



December 30, 2024

Mr. Ihtesham B. Shahjahan
Managing Director
Quality Feeds Limited
House -14, Road – 7
Sector- 4, Uttara,Dhaka

Subject: Credit Rating of 'Quality Feeds Limited'

Dear Sir,

We are pleased to inform you that Emerging Credit Rating Limited (ECRL) has affirmed the following ratings to **Quality Feeds Limited**.

Valid From	Valid Till	Rating Action	Long Term Rating	Short Term Rating	Outlook
January 01, 2025	December 31, 2025	Surveillance-13	AAA	ST-1	Stable
January 01, 2024	December 31, 2024	Surveillance-12	AAA	ST-1	Stable
January 01, 2023	December 31, 2023	Surveillance-11	AAA	ST-1	Stable

Long term and short term ratings are valid up to limit expiry date of respective credit facility or **December 31, 2025** whichever is earlier. The ratings may be changed or revised prior to expiry, if warranted by extraordinary circumstances in the management, operations and/or performance of the entity rated.

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

Yours Sincerely,

Arifur Rahman, FCCA, FCA, CSAA
Chief Executive Officer

Enclosed: Five Copies of Credit Rating Report of Quality Feeds Limited

Credit Rating Report
Of
Quality Feeds Limited



EMERGING

Credit Rating Ltd

Quality Feeds Limited

Credit Rating Report (Agreement No-2022-12-28-68661)

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January 01, 2025	December 31, 2025	Surveillance-13	AAA	ST-1	Stable
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January 01, 2023	December 31, 2023	Surveillance-11	AAA	ST-1	Stable

Date of Incorporation : December 4, 1995

Managing Director : Mr. Ihtesham B. Shahjahan

Authorized Capital : BDT 200.00 Million

Paid up Capital : BDT 48.54 Million (As on June 30, 2024)

Total Assets : BDT 12,354.32 Million (As on June 30, 2024)

Bank Loan Limit : Working Capital **BDT 12,915.00 Million**

Contact Analysts : Pushpita Tanvi Kanon pushpita@emergingrating.com
Prosenjit Datta Kanongo prosenjit@emergingrating.com

**Credit
Analysis**

Entity Rating


Arifur Rahman FCCA, FCA, CSAA
Chief Executive Officer
Emerging Credit Rating Limited

Emerging Credit Rating Ltd

CREDIT ANALYSIS

Entity Rating

2025 Surveillance Review

Quality Feeds Limited

Major Rating Factors

- Strengths**
- ☞ Strong distribution network complemented by a well-designed marketing strategy
 - ☞ Benefiting from group exposure and supported by backward linkage
 - ☞ Enhancement of production capacity and capacity utilization
 - ☞ Ensuring product quality through effective quality control management
 - ☞ Ascending trend of revenue

- Challenge/ Risks**
- ☞ Increasing dependency on debt finance
 - ☞ Rising interest rate would increase finance cost
 - ☞ Raw material price fluctuation would increase material procurement cost

Rationale Emerging Credit Rating Limited (ECRL) has affirmed **AAA** (Pronounced as Triple A) long term credit rating and **ST-1** short term credit rating to Quality Feeds Limited (hereafter referred to as 'QFL' or 'the company'). The outlook on the rating is **Stable**. The ratings are consistent with ECRL's rating methodology for this type of company. Quality Feeds Limited (QFL) specializes in the production of diverse feeds for the fish and poultry industry in Bangladesh. The company's primary focus includes manufacturing fish, shrimp, poultry, cattle, and aquarium feeds, among others. ECRL considered financial performance, scale of business, management experience and prospect of the industry while assigning the rating. The rating is based on audited financial statement of FY2021-FY2024 as well as other quantitative and qualitative factors.

Quality Feeds Limited (QFL) is a leading feed manufacturer committed to producing and promoting high-quality animal feed products with strict hygiene standards for farmers. With strong ties to industry pioneers, QFL distributes poultry, fish, shrimp, and cattle feed across Bangladesh through 09 Zonal Offices, 29 Regional Offices, 24 Sales Depots, 10 Poultry Diseases Diagnosis Labs, and 2 Fish Diseases Diagnosis Lab, supported by 1,050 plus agents. Renowned for its quality and reliability, QFL operates 19 independent plants capable of producing pellet and mash feed. Strategically located in Gazipur and Bogura, the company's three factories have a combined production capacity of 779,054 MT per year, establishing it as a major player in the feed industry.

In FY2024, QFL achieved 15.49% revenue growth, reaching at BDT 21,984.04 million, driven by a 12.80% increase in marketing and promotional investments. The cost of goods sold (COGS) also rose by 14.86% to BDT 20,479.58 million during that year, primarily due to a 322.83% increase in inventory at the end of FY2023 in anticipation of higher sales. Despite the rise in costs, gross profit margin improved to 6.84% in the year under review from 6.34% in the previous year, supported by stronger revenue growth than that of COGS. However, a 25.14% increase in total borrowings led to a 78.19% rise in finance costs, while tax expenses rose by 13.65%. As a result, the net profit margin remained steady at 1.77%, reflecting the offsetting impact of higher financing and tax costs against improved operational performance.

In FY2024, QFL relied heavily on short-term borrowings and accounts payable to meet its working capital needs, with short-term financing accounting for 75.15% of



total current liabilities in FY2024, up from 69.04% in FY2023. Furthermore, cash flow from operating activities (CFO) declined to BDT 702.35 million from BDT 811.44 million in FY2023, primarily due to a 34.38% rise in inventory, despite a 25.26% increase in short-term financing. According to the audited financial statements, in FY2024, the debt-to-equity ratio increased to 1.60 times, up from 1.42 times in FY2023, reflecting higher dependence on borrowed funds. Additionally, 69.00% of total assets were financed through liabilities in FY2024, indicating a greater reliance on external financing over internal equity.


Quality Feeds Limited has continued their banking relationship with different banks. The company has access to BDT 12,915.00 million working capital loans, whereas it avails only BDT 5,535.26 million loans. According to the banker's certificate, the company has consistently met its payment obligations, demonstrating a regular and timely repayment record.

The outlook of the rating is **Stable**. It reflects the future trend of the business, flexibility of the debt performance and ability of efficient working capital management which can be termed as vital indicators.

Exhibit 1: Financial Highlights: Quality Feeds Limited

FYE 30 June	2024	2023	2022	2021
Revenue (BDT in Million)	21,984.04	19,035.88	17,804.09	11,502.32
Revenue Growth (%)	15.49	6.92	54.79	2.25
COGS (BDT in Million)	20,479.58	17,829.91	16,768.14	10,752.67
COGS Growth (%)	14.86	6.33	55.94	1.86
Gross Profit Margin (%)	6.84	6.34	5.82	6.52
Operating Profit Margin (%)	3.71	3.04	2.69	3.38
Net Profit Margin (%)	1.77	1.76	2.04	2.78
Current Ratio (x)	0.83	0.85	0.81	0.78
Cash Conversion Cycle (Days)	47	20	(6)	(13)
Debt to Equity Ratio (x)	1.60	1.42	0.97	0.87
ROA (%)	3.14	3.14	6.04	6.04
ROE (%)	10.05	9.63	15.34	15.95
CFO (BDT in Million)	702.35	811.44	555.53	339.03

FY2021-2024 data obtained from audited financial statements


 Arifur Rahman FCCA, FCA, CSAA
 Chief Executive Officer
 Emerging Credit Rating Limited



A. BUSINESS DESCRIPTION

A.1. Company Background

Quality Feeds Limited established on December 4, 1995, stands as a key player in the feed industry. In order to consolidate its foot hold in Bangladesh economy and to reduce risk the entity expanded in related industries by establishing new companies. These companies were opened in order to establish to service one single target market, the farmers of Bangladesh. The names of the companies and their purpose are given below.

Exhibit 2: Sister concerns of Quality Feeds Limited

Name of the Business	Nature of Business	Type of Business
Quality Breeders Limited	Poultry feed, poultry breeding, hatching, fish hatcheries, prawn/shrimp hatchery, poultry farming, dairy farming, fish farming, agricultural farming, pisciculture, horticulture	Private Limited
Quality Aquabreeds Limited	Fish fry hatching, fish hatcheries, prawn/shrimp hatchery, fish farming, fish culture, fish processing plants, cold storage, ice plants, freezing plants, agricultural farming	Private Limited
Quality Integrated Ago Limited	Manufacturing, processing and marketing of agriculture products.	Private Limited
Quality Printing Packaging Limited	Produces Poly Propylene Woven Sacks for use in food grain, animal feed, fertilizer, cement, seed and other commercial and industrial uses.	Private Limited
Quality Livestock Limited	Sustainable farming, processing and marketing of premium grade cattle, mutton and chicken products	Private Limited
Quality Hospitality Limited	Q Hotel & Suite is an ongoing project	Private Limited

The vision of the company is to produce high quality and safe feed. In order to achieve this vision the company has set the following missions

- Developing employee capability at all levels.
- Provide value for money to their customer.
- Focus on research and development to improve existing product lines.
- Developing market network for easy access for their products to their customers.
- Create long term relationships and mutual benefits with customers, business partners, employees, joint ventures and shareholders.

The company sets most of its policies to complete these missions; as a result it uses quality machineries for production and concentrates highly on distribution, marketing and public relations.

A.2. Products, Capacity Utilization & Infrastructure:

The entity concentrates on producing four types of products which are fish feed, shrimp feed, poultry feed and cattle feed. In addition, the company has launched aquarium feed in its product line. QFL sells products of different quality in order to differentiate its products; the entity offers these products under different brand names in a range of prices, which are used to feed broiler chicken, layer chicken, Pangush fish, Carp fish and shrimps.

These products are produced from three factories one in Gazipur which was established in 1995 on 3.60 acre approximately and the other two are in Bogra (Unit 1 & Unit 2) established in 2004 and 2013 respectively built on 5.97 acre and 3.30 acre approximately. QFL has installed a number of separate plants in these two factories in order to produce different types of feed meals. Gazipur factory has four production plants; of those four plants three are imported from Germany, Netherland and Italy, the other one is locally made. Bogra factory unit 1 uses 7 plants for production purpose, among these plants, 3 are of Italian origin; one Chinese and the rest four are assembled locally. The



12th floating feed plant of the company is situated in Bogra which has a production capacity of 8 MT. These machines are maintained by QFL maintenance team and the spare parts are imported.

QFL produces and distributes poultry, fish, shrimp, and cattle feed throughout Bangladesh through 04 Sector Office, 09 Zonal Offices, 29 Regional Offices, 24 sales Depots, 10 Poultry Diseases Diagnosis Lab, and 02 Fish Diseases Diagnosis Lab with the contribution of more than 1,200 outlets. QFL has over the years become synonymous with quality & a trusted partner as a feed manufacturer in Bangladesh. The Company has 19 independent plants capable of producing both pelleted feed and mash feed. The plants are strategically located in Gazipur and Bogura. The total installed output capacity is 5,50,000 metric tons per year.

QFL has the ability to produce 40.00 MT of feed per hour in Gazipur plant and 35 MT per hour in Bogra factory (Unit 1) and 34 MT in Bogra factory (Unit 2). The factories are operated for 9 hours in two shifts every day during normal times however in July, August and September which is the peak season for feed production the factories are run for 22 hours using two shifts. The detailed capacity and capacity utilizations are given below.

Exhibit 3: Capacity utilization details: Quality Feeds Ltd

Year	Gazipur		Bogra Unit -1		Bogra Unit -2 (Nandigram)	
	Capacity in MT	Utilization in MT	Capacity in MT	Utilization in MT	Capacity in MT	Utilization in MT
2009	1,85,472	1,12,874	77,000	55,930	-	-
2010	1,85,472	1,38,149	1,24,000	97,010	-	-
2011	1,85,472	1,20,158	2,62,000	1,36,584	-	-
2012	1,85,472	98,086	2,62,000	1,21,413	-	-
2013	1,37,280	1,14,436	2,05,920	1,30,851	17,160	12,219
2014	1,37,280	81,816	2,05,920	1,12,345	34,320	26,466
2015	1,37,280	1,06,071	2,05,920	1,05,786	34,320	31,354
2016	1,71,600	1,25,900	1,81,896	1,23,719	96,096	60,776
2017	1,93,440	1,44,217	1,77,840	1,30,479	1,12,320	70,854
2018	2,12,784	1,17,518	1,95,624	1,08,864	1,30,416	62,937
2019	2,19,648	1,33,473	2,14,157	1,17,725	1,30,416	84,509
2020	2,19,648	1,41,671	2,14,157	1,43,212	1,87,730	1,04,267
2021	2,05,920	1,38,496	2,40,240	1,41,409	2,36,798	1,01,674
2022	2,05,920	1,19,656	2,40,240	1,23,510	2,36,798	1,02,012
2023	2,33,376	1,09,327	2,40,240	1,12,258	2,36,798	1,12,240
2024	2,74,560	1,23,442	2,67,696	1,36,762	2,36,798	1,04,240

A.3. Raw Materials, Production Process, Buyers, Suppliers and Competitors

In order to produce feed, the raw materials are acquired from a number of suppliers all over the country. Primarily the firm produces feed using rice polish, maize, soyabean extraction and number of various vitamins and chemicals etc. These materials go through series of steps before completing into finished goods. The complexity of the production process varies from unit to unit, as different units are used to produce different feeds. The most complex production process is used to in shrimp feed production and the simplest process is used to produce mashed poultry feed and cattle feed. The process is given below:

Exhibit 4: Basic production process



The above diagram exhibits the most basic feed making process which is used to produce mash, however in order to produce shrimp feed the raw materials needs to be mixed after hammering then it is classified before passing it through the mixer once again. The materials are then conditioned,



after that the foreign particles are taken out using an extruder; subsequent to which the materials are dried using a dryer and oil coated using an oil coater. Finally, the end product is cooled then shifted and bagged.

The company acquires raw materials from both local and international market. For example, maize is acquired both locally and globally. The firm acquires rest of the raw materials from all over Bangladesh. It sells its products using different brands in order to differentiate its value offerings, in a wide price range attracting as many clients as possible. After production QFL sells its products in two ways, either by sending them directly to the sales depots or by directly selling them from the factory. The entity mainly sales its products to its agents and then the agents sell it to the regular clients. The industry in which the company operates is a competitive one, there are small, medium and large companies operating in the industry. The QFL is a large player in its industry; it directly competes with the industry giants. The details of QFL's competitors and suppliers are given below:

Exhibit 5: List of major competitors and suppliers

Major Suppliers	Major Competitors
Modina Trading/ DASF Feed Ingredients	Nourish Poultry and Hatchery Limited
Nabil Trading Corporation/Promotive Enterprise	CP/ACI Godrej Agrovet
Nazrul Enterprise/Trade Link International	Paragon/ Kazi Farms
Sonargaon Feed Crushing Ltd	R R P

A.4. Marketing Strategies

QFL does detailed marketing research in order to understand the industry. It employs leading experts of poultry feed and fish feed to visit various rural customers in order to try to understand their needs and customize its products accordingly. Furthermore, in order to ensure maximum coverage, the company sells its product from various sales depots all over the country. At present, there are 24 sales depots all over the country. In order to penetrate the market farther the company has assigned 1,187 dealers all over the country. In order to coordinate between various sales centers and depot the company uses computer software called Amader Cloud. Moreover, the company has invested around BDT 139.64 million in promotion in the latest financial year of 2023-2024. The newly introduced aquarium feeds are marketed in the brand name of Quality Gold and Quality Platinum and are available at different birds and aquarium shops in around 24 districts of the country.

A.5. Quality Control

In order to achieve the company's vision, QFL tests all its raw materials, and products. Before the products reach the farmers, they are tested for moisture, ash, crude fiber and fat, total proximate, protein solubility, per oxide value, non-protein nitrogen, ammonia, PH, free fatty acid value and finally for hardness.

The company also runs a poultry diagnostic lab where the chickens can be subjected to HI test, Bacteriological test, Salmonella test, chicken culture test and at last for Bacterial load. In addition, the QFL also performs microscopic examination of protozoa, mycological examination and histopathology & post mortem examination. QFL concentrates in checking the quality of raw materials in order to maintain a certain standard. It specifically checks the protein level in the raw materials, if the protein level is low then it adds extra protein in the material. In addition, QFL also produces in batch so that if any one bag is not up to the mark, then QFL can trace all the bags produced in that batch and call them off from the market. The company has implemented new automated machinery for the loading and unloading of raw materials, resulting in a reduction of both loading/unloading times and reduced labor.



B. INDUSTRY ANALYSIS

Bangladesh animal feed market is experiencing rapid growth, primarily driven by the poultry sector. The increased demand for chicken meat and eggs over the past decade has fueled the expansion of the poultry industry, which in turn boosts the demand for animal feed. This trend is expected to continue, leading to a significant rise in the demand for animal feed in the coming years. Despite economic challenges such as inflation and weak currency, the feed industry remains strong. In 2024, the government launched a BDT 7,000 crore project, mainly financed by the World Bank, to enhance commercial farming and accelerate agricultural exports by promoting safe food production. The volume of agricultural produce in the country reached 93.3 million tonnes and its value amounted to USD 36.11 billion, according to FAO's data.

According to 6Wresearch, the market size of the Bangladesh animal feed industry is projected to grow at a CAGR of 6.76% during the forecast period from 2024 to 2030. The growth of the livestock industry, supported by government initiatives to improve living standards through increased livestock farming, is a major driver.

Overview of feed industry

According to data from the Feed Industries Association of Bangladesh (FIAB), the amount of investment in this sector is about BDT 28,000 crore at present, with an annual production capacity of about 80 lakh tonnes of feed, exceeding the local demand. Currently, this feed industry plays a major role in supplying food to the 44 crore livestock population, including cows, buffaloes, goats, sheep, donkeys, and chickens, as well as fish farms.

The feed industry, as a backward linkage of protein production, supplies 65.70 lakh tonnes of feed per year to this huge livestock population, directly connected with the food and nutrition security of people across the country. FIAB says feed mills supply 85.00% of the country's fish and animal feed needs. A portion of the family farms' animal feed comes from grass, hay, and human food scraps, as it used to before the commercialization of the livestock sector.

The majority of Bangladeshi feed businesses create dairy, poultry, and fish feed. Some businesses don't make dairy feed, though. The feed industry supplies three major sub-sectors of poultry, cattle, and fish, which saw significant growth over the year witnessing a 161% jump in production over the last seven years with a growth rate of 12-15%. The poultry sector consumes 62.9% of feed, cattle 14.00% and fish 23.00%.

According to FIAB data, the consumption of feed is highest in the poultry sector because commercial poultry is entirely dependent on industrial feed. The poultry sector's consumption of feed is 45.40 lakh tonnes, followed by fish farms at 13.60 lakh tonnes, and dairy/cattle feed at 6.70 lakh tonnes. The Livestock Economy data of the Department of Livestock Services (DLS) states that the number of livestock populations in the country is more than 44 crores. Out of this, the production of meat is 87 lakh tonnes, milk production is 1.4 crore tonnes, and egg supply is 2,337 crore pieces. Additionally, the country's fish production exceeds 47 lakh tonnes, with the supply of farmed fish from ponds reaching 21.66 lakh tonnes, according to Department of Fisheries data, most of which comes from commercial farming. Bangladesh is the fifth largest aquaculture producer in the world, and uses commercial fish feeds extensively. The feed industry meets the needs of all this commercial farming.

Export receipts for the past eight months reached USD 637 million, a slight increase from the same period last fiscal year, which stood at USD 615 million. According to International Business Forum of Bangladesh (IBFB), the country didn't face any supply crisis due to the continuing local grain supply. Furthermore, adoption of alternative protein sources like soybean and maize is a significant trend that has contributed to the market's expansion, offering benefits in animal performance and reducing feed costs. The abundant availability of rice bran, a by-product of rice milling, presents a significant opportunity for market players.

Raw material

The main raw materials for feed mills are soybean and maize, but domestic production falls short of demand. Insufficient domestic production of these key ingredients leads to high poultry feed prices, affecting the cost of eggs and broiler chicken, particularly for middle and lower-income groups. In the 2024-25 marketing year, soybean meal consumption in Bangladesh's feed industry is projected to reach 2.65 million tonnes, marking a 150,000-tonne increase from the previous year. Other

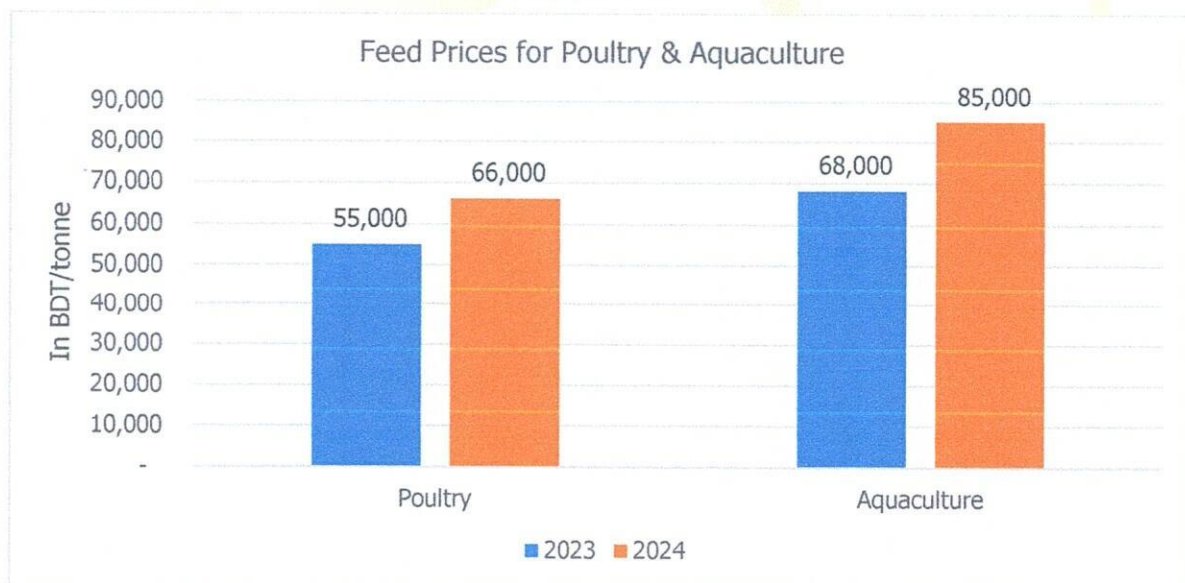


ingredients used include wheat-offal, meat and bone-meal, noodle-wastes, oyster-shells, minerals, common-salt, fish-meal etc. with feed formulas varying despite similar production procedures for all livestock feeds.

In Bangladesh, maize traditionally dominates feed ingredients, but due to rising international prices, broken-rice and bran are replacing maize. Despite economic challenges, the demand for feed is growing, driven by expansions in commercial poultry farms. The Feed Industries Association of Bangladesh anticipates feed production to reach 10 million tonnes by 2030. Soybean meal consumption is expected to rise, leading to increased imports of soybean and soybean meal in the coming marketing year.

High Feed Prices in 2024

The USDA report highlights that feed prices for poultry, aquaculture, and cattle in Bangladesh are expected to remain high throughout 2024. As of December 2023, poultry feed prices rose by 20% to Tk 66,000 per tonne, and aquaculture feed prices increased by 25% to Tk 85,000 per tonne. The cost surge is attributed to the elevated prices of key feed ingredients, exacerbated by the devaluation of the local currency against the US dollar and challenges in opening letters of credit for imports. Despite these high prices, demand for feed continues to grow due to the expanding poultry, aquaculture, and dairy sectors, with commercial farms increasing operations and the use of formulated feed rising. The report notes that the feed industry produced 66 million tonnes in 2022 and forecasts production to reach one crore tonnes by 2030. Imports of soybeans and soybean meal are also expected to rise to meet the increasing demand.



Source: USDA Grain and Feed Update, Bangladesh, 2024

Bangladesh relies on imports to meet its annual corn demand of 7.00-7.50 million metric tons (MT), with domestic production only reaching 5 million MT. This corn is used for both food and feed production. Meanwhile, the use of wheat in animal feed has decreased due to high prices, with a forecasted consumption of only 250 thousand MT for the FY 2023-2024, unchanged from the USDA's official forecast.

Economic and Trade Impacts

Bangladesh is expected to import significantly less corn in the current FY 2023-2024. The revised forecast is down 33.00% from the USDA's official estimate and 40% lower than earlier projections, at just 1.2 million metric tons. This decrease is attributed to a slowdown in the economy and challenges faced by the feed industry. Meanwhile, the government is struggling to buy wheat from local farmers due to high market prices exceeding their set purchase price. As of November 2023, public granaries hold only 161 thousand MT of wheat, and the government is aiming to fill these reserves by importing 700 thousand MT through international tenders and government agreements.



C. BUSINESS RISK ANALYSIS

C.1. Threat from its Competitors:

In a competitive business landscape, companies typically encounter rivals unless operating within a monopolistic framework. It becomes imperative for a company to cultivate competitive advantages to thrive, as a lack thereof could result in suboptimal performance. QFL, recognizing this reality, has chosen to distinguish itself in the market by prioritizing the delivery of high-quality services and products. Complementing this approach, the company strategically executes nationwide promotional campaigns to maximize its market share. Despite the effectiveness of its marketing endeavors, QFL acknowledges that a comprehensive strategy must include a detailed analysis of its peers. This analytical process allows the company to gain insights into its own position within the market and to understand the competitive landscape. Despite facing formidable competition from other major players, QFL maintains its status as the leader in the aqua feed industry.

C.2. Significant Impact on Raw Material Purchase Price:

As outlined in the industry analysis, the surge in prices of imported raw materials has placed considerable upward pressure on production costs. Despite this, feed manufacturers have found it challenging to pass on these cost increases to consumers due to intense competition within the industry. Additionally, the company faces heightened risk due to fluctuations in foreign exchange rates, given that a significant portion of raw materials is sourced internationally in foreign currencies, while the final products are sold in the local currency.

C.3. Operating Risk Management:

One of the biggest risks of a manufacturing plant is break down of machineries due to poor maintenance. Since the machineries are very sophisticated once it breaks down it is expensive to repair and furthermore in order to manufacture feed the company deals with a lot of combustible materials as a result the company faces a high chance of fire hazard. Furthermore, the company also keeps cash in the factory on each Friday and Saturday of every week as on those days most of the financial institutions remains closed. This leaves QFL exposed to theft and robbery. To negate these risks, the entity in discussion has purchased cash in transit, cash in safe and Burglary & Housebreaking insurance policy. In case of workplace accident to finance the victim's treatment and the company has purchased personal accident policy. In addition, in order to protect its machineries QFL has purchased fire insurance policies from the same insurance company.

C.4. Exchange Rate Risk

Currency depreciation or appreciation of major export and import destination has tremendous impact on the cost and revenue profile of the related parties. In recent past, appreciation of US Dollar against BDT has put an impact on the import proceeds of the country. Exchange rate fluctuations are dependent on various macroeconomic variables that determine revenues and costs/expenses a company earns and incurs. In some cases, currency movement favors a company or leaves it incurring monetary losses. Since, NAL imports its raw accessories from abroad; the concern is severely exposed to exchange rate risk. To get the competitive exchange rate towards management of foreign exchange risk against functional currency, the commercial department deals with several banks for each transaction.

C.5. Supply Chain Disruption Risk

QFL procures its raw materials from different local and global suppliers. Moreover, the raw materials come from natural and agricultural sources. Hence, Delays or disruptions in the supply chain of raw materials, whether due to logistical challenges, natural disasters, or geopolitical instability, can lead to production delays and shortages, affecting Quality Feed's ability to meet customer demand. For instance, recent flood happened on August 2024, affected 73 upazilas (sub-districts) and 528 unions/municipalities across 11 districts in northeastern and southeastern Bangladesh. The disaster has affected an estimated 296,852 hectares of crops. Initial assessments estimate the financial losses in fisheries at USD 122 million and in livestock at USD 34 million. This situation may hamper the local raw material sources of feed industry and affect QFL's supply chain.



D. FINANCIAL RISK ANALYSIS

The rating process was based on qualitative aspects which are based on the company's policies in relation with the operating strategies, financial leverage, and ultimate financial goals of the companies. For this purpose of the overall financial risk assessment of the company, ECRL divided the financial portion into five different criteria which are Profitability Analysis, Liquidity Analysis, Cash flow Analysis, Asset Management, Capital Structure, and overall Financial Flexibility. Detailed analysis is presented below:

D.1. Profitability

Exhibit 8: Selected Indicators: Quality Feeds Limited.

FYE 30 June	2024	2023	2022	2021
Revenue (BDT in million)	21,984.04	19,035.88	17,804.09	11,502.32
Revenue Growth (%)	15.49	6.92	54.79	2.25
COGS (BDT in million)	20,479.58	17,829.91	16,768.14	10,752.67
COGS Growth (%)	14.86	6.33	55.94	1.86
Operating Income (BDT in million)	815.58	578.71	479.00	388.21
Net Profit After Tax (BDT million)	388.37	335.25	362.44	319.86
Gross Profit Margin (%)	6.84	6.34	5.82	6.52
Operating Profit Margin (%)	3.71	3.04	2.69	3.38
Net Profit Margin (%)	1.77	1.76	2.04	2.78
ROA (%)	3.14	3.14	6.04	6.04
ROE (%)	10.05	9.63	15.34	15.95

FY2021-2024 data obtained from audited financial statements

QFL carries out extensive market research and competitive analysis to understand customer needs and maintain a competitive edge in product design. Experts of the company gather insights by interviewing farmers and competitor products are analyzed in laboratories to improve QFL's products. Moreover, with 24 sales depots and a network of 1,187 dealers across the country, QFL guarantees broad product availability. Additionally, the company has introduced aquarium feed in 24 districts, further expanding its reach.

In FY2024, QFL has increased its investments in marketing and promotion, marking a 12.80% rise compared to the previous year. This enhanced promotional strategy led to a substantial 15.49% growth in revenue which stood at BDT 21,984.04 million during the period up from BDT 19,035.88 million in the prior year. By maintaining premium feed quality through rigorous in-house laboratory testing, the company continues to ensure customer satisfaction and sustain steady revenue growth across financial years. In line with revenue enhancement, cost of goods sold also increased by 14.86% and reached at BDT 20,479.58 million in FY2024 as opposed to BDT 17,829.91 million in the preceding year.

The company has predicted higher sales in FY2024 compared to FY2023, hence, it has maintained significant amount of inventory at the end of FY2023 which is notably 322.83% higher than the ending inventory maintained in FY2022. This substantial increase in the beginning inventory in FY2024 impacted the rise in cost of goods sold although raw material procurement cost slightly rose by 4.45% during that year. Nonetheless, since revenue growth surpassed the increase in cost of goods sold, gross profit margin of QFL decently rose at 6.84% during the year under review from 6.34% in FY2023. Together with that, owing to effective operating cost management, operating profit margin of QFL enhanced at 3.71% in the year under review from 3.04% in the previous year. However, in line with 25.14% increase in total borrowings, finance cost of QFL demonstrated significant rise of 78.19% in the reviewed year compared to previous year. Moreover, tax expense also increased by 13.65% in FY2024 compared to FY2023. As a result, net profit margin of the company remained almost the same in both FY2024 and FY2023 which stood at 1.77% in the reviewed year. Furthermore, Return on Assets (ROA) of QFL also remained at 3.14% both in the year under review and the previous financial year. On the contrary, Return on Equity (ROE) slightly rose to 10.05% in FY2024 from 9.63% in FY2023 primarily owing to higher net profit after tax increase (FY2024: 15.85%) as opposed to that in total shareholders' equity (FY2024: 11.02%).





D.2. Liquidity Analysis:

Exhibit 9: Selected Indicators: Quality Feeds Limited

FYE 30 June	2024	2023	2022	2021
Current Ratio (x)	0.83	0.85	0.81	0.78
Quick Assets Ratio (x)	0.28	0.38	0.67	0.67
Days Receivables (days)	11	13	13	18
Days Payable(days)	34	33	28	42
Inventory Turnover (days)	70	39	9	11
Cash Conversion Cycle (days)	47	20	(6)	(13)

FY2021-2024 data obtained from audited financial statements

To meet up working capital requirement, QFL primarily depends on short-term borrowings and accounts payable. Since revenue of the company demonstrated 15.49% growth in FY2024, the dependency on short-term financing has increased in FY2024 which comprised 75.15% of total current liabilities at the end of that year (FY2023: 69.04%). Apart from that, for smooth production and meet up customers' demand, QFL maintains substantial amount of inventory which made up 66.26% of overall current assets in FY2024. Hence, inventory turnover rose at 70 days at that year (FY2023: 39 days) resulting in higher cash conversion cycle at 47 days (FY2023: 20 days). As a result, the required days of converting cash invested in working capital back into cash increased during that year from that in the prior year.

D.3. Cash-flow Coverage

Exhibit 10: Selected Indicators: Quality Feeds Limited

FYE 30 June	2024	2023	2022	2021
CFO (BDT in million)	702.35	811.44	555.53	339.03
CFO Interest Coverage (x)	1.78	3.67	7.17	6.60
CFO Debt Coverage (x)	(0.12)	(0.40)	(0.08)	0.17
CFO Short-Term Debt Coverage (x)	(0.12)	(0.40)	(0.08)	0.17

FY2021-2024 data obtained from audited financial statements

In FY2024, cash flow from operating activities (CFO) moderately declined at BDT 702.35 million from BDT 811.44 million in FY2023. The decrease in CFO mainly due to 34.38% increase in inventory despite 25.26% increase in short-term financing. However, during that year, cash generation from operating activities was adequate to cover total finance cost although CFO interest coverage ratio fell at 1.78 times in FY2024 from 3.67 times in in the previous year.

D.4. Leverage & Capital Structure

Exhibit 11: Selected Indicators: Quality Feeds Limited

FYE 30 June	2024	2023	2022	2021
Debt-to-Equity (x)	1.60	1.42	0.97	0.87
Total Liabilities to Total Assets (x)	0.69	0.67	0.61	0.62
Short Term Debt Ratio (x)	1.60	1.41	0.97	0.87

FY2021-2024 data obtained from audited financial statements

According to the audited financial statement, QFL avails short-term borrowings from nine (9) banks along with lease liability. Therefore, the capital structure of the company has become more debt reliant in the recent years. In FY2024, debt to equity ratio stood at 1.60 times a decent rise from 1.42 times in FY2023. Moreover, to meet up working capital requirement and procure raw materials, it has taken credit facilities from two new banks while financing facilities with one bank has been adjusted. Furthermore, in FY2024, 69.00% of total assets of QFL are financed by total liabilities which also exhibits more dependence on external sources of funds rather than own fund. Moreover, short-term debt ratio stood at 1.60 times in FY2024, the same as debt-to-equity ratio at that year depicting that the company mainly relies on short-term debt finance rather than long-term borrowing.





D.5. Bank Facilities & Credit History

Exhibit 12: Bank Loan: Quality Feeds Limited

(As on December 14, 2024)

Bank	Mode	Outstanding (BDT in Million)	Limit (BDT in Million)
Prime Bank PLC. (As on December 14, 2024)	L/C (Sight/DP/UPAS)	613.45	1,600.00
	Acceptance (Inner limit of LC)	765.32	(1,600.00)
	MPI-TR	-	(1,600.00)
	Bai-Muajjal (Inner limit of MPI-TR)	311.88	(700.00)
	Bai-Salam (Inner limit of MPI-TR)	-	(50.00)
	Bank Guarantee (Inner limit of LC)	6.03	(50.00)
	Total	1,696.68	1,600.00
Bank Alfalah Limited (As on December 14, 2024)	SLC/ULC/DPLC	-	500.00
	TR/MTR	-	(500.00)
	STL/MLPO	-	(500.00)
	Total	-	500.00
Premier Bank PLC. (As on December 14, 2024)	LC	23.61	800.00
	ABP/Discounting	43.26	(800.00)
	Rev. LTR	139.01	(800.00)
	Total	205.88	800.00
BRAC Bank PLC. (As on December 14, 2024)	L/C	246.88	1,200.00
	Acceptance	58.04	(1,200.00)
	UPAS	539.51	(1,200.00)
	LATR	-	(1,200.00)
	RL-01	276.99	(1,200.00)
	RL-02	-	(500.00)
	BG	-	(500.00)
	OD	-	50.00
Total	1,121.42	1,250.00	
Eastern Bank PLC. (As on November 30, 2024)	Usance Letter of Credit	67.40	785.00
	Letter of Guarantee	-	5.00
	Overdraft	-	10.00
	Demand Loan	500.00	500.00
	Total	567.40	1,300.00
Standard Chartered Bangladesh (As on December 14, 2024)	Short Term Loan	-	(400.00)
	Letter of Credit	354.94	1,640.00
	Acceptance	358.98	(1,640.00)
	Shipping Guarantee	321.95	(600.00)
	Total	1,035.87	1,640.00
City Bank PLC. (As on December 14, 2024)	Murabaha TR	-	1,700.00
	Murabaha local purchase	-	
	Murabaha TR-Capital machinery	-	
	LC	104.67	
	Acceptance	443.21	
	Total	547.88	1,700.00
Mutual Trust Bank PLC. (As on December 14, 2024)	L/C	162.06	1,500.00
	Acceptance	171.29	(1,500.00)
	LTR	26.78	(1,500.00)
	Time Loan	-	(1,500.00)
	Total	360.13	1,500.00
Dhaka Bank PLC.	LC	-	1,500.00



(As on December 14, 2024)	LTR	-	(500.00)
	Total	-	1,500.00
HSBC (As on December 14, 2024)	Rev (LC, LATR, UPAS, Short Term, OD)	-	1,125.00
	Total	-	1,125.00
Grand Total		5,535.26	12,915.00

QFL relies on support from ten (10) distinct banking institutions for its day-to-day operations. The company has access to BDT 12,915.00 million working capital loans, whereas it avails only BDT 5,535.26 million loans as on the mentioned dates. According to the banker's certificate, the company has consistently met its payment obligations, demonstrating a regular and timely repayment record.

D.6. Collateral

Quality and Value of collaterals determine the extent of credit facilities a company can attain from financial institutions. Quality Feeds Limited accessed short term to import raw materials, fund working capital requirements, import capital machineries, and finance their expansion. To benefit from the credit amenities, the company and the banks had security arrangements that had the company's assets collateralized.

With Prime Bank PLC the company maintains the following securities:

1. Board Resolution from Quality Feeds Limited for availing the approved investment facilities.
2. Existing 1st ranking Pari-Passu charge by way of hypothecation with other lenders over the floating assets (present & future) of Quality Feeds Limited duly registered with RJSC and Firm(s) along with NIGPA will continue. [Prime Bank PLC's existing charge is Tk.1,600.00 Million]
3. Insurance Policy to be obtained considering the average stock value or the approved funded limit of Prime Bank PLC. Under banks mortgage clause covering risk of Fire only.
4. Security cheque covering the limits.
5. Bai Muajjal Agreement.
6. Bai Murabaha Agreement.
7. Bai Salam Agreement.
8. Usual charge documents from Quality Feeds Limited as mentioned below:
 - a) Demand Promissory Note for BDT 1600.00 Million only.
 - b) Letter of Continuity for BDT 1600.00 Million only.
 - c) Letter of Agreement for BDT 1600.00 Million only.
 - d) Letter of Disbursement for BDT 1600.00 Million only.
 - e) Letter of Revival for BDT 1600.00 Million only.
 - f) Letter of Authority.

For Premier Bank PLC. QFL has kept the following:

- First ranking pari pasu priority charge by the way of hypothecation on the floating assets of the company with charge registered with RJSC
- Letter of trust receipt
- Hypothecation of stock of imported animal feed ingredients and spare parts
- Hypothecation of book debts and receivables
- Execution of usual charge documents

The security documents required to complete and execute the availed Eastern Bank PLC are given below:

- Registered hypothecation (1st charge on Pari pasu basis with Prime Bank PLC., Premier Bank PLC., City Bank PLC and Standard Chartered Bank) over entire floating assets (stocks) of Quality Feeds Limited.
- Registered hypothecation (ranking charge) on floating assets (both present & future) of Quality Feeds Limited



The security documents required to complete and execute the availed Standard Chartered Bank Limited are given below:

- Demand Promissory note and letter of continuation of BDT 1,640.00 million
- Hypothecation for floating charge over stocks and book debts of Quality Feeds Limited on pari-passu basis with other financiers where Standard Chartered Bank's share would be BDT 1,640.00 million
- Cash margin or lien/ block over client's account or fixed deposit issued by Standard Chartered Bank for BDT 390.00 million or 50.00% of the additional limit over BDT 1,250.00 million

For City Bank PLC., the company maintains the following securities:

- Registered 1st ranking charge with RJSC on pari-passu basis with existing lenders by way of hypothecation over floating assets (stock and receivables) of the company covering BDT 170.00 crore.
- Specific charge on plant & machineries with RJSC on CBL financed machineries covering BDT 30.00 crore.
- Insurance on stock covering risk of Fire & RSD as per CBL policy.
- All other basic and usual charge documents.

For The Dhaka Bank PLC, the company maintains the following securities:

- Pari-Passu Security Sharing Agreement [PPSSA] on floating asset with Prime Bank PLC., Premier Bank PLC., Eastern Bank PLC., Standard Chartered Bank, City Bank PLC, MTBPLC, Bank Alfalah
- Pari-Passu Security Sharing Agreement [PPSSA] on floating asset with Prime Bank PLC., Premier Bank PLC., Eastern Bank PLC., Standard Chartered Bank, City Bank PLC., MTBPLC, Bank Alfalah and Brac Bank
- Hypothecation of stock of Raw materials, W.I.P. & finished products duly insured under the Bank's mortgage clause. You will execute IGPA (notarized) empowering Dhaka Bank Ltd., Uttara Branch, Dhaka to sell the stock under hypothecation.
- Accepted Sanction with Board Resolution
- Post-dated cheque(s) covering the facility amount
- Standard charge documents including letter of Trust Receipt

For Mutual Trust Bank PLC, the company maintains the following securities:

- Modification of Registered Hypothecation over all Floating Assets (on stocks, book debts and receivables) of the company with RJSC along with Notarized IGPA to sell the Hypothecated Assets favoring Mutual Trust Bank PLC covering BDT 1,500.00 million from BDT 1000 million.
- The charge to be upgraded to 1st ranking charge on Present and Future Floating Assets of the Company after execution of Pari Passu Security Sharing Agreement (PPSSA) with other lenders. After execution of the PPSSA, the same to be modified within approved 180 days deferral.
- Repayment Cheque covering the limit
- Demand Promissory Note, Letter of Revival, Letter of Arrangement, Letter of Agreement, Letter of Authority, Letter of Continuity, Letter of Right to Set Off Charge Documents to be provided supported by accepted Sanction and Board Resolution for availing the sanction and assigning the signatory.

For Bank Alfalah, the company maintains the following securities:

- 1st ranking pari passu Charge over stock and book debts of the company for BDT 500 million
- Lien on Import documents/accepted drafts
- Trust Receipt/Murabaha Trust receipt agreement
- Nil cash margin
- Standard charge documents



For BRAC Bank PLC, the company maintains the following securities:

- Registered Hypothecation (1st charge on Pari Passu basis) on all present and future floating assets including inventory & book debt of the company with RJSC, along with notarized IGPA to sell the hypothecation assets, favouring BRAC Bank Limited
- BRAC Bank's Charge to be filed with RJSC for BDT 1,250.00 Million
- Pari-Passu Security Sharing Agreement [PPSSA] to be executed amongst Premier Bank, Prime Bank, City Bank, SCB, Eastern Bank, MTBPLC, HSBC, Dhaka Bank, Bank Alfalah, BRAC Bank and the borrower for sharing hypothecation charge on all floating assets of the company

For HSBC, the company maintains the following securities:

- Demand Promissory Note for BDT 1,125.00 million with Letter of Continuity & revival
- Corporate Guarantee to be executed by Quality Breeders Limited and Quality Aquabreeds Limited for BDT 1,125.00 million with supporting Board Resolutions
- First charge over the Borrower's Stocks of Raw Materials, Work In Progress and Finished Goods & Book Debts and Receivables duly filed and registered with the Registrar of Joint Stock of Companies and Firms (RJSC) on Pari Passu basis with other lenders. The Bank's share being BDT 1,125.00 million
- First charge over the Borrower's Plant & Machinery duly filed and registered with the Registrar of Joint Stock of Companies and Firms (RJSC) on Pari Passu basis with other lenders. The Bank's share being BDT 150.00 million
- Power of Attorney in relation to charged/hypothecated goods/assets and/or for enforcement of rights under relevant charge/hypothecation deeds

E. MANAGEMENT AND OTHER QUALITATIVE FACTORS

E.1 Human Resource Development

Quality Feeds Limited concentrates in developing its human resource as it believes that only quality human resource may provide the firm success in the future. The company has several departments each with specific task at hand in order to promote specialization and maximum efficiency. QFL believes in training and retaining its employees. The brightest and the most promising employees are sent for trainings in world renowned institutions of feed mill and in addition the company has purchased personal accident insurance policy for employees working in QFL.

Sl.	Employee Type	Number
01	Management	07
02	Administration, HR & Corporate Affairs	242
03	Accounts and Finance	25
04	Sales & Marketing	201
05	Manufacturing Unit	1,567

E.2 Management Experience

QFL is steered by a very strong management. Mr. M. Kaiser Rahman, the Chairman of the company has more than twenty years of experience in management consultancy, strategy formulation and business planning. The Managing Director of the company, Mr. Ihtesham B. Shahjahan has a track record of working in various multinational companies before joining QFL. He also worked as a freelancing consultant for Rahman Rahman Huq a representative firm of KPMG Peat Marwick. The company also has a stable mid-level management, for example Mr. Md. Aminul Islam who is the Assistant Director Finance & Accounts at QFL has completed Chartered Accountancy Course from Rahman Rahman Huq.



F. LIST OF ABBREVIATION

ECRL	Emerging Credit Rating Limited
COGS	Cost of Goods Sold
ROA	Return on Asset
ROE	Return on Equity
CCC	Cash Conversion Cycle
GPM	Gross Profit Margin
NPM	Net Profit Margin
CFO	Cash Flow from Operation
WDV	Written Down Value
L/C	Letter of Credit
IT	Information Technology
MT	Metric Ton
BDT	Bangladeshi Taka

G. CORPORATE INFORMATION

Board of Directors, As on 30 June 2024

Mr. M. Kaiser Rahman	Chairman
Mr. Ihtesham B. Shahjahan	Managing Director
Mr. Shahryar Hussain	Director
Mr. S. M. Feroz	Director
Mr. Md. Safir Rahman	Director
Mr. Uzayr Hafiz	Director
Mr. Md. Basir Rahman	Director

Shareholding Position, As on 30 June 2024

Name of Shareholder	Shareholding (BDT)	Shareholding Position (%)
Mr. M. Kaiser Rahman	825,146	17.00
Mr. Shahryar Hussain	558,187	11.50
Mr. S. M. Feroz	558,187	11.50
Mr. M. Safir Rahman	485,380	10.00
Mr. Uzayr Hafiz	558,187	11.50
Mr. M. Basir Rahman	485,380	10.00
Mr. Munaz Murshed Khan	485,380	10.00
Mr. Riaz Murshed Khan	256,653	5.29
SABINCO	491,300	10.12
IPDC of Bangladesh Ltd.	150,000	3.09
Total	4,853,800	100.00

Corporate Office

House -14, Road – 7
Sector- 4, Uttara, Dhaka
Tel: +88028916024

Auditor

A.K. Azad & Co.
Chartered Accounts
Al-Razi Complex(Royal Group), 166-167 Shahid Syed
Nazrul Islam Sharani, Dhaka 1000



RATING SYMBOL

LONG-TERM RATINGS

ECRL's Long-Term Ratings are assigned to debt with maturities of more than one year. These debt ratings specifically assess the likelihood of timely repayment of principal and payment of interest over the term to maturity of such debts.

RATING	DEFINITION
AAA	Indicates that the ability to repay principal and pay interest on a timely basis is extremely high.
AA	Indicates a very strong ability to repay principal and pay interest on a timely basis, with limited increment risk compared to issues rated in the highest category.
A	Indicates the ability to repay principal and pay interest is strong. These issues could be more vulnerable to adverse developments, both internal and external, than obligations with higher ratings.
BBB	This grade indicates an adequate capacity to repay principal and pay interest. More vulnerable to adverse developments, both internal and external, than obligations with higher ratings.
BB	This rating suggests that likelihood of default is considerably less than for lower-rated issues. However, there are significant uncertainties that could affect the ability to adequately service debt obligations.
B	Indicates a higher degree of uncertainty, and therefore, greater likelihood of default. Adverse developments could negatively affect repayment of principal and payment of interest on a timely basis.
C	High likelihood of default, with little capacity to address further adverse changes in financial circumstances.
D	Payment in default.

Notes: Long-Term Ratings from AA to B may be modified by the addition of a plus (+) or minus (-) suffix to show relative standing within the major rating categories. Bank-guaranteed issues will carry a suffix (bg), corporate-guaranteed issues, a (cg), issues guaranteed by a financial guarantee insurer (FGI), an (fg), and all other supports, an (s) when such guarantees or supports give favorable effect to the assigned rating.

SHORT-TERM RATINGS

ECRL's Short-Term (ST) Ratings are assigned to specific debt instruments with original maturities of one year or less, and are intended to assess the likelihood of timely repayment of principal and payment of interest.

RATING	DEFINITION
ST - 1	The highest category; indicates a very high likelihood that principal and interest will be paid on a timely basis.
ST - 2	While the degree of safety regarding timely repayment of principal and payment of interest is strong, the relative degree of safety is not as high as issues rated ST-1.
ST - 3	This grade indicates while the obligation is more susceptible to adverse developments, both internal and external, the capacity to service principal and interest on a timely basis is considered adequate.
ST - 4	This rating suggest likelihood of default is considerably less than for lower rated issues but faces significant uncertainties that could impact its financial commitment on the obligation.
ST - 5	High likelihood of default, with little capacity to address further adverse changes in financial circumstances.
ST - 6	Payment in default.

Notes: Short-Term (ST) Ratings will also carry a suffix (bg) for bank-guaranteed issues, (cg) for corporate-guaranteed issues, (fg) for FGI-guaranteed issues, and (s) for all other supports when such guarantees or supports give favorable effect to the assigned rating.

Rating Outlook

ECRL's Rating Outlook assesses the potential direction of the Corporate Debt Rating over the intermediate term (typically over a one to two-year period). The Rating Outlook may either be :

POSITIVE	Which indicates that a rating may be raised;
NEGATIVE	Which indicates that a rating may be lowered;
STABLE	Which indicates that a rating is likely to remain unchanged; or
DEVELOPING	Which indicates that a rating may be raised, lowered or remain unchanged.

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