketing and distribution services to its associates for their products – Sunlite Gas Lighters, Sun Chips and Prawn Crackers, Sun Ghee and Sun Bottled Drinking water.

Annual production capacity of batteries is 660.1 million units in aggregate while effective capacity is around 467.9 million units. Rated capacity utilization against effective capacity in aggregate stood at 19.6% (FY20: 19.3%) in recent year. Effective capacity utilization of UM-1 and UM-4 battery was 41.7% (FY20: 38.8%) and 14.5% (FY20: 14.8%) for UM-3. Gradual decrease in demand for UM-1 batteries, over the years, may have slowed the capacity utilization as well as growth; however, opportunity for UM-3 and, specially, UM-4 batteries may help to stimulate future growth in this segment. Among other production lines, QIL has installed capacity of 3.0 million, 2.4 million and 1.8 million respectively for printed tin plate, semi-auto can line, and high pressure can line whereby effective capacity were 2.4 million, 1.9 million and 1.5 million units respectively. Effective capacity utilization was rated at 13.6%, 12.4% and 137.2% over 7.0%, 17.1% and 100.0% in FY20. While Semi-Auto Can line's capacity utilization decreased, Printed Tin Plate line and High Pressure Can line have greater utilization with growth. High Pressure Can production includes sample quantity due to which utilization seems high. QIL also has can filling lines (125/150ml, 250ml and 300ml) whereby installed capacity were 3.6, 4.4 and 3.2 million units annually and effective capacity were 2.9, 3.5 and 2.6 million units. Effective capacity utilization was rated at 6.6%, 5.2% and 100% respectively over 4.5%, 4.6% and 21.6% in FY20. In case of can filling line, all three segments have seen improvement in capacity utilization due to introduction and gradual incremental growth in demand of new can-filling based products.

Table 3 – Production Capacity and Relative Utilization (Figures in Million)

| Particulars | Installed Capacity | Effective Capacity | Production | | | Utilization (% of Installed Cap.) | | | Utilization (% of Effective Cap.) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | FY21 | FY20 | FY19 | FY21 | FY20 | FY19 | FY21 | FY20 | FY19 |
| UM-1, UM-4 | 132.63 | 87.92 | 36.66 | 34.07 | 30.31 | 27.6% | 25.7% | 22.9% | 41.7% | 38.8% | 34.5% |
| UM-3 | 527.52 | 379.94 | 54.94 | 56.32 | 56.80 | 10.4% | 10.7% | 10.8% | 14.5% | 14.8% | 14.9% |
| Battery Total | 660.15 | 467.86 | 91.60 | 90.39 | 87.11 | 13.9% | 13.7% | 13.2% | 19.6% | 19.3% | 18.6% |
| Printed Tin Plate | 3.02 | 2.42 | 0.33 | 0.17 | 0.34 | 10.9% | 5.6% | 11.3% | 13.6% | 7.0% | 14.0% |
| Semi-Auto Can | 2.42 | 1.93 | 0.24 | 0.33 | 0.52 | 9.9% | 13.6% | 21.5% | 12.4% | 17.1% | 26.9% |
| High Pressure Can | 1.81 | 1.56 | 2.14 | 1.56 | 1.05 | 118.2% | 86.2% | 58.0% | 137.2% | 100.0% | 67.3% |
| Can Filling | | | | | | | | | | | |
| 125/150 ml | 3.62 | 2.90 | 0.19 | 0.13 | 0.11 | 5.2% | 3.6% | 3.0% | 6.6% | 4.5% | 3.8% |
| 250 ml | 4.35 | 3.48 | 0.18 | 0.16 | 0.13 | 4.1% | 3.7% | 3.0% | 5.2% | 4.6% | 3.7% |
| 300 ml | 3.19 | 2.55 | 1.00 | 0.55 | 0.53 | 31.3% | 17.2% | 16.6% | 39.2% | 21.6% | 20.8% |

Quasem Industries Limited used to purchase zinc calot from its associated concern, Quasem Zinc Limited; however, since early 2017, the Company took lease of the production facility from Quasem Zinc Limited and started to manufacture zinc calot itself to facilitate dry cell battery production in its factory unit 1 and 2 at Gorai, Mirzapur. QIL imports zinc Ingot from China, India and Singapore primarily for producing zinc calot which is exposed to risks of volatility of raw material prices and foreign currency exchange rate. The Company also produces the metal jacket in factory unit 3 at Baimail, Gazipur. The Company has made transition to vinyl jacket which reduces the production cost substantially as well as enables to charge more competitive price. At present, UM-1 and UM-3 High Super batteries use vinyl jacket while UM-3 Heavy Duty and UM-4 class uses metal jacket. QIL also conducts production of

metal cans (round and high-pressure cans), high pressure can-filled products (air freshener, body spray, shaving foam and butane gas etc.) as well as tin plate printing services at Unit-3. QIL imports tin sheet, coating and solvent for can production while chemical compounds, fragrance and LPG are procured for can filling products. Major import destinations are USA, Indonesia, Spain, China, Singapore, Taiwan and Japan.

Table 4 - Major Revenue Drivers (Mil. BDT); Source: Annual Report 2021

| Product/ Segment | Segment Growth | % FY21 | Net Sales FY21 | % | Net Sales FY20 |
|---|---|---|---|---|---|
| UM-1 D Size | -18.0% | 10.1% | 116.91 | 10.4% | 142.61 |
| UM-3 AA Size | -9.4% | 49.0% | 568.92 | 45.6% | 627.67 |
| UM-4 AAA Size | -0.2% | 20.9% | 242.45 | 17.7% | 242.88 |
| Battery (Total) | -8.4% | 79.9% | 928.28 | 73.7% | 1,013.16 |
| Air Freshener | 3.1% | 7.6% | 87.89 | 6.2% | 85.22 |
| Body Spray | 31.3% | 1.3% | 15.32 | 0.8% | 11.67 |
| Aerosol (Insect Killer) | n.a | 2.4% | 28.22 | 0.0% | - |
| Butane Gas | 11.1% | 1.0% | 11.30 | 0.7% | 10.18 |
| Shaving Foam | -76.5% | 0.1% | 1.07 | 0.3% | 4.55 |
| Gas Lighter* | - | - | - | 11.5% | 158.46 |
| Chips, Ghee, Papor | 40.2% | 1.4% | 16.07 | 0.8% | 11.46 |
| LED Flashlight | -28.2% | 1.2% | 13.91 | 1.4% | 19.36 |

*Trading agreement between QIL and QLL has been terminated since September 2019.

As its flagship product, batteries contributed about 79.9% (FY20: 73.7%) of total revenue in FY21 (BDT 928.3 million over BDT 1,013.2 million in previous year) year-on-year revenue declined from the segment where, individually, UM-1's contribution was 10.1%, UM-4 with 20.9% and, the highest, UM-3 with 49.0%. During the year, the Company has experienced sales decline in each of the battery categories. The UM-3 battery sales have seen continuous decline for the last five years whereas UM-4 sales have consistently grown except the recent year. In other segments, Sunlite Gas Lighter did not contribute directly to the revenue as a result of termination of trading agreement between Quasem Industries Limited and Quasem Lamps Limited since September 2019. Historically, Quasem Lamps Limited used to produce and sell gas lighters to Quasem Industries Limited which were traded by QIL; however, at present, QIL will only distribute the gas lighters through its network across the country against distribution charges only. Consequently, the Company's revenue in both FY21 and FY20 reflects decline of revenue in the absence of gas light trading. Had QIL's gas light trading agreement with QLL still be in effect, annual revenue would be in close proximity of that of FY18 (BDT 1,855.5 million). Similarly, QIL primarily has distribution agreement with Quasem Foods Limited and not a trading one. Sun Chips, Ghee, Papor contributed around 1.4% and Flashlight contributed around 1.2% of the total revenue of the Company in FY21. By far, QIL's one of the anticipated revenue sources was High Pressure Can based products whereby Air Freshener, Body Spray, Aerosol, Shaving Foam and Butane Gas contributed ~12.4% to the net revenue in aggregate. In FY21, QIL's distribution income achieved growth by three-fold. The Company, at present, has distribution agreement with its associate concerns - Quasem Food Products Ltd, Quasem Lamps Ltd and Sunlite Trading & Services Ltd. Since QIL and QLL has terminated trading relationship, QIL's net distribution income this year grew considerably along with moderate contribution from STSL for Sun Drinking Water. Aggregate distribution income stood at BDT 128.0 million, with 26.6% annual growth, from previous year's BDT 101.1 million, majority of which came from QLL, ~68.0% followed by 28.0% from QFPL.

Table 5 - Net Distribution Incomes of QIL

| Company | Growth | FY21 BDT Mil. | % | FY20 BDT Mil. | % | FY19 BDT Mil. | % |
|---|---|---|---|---|---|---|---|
| Quasem Food Products Ltd | 4.5% | 36.0 | 28% | 34.4 | 34.1% | 30.3 | 100.0% |
| Quasem Lamps Ltd | 33.4% | 87.5 | 68% | 65.6 | 64.9% | - | - |
| Sunlite Trading & Services Ltd | 316.8% | 4.5 | 4% | 1.1 | 1.1% | - | - |
| Total | 26.6% | 128.0 | 100% | 101.1 | 100.0% | 30.3 | 100.0% |

The market demand of dry cell batteries has been stagnant in the last few years due to the emergence of rechargeable batteries, electrification of torch lights, extinction of radio and analogue camera, and decrease in the use of torch light and clocks. So, the demand for UM-1 batteries is decreasing, demand for UM-3 batteries is still relevant due to household uses, however, demand for UM-4 batteries is continuously increasing due to the growing use of electronic

devices and battery-run gadgets' incorporating smaller and compact designs requiring smaller and thinner batteries. In terms of competition, QIL has been market leader in dry cell manufacturing in Bangladesh and it has more around 70% market share with strong brand image. Although there are two other competing brands Haque and Olympic, but they have insignificant market share having some niche. Moreover, they take manufacturing support from QIL. Apart from local manufacturers, there are many imported rechargeable and non-rechargeable battery brands like Sony, Sanyo, Toshiba, Panasonic and other Chinese brands etc. available in the market which are either comparatively expensive or does not have the branding to compete against Sunlite or a mix of both. Country-wide availability of electricity has lessened the demand of flashlights over the years, the impact of which can be seen in the continuous declining trend of flashlight sales. In addition, gas lights of other brands, at relatively competitive prices, has flooded the market which may continue to impact its sales in future; however, early entry, strong brand image and wide distribution channel benefits the marketing of Sunlite gas lighters which goes the same for its other product. Metal Tin Can Production and High pressure can-filled products (air freshener, body spray, butane gas as well as shaving foam and aerosol) segment is expected to contribute the Company's revenue as the brand image grows with passing of time which will also allow QIL to further strengthen its diversification effort and grow its business. However, already established brands and brand loyalty/preference of the customers may challenge the competitiveness of these products. Already improved 'marketing and distribution income' may help to improve its profitability with inclusion of Sun potato chips, prawn crackers, ghee, bottled drinking water and now, Sunlite gas lighters.

Capital Expansion - as part of the continuous attempt to diversify the business through venturing into new business lines whereby sustained growth can be achieved, Quasem Industries Limited has partnered with Sunstone International LLC, a US based company, to produce and export artificial/engineered quartz. Sunstone is a veteran in the business of artificial quartz as it has been importing from China and marketing the product for over a decade. Due to increasing cost of import and deterioration of trade relationship between US and China, Sunstone, as an alternative source of procurement, has formed a partnership with QIL whereby QIL will produce and export artificial quartz in US market through trading with Sunstone. Artificial quartz, a composite made of 90-94% ground quartz and 6-10% resin and color pigment, is used in interior flooring and walling as an alternative to marble and granite. It is also a popular choice for use in kitchen countertop.

On February 24, 2020, the Board of Directors had approved the expansion plan for 100% export oriented with provision for local sales of artificial quartz manufacturing unit at Gorai, Mirzapur, Tangail (Unit 1) whereby all legal compliance has been met. The project's construction work began in September 2020 whereby, at the end of November 2020, it has completed the foundation work (pilling and grade beam). As of December 2021, the construction work has been completed, machinery has been brought at site while partial installation work has been completed. The management expects to initiate trial production in February/March followed by commercial operation. The Company plans to hire foreign technical experts to assist and run the smooth operation. As per the management provided PSI, the estimated project cost is around BDT 920.0 million comprised of equity investment of BDT 300.6 million (32.7%), debt with IDCP of BDT 331.7 million (36.1%) and suppliers credit of BDT 287.7 million (31.3%) leading to a debt/equity ratio of 2.06x. The management predicts the debt to be repaid in just over 3 years. As per management expectations, revenue in first year of operation may reach up to BDT 2,235.7 million with a bottom-line profit around 7-8%.

## ■ Management

The Board of Directors is comprised of six members led by Dr. Reyan Anis Islam, Chairperson. She is further assisted by Mr. Tasvir Ul Islam, Managing Director & CEO as well as three other Sponsor Directors - Ms. Nafisa Quasem, Mr. Sameed Quasem and Ms. Samira Rokaiya Quasem and two Independent Directors - Mr. Mir Mohammad Shahidullah and Mr. Swapon Kumar Dutta. The Company's authorized share capital is BDT 2,000.0 million divided into 200 million ordinary shares valued at BDT 10 each whereby paid-up capital is BDT 661.2 million against 66.12 million issued shares.

The Management risk is low for the Company considering the qualification and vast experience of the sponsors and the key executives as well as their long exposure in the industry. Mr. Tasvir Ul Islam is the Managing Director and CEO of the Company and spearheads the overall management of the Company. A Group comprised of Directors and Senior Executives assist the Managing Director to ensure the fluidity of daily operations of the Company across different departments. Mr. Tasvir Ul Islam is the youngest son of late Mr. Abul Quasem, who was the founder

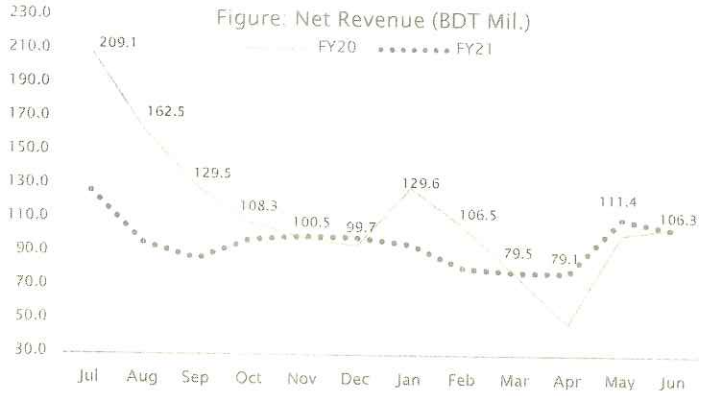
Chairman of the entire Group. He joined Quasem Industries Limited as a Director and was appointed as Managing Director later on.

Table 6 – Shareholding Status as on 30 June 2021 (Source: Annual Report)

| Category/ Name | Designation | No. of Shares | % of Shareholding |
|---|---|---|---|
| Sponsors & Directors: | | 19,835,616 | 30.00% |
| Dr. Reyan Anis Islam | Chairperson | 1,323,827 | 6.67% |
| Mr. Tasvir Ul Islam | MD & CEO | 6,268,251 | 31.60% |
| Mr. Sameed Quasem | Director | 1,322,393 | 6.67% |
| Ms. Samira Rokaiya Quasem | Director | 1,324,114 | 6.68% |
| Ms. Nafisa Quasem | Director | 1,399,656 | 7.06% |
| Mrs. Khadiza Shamim | Sponsor | 7,913,869 | 39.90% |
| Late AKM Mainul Islam | Sponsor | 147,000 | 0.74% |
| Late Saleena Bugum | Sponsor | 136,500 | 0.69% |
| Late Begum Marium | Sponsor | 2 | 0.00001% |
| Late Ashraful Huda | Sponsor | 2 | 0.00001% |
| Mr. Ataur Rahaman | Sponsor | 2 | 0.00001% |
| Institute | - | 19,365,094 | 29.29% |
| General Public | - | 26,914,328 | 40.71% |
| | Total | 66,115,038 | 100.00% |

Major policy and key decision-making authority have been duly delegated to executive management to ensure corporate governance. The operational and financial control and strategic decision are made by a panel of key executives from Head Office and Factory. Mr. Mahbubul Alam is contributing to the Company as Director and Chief Operating Officer (COO) and Mr. Md. Zakaria, FCA as Chief Financial Officer (CFO). Other key contributors are Air Vice Marshal Mirza Akter Maruf (Retd.) as Director (Sales) and Mr. Mashuq Ul Alam as GM (Marketing). The overall activities of the factory operations are monitored by Mr. Md. Mustafa Kamal, GM (Unit 1 and 2) and Mr. Taimur M. Arif, DGM (Unit 3). The Company employs 1,389 personnel which includes its staff at head office (208) as well as factories (584).

## Financial Analysis




The financial information represented here are based on Audited prepared financial statements up to 30 June 2021. The Company's reported net revenue in FY21 stood at BDT 1,161.7 million compared to FY20's BDT 1,375.2 million whereby QIL registered a decline of 15.5% in revenue (-25.9% in FY20 and -7.9% in FY19). The visible decline in revenue was contributed by termination of trading agreement of gas lighters, decline in sales of battery, shaving foam and flashlights. However, if revenue is adjusted for the trading of gas lights in order to remove the impact of such sales, year-on-year revenue declined only 4.5% in FY21 which would stand at 2.5% revenue growth in FY20 and -6.3% growth in FY19. The decline in revenue, largely, is not due to decline in business performance or fall of demand rather a strategic decision to no longer continue the trading agreement between QIL and its associate, QLL. Had the Company still be trading gas lights, its revenue in FY21 and FY20 would have been around that of FY19 and FY18.

Compared to revenue in years before FY21 and FY20, major contributing factor to revenue decline resulted from discontinuation of trading agreement between QIL and QLL for gas lighters. The Company's present focus is to develop market for its high pressure can filling product segment (air freshener, body spray, aerosol, shaving foam) to stimulate sustainable growth in the long term. High competition in respective sectors from both local and imported products may pose a greater challenge in acquiring additional market share; however, penetration of market through marketing for existing products may help allow growth in coming years. Substantial growth in distribution income through chips, crackers, ghee, bottled drinking water and gas lighters will contribute directly to profitability in the form enhanced operating income. Despite revenue decline, its operating profit margin improved in both FY20 and

FY21. The Company top line may see substantial growth with the commencement of artificial quartz production and export to US given that the actual outcome meets the management's expectation. Contribution from this segment may be visible, partially, in FY22 and, largely, in FY23.

Table 7 – Cost Component and Profitability as % of Revenue (Mil. BDT)

| Particulars | FY2021 | | FY2020 | | FY2019 | |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % |
| Net Sales | 1,161.7 | - | 1,375.2 | - | 1,855.5 | - |
| Cost of Goods Sold | 909.3 | 78.3% | 1,088.0 | 79.1% | 1,515.7 | 81.7% |
| Gross Profit | 252.4 | 21.7% | 287.2 | 20.9% | 339.8 | 18.3% |
| Operating Expense | 265.4 | 22.8% | 262.7 | 19.1% | 248.6 | 13.4% |
| Other Operating Income | 128.0 | 11.0% | 101.1 | 7.4% | 30.3 | 1.6% |
| Operating Profit | 115.1 | 9.9% | 125.6 | 9.1% | 121.6 | 6.6% |
| Non-operating Income | 46.8 | 4.0% | 3.8 | 0.3% | 2.2 | 0.1% |
| Earnings Before Interest & Tax | 161.8 | 13.9% | 129.3 | 9.4% | 123.8 | 6.7% |
| Financial Expense | 45.2 | 3.9% | 67.5 | 4.9% | 55.5 | 3.0% |
| Contribution to WPPF | 5.6 | 0.5% | 2.9 | 0.2% | 3.3 | 0.2% |
| Profit before Income Tax | 111.1 | 9.6% | 58.9 | 4.3% | 65.1 | 3.5% |
| Income Tax | 19.5 | 1.7% | 14.7 | 1.1% | 16.3 | 0.9% |
| Net Profit after Tax | 91.6 | 7.9% | 44.2 | 3.2% | 48.8 | 2.6% |

CoGS decreased to 78.3% in FY21 over 79.1% in FY20 which revolved around 81-82% during years prior to FY20. QIL's EBITDA margin had increased to 18.1% (FY20: 13.8%). Such improvement in EBITDA is not likely to be sustained as it was boosted by earnings of BDT 45.9 million received as compensation from the Government for acquisition of land at factory premise. While operating profit margin improved to 9.9% (FY20: 9.1%) boosted by increase in distribution income. Net profit margin improved as well to 7.9% (FY20: 3.2%) which also includes impact of such extraordinary income. If we exclude the compensation, EBITDA and Net Profit stands at 14.1% and 3.9%. The Return on Assets and Return on Equity stood at 3.0% and 4.6% respectively, which stands at 1.5% and 2.3% if adjusted for compensation income.

QIL's liquidity position seemed stressed, however, access to line of credit may relieve any stress. Current and Quick ratio stood at 1.x and 0.3x. The Company's cash conversion cycle increased to 237 days over 187 days in FY20, as per analysis, primarily contributed by long inventory processing period (232 days in FY21). However, high inventory relative to decreased sales impacted cash conversion cycle. The Company's reported inventory was BDT 581.2 million and receivable amounted to BDT 28.1 million as of 30 June 2021. QIL's positive cash flow from operations (CFO) at BDT 149.5 million, implies that the Company's dependence on external borrowings to meet its daily operational obligations may lower and relieve liquidity stress to some extent. QIL's dividend payout and moderate capital expenditure, BDT 53.9 million during FY21, has pulled its free cash flow (FCF) down to BDT 64.1 million.

Total Assets, as on 30 June 2021, stood at BDT 3,035.0 million comprised of 66.3% equity and 33.7% liabilities. Equity stood at BDT 2,013.3 million which includes BDT 661.2 million paid-up capital, BDT 198.0 million share premium, BDT 269.3 million retained earnings, BDT 865.1 million revaluation reserve and BDT 19.7 million other reserves. Equity after adjusting for revaluation surplus stood at BDT 1,148.2 million. Borrowed fund was decreased to BDT 658.9 million over BDT 720.7 million. Overall leverage position of the Company has largely remained unchanged with slight improvement. Leverage of Equity against Liabilities and Borrowed Fund stood at 0.5x and 0.3x while leverage of Adjusted Equity stood at 0.9x and 0.6x respectively. Borrowed Fund/EBITDA was 3.1x depicting a moderate leverage in the short run which can be high due to high working capital requirements to finance inventory, receivables and overhead expenses. Looking at coverage, TIER (Times Interest Earned Ratio) stood at 3.5x while DSCR (Debt Service Coverage Ratio) stood at 1.9x. Considering its EBITDA and CFO, the Company should be able to meet its fixed financial obligations with adequate comfort.

## ■ Credit Facilities

Quasem Industries Limited has banking relationship with multiple financial institutions. Mutual Trust Bank Limited finances working capital facilities such as Cash Credit, Capital Loan, General Loan, LC and LTR, BG. QIL avails lease finances from Bay Leasing & Investment Limited, IDLC Finance Limited, Uttara Finance & Investments Limited, National

Finance Limited and IPDC Finance Limited. At the time of the rating, the loans are unclassified; however, lease finances were rescheduled to favor repayment. A detailed bank liability status of Quasem Industries Limited is given in Appendix-1.

APPENDIX – 1: DETAILS OF CREDIT FACILITIES OF QUASEM INDUSTRIES LIMITED

| Loan | Bank | Facility | Limit | Outstanding | Limit Expiry |
|---|---|---|---|---|---|
| Long Term | Bay Leasing & Investment Ltd | Lease | 7.5 | 6.5 | 30/06/2025 |
| | IDLC Finance Ltd | Lease | 54.0 | 35.5 | - |
| | Uttara Finance & Investments Ltd | Lease | 120.0 | 60.2 | 25/12/2022 |
| | National Finance Ltd | Lease | 9.9 | 6.2 | 15/08/2023 |
| | IPDC Finance Ltd | Term Loan | 150.0 | 150.0 | 07/06/2027 |
| Total Long Term Funded | | | 341.4 | 258.3 | |
| Short Term | Mutual Trust Bank Ltd | CC (Hypo) | 130.0 | 111.9 | 31/12/2021 |
| | | LTR | (300.0) | 2.6 | 31/12/2021 |
| | | Loan General | (110.0) | 45.9 | 31/12/2021 |
| | | WC Loan | (100.0) | 91.4 | 09/09/2022 |
| Total Short Term Funded | | | 130.0 | 251.9 | |
| Short Term | Mutual Trust Bank Ltd | LC (Sight) | 450.0 | 310.0 | 31/12/2021 |
| | | BG | 3.1 | 3.0 | 31/10/2021 |
| Total Short Term Non-Funded | | | 453.1 | 313.0 | |
| Total Short Term | | | 583.1 | 564.9 | |
| Grand Total | | | 924.5 | 823.2 | |

Note:

- Bank liabilities are based on 30/11/2021
- Figures in million

## Appendix – 2: Key Financial Indicators of Quasem Industries Limited

Key Financial Indicators

| Categories | Particulars (Mil. BDT) | Year ended June 30 | | | | |
|---|---|---|---|---|---|---|
| | | 2021 | 2020 | 2019 | 2018 | 2017 |
| Earnings and Stability | Net Sales | 1,161.7 | 1,375.2 | 1,855.5 | 2,015.6 | 1,975.5 |
| | Net Sales Growth | -15.5% | -25.9% | -7.9% | 2.0% | 6.7% |
| | COGS as % of Net Sales | 78.3% | 79.1% | 81.7% | 81.8% | 81.0% |
| | EBITDA | 210.1 | 189.2 | 172.9 | 196.6 | 208.0 |
| | Net Profit after Tax | 91.6 | 44.2 | 48.8 | 79.3 | 95.7 |
| Profitability | Gross Profit Margin | 21.7% | 20.9% | 18.3% | 18.2% | 19.0% |
| | EBITDA Margin | 18.1% | 13.8% | 9.3% | 9.8% | 10.5% |
| | Operating Profit Margin | 9.9% | 9.1% | 6.6% | 7.5% | 8.4% |
| | Net Profit Margin | 7.9% | 3.2% | 2.6% | 3.9% | 4.8% |
| | Return on Average Asset (ROA) | 3.0% | 1.5% | 1.7% | 2.9% | 3.7% |
| | Return on Average Equity (ROE) | 4.6% | 2.3% | 2.5% | 4.1% | 4.9% |
| Liquidity and Working Capital Management | Current Ratio | 1.0 | 1.0 | 1.0 | 1.0 | 1.1 |
| | Quick Ratio | 0.3 | 0.3 | 0.3 | 0.2 | 0.4 |
| | Inventory | 581.2 | 574.2 | 499.3 | 541.0 | 413.0 |
| | Accounts Receivable | 28.1 | 27.0 | 48.5 | 21.3 | 38.5 |
| | Accounts Payable | 6.9 | 10.6 | 8.8 | 8.1 | 9.1 |
| | Days Inventory Outstanding (Days) | 232 | 180 | 125 | 106 | 92 |
| | Days Sales Outstanding (Days) | 9 | 10 | 7 | 5 | 8 |
| | Days Payable Outstanding (Days) | 4 | 3 | 2 | 2 | 2 |
| | Cash Conversion Cycle (Days) | 237 | 187 | 130 | 109 | 98 |
| Leverage and Capital Structure | Total Assets | 3,035.0 | 3,014.2 | 2,979.4 | 2,742.5 | 2,635.1 |
| | Equity | 2,013.3 | 1,952.9 | 1,952.8 | 1,904.7 | 1,990.0 |
| | Adjusted Equity* | 1,148.2 | 1,050.1 | 1,038.3 | 978.0 | 888.5 |
| | Total Liabilities | 1,021.7 | 1,061.3 | 1,026.5 | 837.8 | 645.2 |
| | Borrowed Fund | 658.9 | 720.7 | 711.6 | 552.4 | 489.5 |
| | Long Term Loan Outstanding | 88.4 | 104.4 | 138.4 | 12.8 | 20.2 |
| | Capital Expenditure | 53.9 | 48.7 | 154.4 | 154.9 | 96.0 |
| | Total Liabilities to Equity (x) | 0.5 | 0.5 | 0.5 | 0.4 | 0.3 |
| | Total Liabilities to Ad. Equity (x) | 0.9 | 1.0 | 1.0 | 0.9 | 0.7 |
| | Borrowed Fund/Equity (x) | 0.3 | 0.4 | 0.4 | 0.3 | 0.2 |
| | Borrowed Fund/Ad. Equity (x) | 0.6 | 0.7 | 0.7 | 0.6 | 0.6 |
| | Borrowed Fund/EBITDA (x) | 3.1 | 3.8 | 4.1 | 2.8 | 2.4 |
| | Fund Flow from Operations (FFO) | 145.4 | 107.0 | 101.1 | 129.1 | 140.8 |
| | Cash Flow from Operations (CFO) | 149.5 | 71.3 | 91.6 | 52.4 | 131.6 |
| | Retained Cash Flow (RCF) | 118.0 | 41.9 | 91.6 | 52.4 | 111.3 |
| | Free Cash Flow (FCF) | 64.1 | (6.8) | (62.8) | (102.6) | 15.4 |
| | CFO to Borrowed Fund (x) | 0.2 | 0.1 | 0.1 | 0.1 | 0.3 |
| | FCF to Borrowed Fund (x) | 0.10 | (0.0) | (0.09) | (0.2) | 0.0 |
| Coverage | Financial Expenses | 45.2 | 67.5 | 55.5 | 41.1 | 35.4 |
| | TIER | 3.5 | 1.9 | 2.2 | 3.6 | 4.6 |
| | DSCR | 2.5 | 2.0 | 4.0 | 4.7 | 3.3 |

Source: Figures are based on Financial Statements audited by Shiraz Khan Basak & Co. Chartered Accountants (unqualified).

Note: Calculation Considerations–

- EBIT = Net Profit + Tax + Financial Expenses
- Equity adjusted for revaluation surplus
- Borrowed Fund = Lease Liabilities & Borrowing (current & non-current portion) + Loan & Bank Overdraft
- Cash Flow from Operation is calculated as Net Profit after Tax plus Depreciation Expenses plus Net Changes in Working Capital (considering the net changes in all Current Assets and Current Liabilities excluding Cash & Cash Equivalents and Loan-Lease Amounts)

## Appendix – 3: Rating History

| Particulars | Ratings |
|---|---|
| Quasem Industries Limited | $A_1$ |
| BDT 136.2 million Long Term Outstanding | $A_1$ (Lr) |
| BDT 260.0 million Short Term Fund Limits | ST-3 |
| BDT 340.0 million Short Term Non-Fund Based Limits | ST-3 |
| Outlook | Stable |

Date of Rating: 10 December 2020

Rating based on: Audited financial statements up to 30 June 2020, bank liability position as on 31 October 2020 and other relevant quantitative & qualitative information up to the date of rating declaration.

| Particulars | Ratings |
|---|---|
| Quasem Industries Limited | $A_1$ |
| BDT 145.9 million Long Term Outstanding | $A_1$ (Lr) |
| BDT 150.0 million Cash Credit (CC) Limit* | $A_1$ (Lr) |
| BDT 700.2 million Short Term Fund & Non-Fund Based Limits | ST-3 |
| Outlook | Stable |

Date of Rating: 28 December 2019

Rating based on: Audited financial statements up to 30 June 2019, bank liability position as of 27 November 2019 and other relevant quantitative & qualitative information up to the date of rating declaration.

| Particulars | Ratings |
|---|---|
| Quasem Industries Limited | $A_1$ |
| BDT 18.9 million Long Term Outstanding | $A_1$ (Lr) |
| BDT 150.0 million Cash Credit (CC) Limit* | $A_1$ (Lr) |
| BDT 238.3 million Short Term Fund Based Limit | ST-3 |
| BDT 340.0 million Short Term Non-Fund Based Limit | ST-3 |
| Outlook | Stable |

Date of Rating: 06 December 2018

Rating based on: Audited financial statements up to 30 June 2018, bank liability up to 1 November 2018 and other relevant quantitative & qualitative information up to the date of rating declaration.

| Particulars | Ratings |
|---|---|
| Quasem Industries Limited | $A_1$ |
| BDT 28.5 million Long Term Outstanding | $A_1$ (Lr) |
| BDT 150.0 million Cash Credit Limit | $A_1$ (Lr) |
| BDT 379.0 million Short Term Funded and Non-Funded Limits | ST-3 |
| Outlook | Stable |

Date of Rating: 13 December 2017

Rating based on: Audited financial statements up to 30 June 2017, Bank Liability position as on 01 November 2017 and other relevant quantitative as well as qualitative information up to the date of ratings declaration.

| Particulars | Ratings |
|---|---|
| Quasem Industries Limited | $A_2$ |
| BDT 44.4 million Long Term Outstanding | $A_2$ (Lr) |
| BDT 150.0 million Cash Credit Limit | $A_2$ (Lr) |
| BDT 260.6 million Short Term Funded and Non-Funded Limits | ST-3 |
| Outlook | Stable |

Date of Rating: 17 November 2016

Rating based on: Audited financial statements up to 30 June 2016, Bank Liability position as on 30 September 2016 and other relevant quantitative as well as qualitative information up to the date of ratings declaration.

CRAB RATING SCALES AND DEFINITIONS – LONG TERM (CORPORATE)

| LONG TERM RATING | DEFINITION |
|---|---|
| AAA<br>Triple A | Companies rated in this category have extremely strong capacity to meet financial commitments. These companies are judged to be of the highest quality, with minimal credit risk. |
| $AA_1$, $AA_2$, $AA_3$*<br>Double A | Companies rated in this category have very strong capacity to meet financial commitments. These companies are judged to be of very high quality, subject to very low credit risk. |
| $A_1$, $A_2$, $A_3$<br>Single A | Companies rated in this category have strong capacity to meet financial commitments, but are susceptible to the adverse effects of changes in circumstances and economic conditions. These companies are judged to be of high quality, subject to low credit risk. |
| $BBB_1$, $BBB_2$, $BBB_3$<br>Triple B | Companies rated in this category have adequate capacity to meet financial commitments but more susceptible to adverse economic conditions or changing circumstances. These companies are subject to moderate credit risk. Such companies possess certain speculative characteristics. |
| $BB_1$, $BB_2$, $BB_3$<br>Double B | Companies rated in this category have inadequate capacity to meet financial commitments. Have major ongoing uncertainties and exposure to adverse business, financial, or economic conditions. These companies have speculative elements, subject to substantial credit risk. |
| $B_1$, $B_2$, $B_3$<br>Single B | Companies rated in this category have weak capacity to meet financial commitments. These companies have speculative elements, subject to high credit risk. |
| $CCC_1$, $CCC_2$, $CCC_3$<br>Triple C | Companies rated in this category have very weak capacity to meet financial obligations. These companies have very weak standing and are subject to very high credit risk. |
| CC<br>Double C | Companies rated in this category have extremely weak capacity to meet financial obligations. These companies are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest. |
| C<br>Single C | Companies rated in this category 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. These companies are typically in default, with little prospect for recovery of principal or interest. |
| D<br>(Default) | 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*

## LONG-TERM RATING: LOANS/FACILITIES FROM BANKS/FIS

*(All loans/facilities with original maturity exceeding one year)*

| RATINGS | DEFINITION |
|---|---|
| AAA (Lr)<br>(Triple A)<br>Highest Safety | Loans/facilities rated AAA (Lr) are judged to offer the highest degree of safety, with regard to timely payment of financial obligations. Any adverse changes in circumstances are unlikely to affect the payments on the loan facility. |
| AA (Lr)*<br>(Double A)<br>High Safety | Loans/facilities rated AA (Lr) are judged to offer a high degree of safety, with regard to timely payment of financial obligations. They differ only marginally in safety from AAA (Lr) rated facilities. |
| A (Lr)<br>Adequate Safety | Loan/facilities rated A (Lr) are judged to offer an adequate degree of safety, with regard to timely payment of financial obligations. However, changes in circumstances can adversely affect such issues more than those in the higher rating categories. |
| BBB (Lr)<br>(Triple B)<br>Moderate Safety | Loans/facilities rated BBB (Lr) are judged to offer moderate safety, with regard to timely payment of financial obligations for the present; however, changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal than for issues in higher rating categories. |
| BB (Lr)<br>(Double B)<br>Inadequate Safety | Loans/facilities rated BB (Lr) are judged to carry inadequate safety, with regard to timely payment of financial obligations; they are less likely to default in the immediate future than instruments in lower rating categories, but an adverse change in circumstances could lead to inadequate capacity to make payment on financial obligations. |
| B (Lr)<br>High Risk | Loans/facilities rated B (Lr) are judged to have high risk of default; while currently financial obligations are met, adverse business or economic conditions would lead to lack of ability or willingness to pay interest or principal. |
| CCC (Lr)<br>Very High Risk | Loans/facilities rated CCC (Lr) are judged to have factors present that make them very highly vulnerable to default; timely payment of financial obligations is possible only if favorable circumstances continue. |
| CC (Lr)<br>Extremely High Risk | Loans/facilities rated CC (Lr) are judged to be extremely vulnerable to default; timely payment of financial obligations is possible only through external support. |
| C (Lr)<br>Near to Default | Loans/facilities rated C (Lr) are currently highly vulnerable to non-payment, having obligations with payment arrearages allowed by the terms of the documents, or obligations that are subject of a bankruptcy petition or similar action but have not experienced a payment default. C is typically in default, with little prospect for recovery of principal or interest. C (Lr) are typically in default, with little prospect for recovery of principal or interest. |
| D (Lr)<br>Default | Loans/facilities rated D (Lr) are in default or are expected to default on scheduled payment dates. |

**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.*

## SHORT-TERM CREDIT RATING: LOANS/FACILITIES OF BANKS/FIS

*(All loans/facilities with original maturity within one year)*

| RATINGS | DEFINITION |
|---|---|
| ST-1<br>Highest Grade | This rating indicates that the degree of safety regarding timely payment on the loans/facilities is very strong. |
| ST-2<br>High Grade | This rating indicates that the degree of safety regarding timely payment on the loans/facilities is strong; however, the relative degree of safety is lower than that for issues rated higher. |
| ST-3<br>Adequate Grade | This rating indicates that the degree of safety regarding timely payment on the loans/facilities is adequate; however, the issues are more vulnerable to the adverse effects of changing circumstances than issues rated in the two higher categories. |
| ST-4<br>Marginal | This rating indicates that the degree of safety regarding timely payment on the loans/facilities is marginal; and the issues are quite vulnerable to the adverse effects of changing circumstances. |
| ST-5<br>Inadequate Grade | This rating indicates that the degree of safety regarding timely payment on the loans/facilities is minimal, and it is likely to be adversely affected by short-term adversity or less favorable conditions. |
| ST-6<br>Lowest Grade | This rating indicates that the loans/facilities are expected to be in default on maturity or is in default. |

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CREDIT RATING

# REPORT



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