EMERGING
Credit Rating Ltd
an independent house of risk assessment

15 Years ANNIVERSARY
Elevating Standards, Ensuring Quality

March 20, 2025

**Mr. M. Kaiser Rahman**
Chairman
**Quality Printing Packaging Limited**
House-14, Road-7, Sector-4, Uttara, Dhaka-1230

**Subject: Credit Rating Report of Quality Printing Packaging Limited**

Dear Sir,

We are pleased to inform you that Emerging Credit Rating Limited (ECRL) has upgraded the following rating to **"Quality Printing Packaging Limited."**

| Valid From | Valid Till | Rating Action | Long Term Rating | Short Term Rating | Outlook |
|---|---|---|---|---|---|
| **February 04, 2025** | **February 03, 2026** | **Surveillance 1** | **A+** | **ST-2** | **Stable** |
| **February 04, 2024** | **February 03, 2025** | **Initial** | **A** | **ST-2** | **Stable** |

The Long term and Short term ratings are valid up to limit expiry date of respective credit facilities or February 03, 2026 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: 3 copies of credit rating report of **Quality Printing Packaging Limited**

# Credit Rating Report

# Of

# Quality Printing Packaging Limited

EMERGING
Credit Rating Ltd

# Quality Printing Packaging Limited

## Credit Rating Report (Agreement No-2024-01-31-79461)

| Valid From | Valid Till | Rating Action | Long Term Rating | Short Term Rating | Outlook |
|---|---|---|---|---|---|
| February 04, 2025 | February 03, 2026 | Surveillance 1 | A+ | ST-2 | Stable |
| February 04, 2024 | February 03, 2025 | Initial | A | ST-2 | Stable |

| | |
|---|---|
| **Date of Incorporation** | : May 17, 2001 |
| **Chairman** | : Mr. M. Kaiser Rahman |
| **Authorized Capital** | : BDT 50.00 Million |
| **Paid Up Capital** | : BDT 23.00 Million (As on June 30, 2024) |
| **Business Location** | : House-14, Road-7, Sector-4, Uttara, Dhaka-1230 |
| **Bank** | : Prime Bank PLC. |
| **Bank Loan** | : Short Term Loan Limit BDT 70.00 Million |


**Contact Analysts** : Pushpita Tanvi Kanon pushpita@emergingrating.com
Md. Harun Chowdhury harun@emergingrating.com


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

Credit Analysis

Entity Rating

Entity Rating

## 2025 Surveillance Review

# Quality Printing Packaging Limited

### Major Rating Factor

**Strengths**

- Experienced and proficient management
- Ascending trend of production capacity and capacity utilization
- Low financial leverage
- Good revenue growth

**Challenge/ Risks**

- Exposed to government regulation regarding the use of Poly Propylene Woven Sacks
- Dependence on sister concern for generating revenue
- Narrow increase in profit margin

**Rationale**

Emerging Credit Rating Limited (ECRL) has assigned **ST-2** short term credit rating to Quality Printing Packaging Limited (hereinafter referred to as 'QPPL' or 'the company') for Prime Bank PLC's total loan limit of BDT 70.00 million. Although the company does not have any long-term loan facility, ECRL has upgraded an equivalent long term credit rating of **A+** (Pronounced as Single A Plus). The outlook of the rating is **Stable**. The rating is consistent with ECRL's methodology for this kind of company. Quality Printing Packaging Limited is a prominent manufacturer specializing in the production of Poly Propylene Woven Sacks. The company plays a crucial role as the key backward linkage for Quality Feeds Limited (QFL), a leading feed manufacturer in Bangladesh. The rating is based on audited financial statement from FY2021-2024 as well as other qualitative and quantitative information up to the date of rating.

Alliance Bags Limited officially changed its name in December 29, 2022, formerly known as Quality Printing Packaging Limited which was previously known as Alliance Bags Limited. Quality Printing Packaging Limited, a manufacturer of Poly Propylene Woven Sacks, has established its factory on a 305.00 decimal land in Bhabanipur Gazipur. The company has a total production capacity of 2,200 MT per year and has utilized approximately 92.41% of its capacity in FY 2024.

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...hief Executive Officer
...erging Credit Rating Limited

QPPL achieved significant growth in FY2024, generating revenue of BDT 196.64 million, a 34.94% increase from BDT 145.73 million in FY2023. This growth was accompanied by a 34.88% rise in the cost of goods sold (COGS), which reached at BDT 149.68 million. The substantial 116.51% increase in raw material purchases largely drove the higher COGS. As the growth rates for revenue and COGS remained aligned, the gross profit margin remained stable compared to the previous year. Despite an 18.45% rise in administrative, selling, and distribution expenses, the company's operating profit margin improved slightly to 15.81% from 14.65% in FY2023. Notably, even with a 68.48% increase in short-term bank loans, finance costs declined moderately by 7.16% during the period. The net profit margin improved to 10.67% despite a 39.31% rise in tax expenses.

Over the past four years, QPPL consistently maintained a current ratio and quick ratio above 1, indicating sufficient liquid assets to meet short-term obligations. Additionally, the company generated BDT 21.24 million from operating activities, covering its finance costs 9.98 times during the year under review. Furthermore, the capital structure of the company primarily relies on equity finance rather than bank borrowing. Additionally, only 18.00% of the company's assets are backed by total liabilities which also demonstrates low dependence on external sources of funds.

Quality Printing Packaging Limited has been maintaining a banking relationship with Prime Bank PLC, Corporate & Institutional Banking Division since 2001. The company has been sanctioned short term loan BDT 70.00 million to meet up the additional working capital requirement of the company. As on January 07, 2025 total outstanding liability position stood nil against the overall loan limit.

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 Printing Packaging Limited

| FYE 30 June | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Net Revenue (BDT in Million) | 196.64 | 145.73 | 164.92 | 155.55 |
| Revenue Growth (%) | 34.94 | (11.64) | 5.76 | 1.76 |
| COGS (BDT in Million) | 149.68 | 110.97 | 125.59 | 118.75 |
| COGS Growth (%) | 34.88 | (11.64) | 5.76 | 1.76 |
| Gross Profit Margin (%) | 23.88 | 23.85 | 23.85 | 23.85 |
| Net Profit Margin (%) | 10.67 | 9.15 | 11.22 | 10.84 |
| Current Ratio (x) | 1.84 | 2.16 | 1.74 | 1.43 |
| Cash Conversion Cycle (Days) | 74 | 145 | 168 | 176 |
| Debt to Equity Ratio (x) | 0.10 | 0.06 | 0.46 | 0.38 |
| CFO (BDT in Million) | 21.24 | 20.29 | 12.14 | 7.73 |

*FY2021-FY2024 data obtained from the audited financial statements*

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

# A. BUSINESS DESCRIPTION

## A.1. Company Background

Alliance Bags Limited officially changed its name in December 29, 2022, formerly known as Quality Printing Packaging Limited which was previously known as Alliance Bags Limited. Quality Printing Packaging Limited was incorporated on May 17, 2001 as a private limited company under the companies act 1994. The company is engaged in the production of Poly Propylene Woven Sacks for use in food grain, animal feed, fertilizer, seed and other commercial and industrial uses. The company is a sister concern of Quality Feeds Limited which is one of the largest feed manufacturing companies of Bangladesh and operating over 30 years in the business landscape of Bangladesh, the sister concerns of the company are listed below. The company imports raw materials and the manufactures Poly Propylene Woven Sacks for its sister concern Quality Feeds Limited. In addition, the company also supplies to few traders and a multinational company called Unilever BD Ltd.

**Exhibit 2:** Group Concern

| Quality Feeds Limited |
|---|
| Quality Breeders Ltd |
| Quality Aquabreeds Limited |
| Quality Integrated Agro Limited |
| Quality Printing Packaging Limited |
| Quality Livestock Limited |
| Quality Hospitality Limited |

## A.2. Products, Capacity Utilization & Infrastructure

The company has set up its factory on 305.00 decimal lands in Bhabanipur Gazipur. The factory is run by 115 workers, supervisors and production officers. The production is run by using 2 tapeline, 1 laminating unit, 43 circular loom, 2 Film Blowing Machines with 2 inner liner cutting & sealing machine, 5 Sewing Machines, 5 Heat Cutting Machine, 2 Recycling Granulator and 4 Printing Machines. For power the company primarily depends on solar. 17% to 18% of the company's total energy requirements are managed by solar power while the company is implementing zero waste policy. The annual capacity and capacity utilization in MT is given below.

**Exhibit 3:** Capacity details

| Year | Capacity | Utilization |
|---|---|---|
| **2024** | 2,200 | 2,033 |
| **2023** | 1,800 | 1,278 |
| **2022** | 1,600 | 1,400 |
| **2021** | 1,600 | 1,070 |
| **2020** | 1,500 | 800 |

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# B. INDUSTRY ANALYSIS

The Polypropylene (PP) Woven Sacks industry in Bangladesh is experiencing substantial growth due to increasing demand for durable, cost-effective, and sustainable packaging solutions. These sacks are widely used in agriculture, food, cement, chemicals, and feed industries due to their superior strength, moisture resistance, and recyclability.

The global PP woven sacks market is projected to grow from USD 4.0 billion in 2024 to USD 6.1 billion by 2034, at a CAGR of 4.20%. Bangladesh has over 100 packaging factories, with major players including Tampaco, Arbab Poly Pack, AGI, Famous Printing and Packaging, Merchant Packaging Industries, Premiaflex Plastics, Shajinaz Eximpack, Meghna Packaging, r-pac Bangladesh, and Mohona Packages. These large producers account for more than 50% of annual demand. The industry's manufacturing capacity is around 400,000 tonnes per year, while the domestic demand is 200,000 tonnes per year, indicating overcapacity and high competition. Manufacturers specializing in PP woven sacks for the feed industry include N. Biswas Group, Miracle Industry Ltd, IDEAL FIBRE, Quality Printing Packaging Limited, Salma Trading, and Tampaco.

Key growth drivers include increasing demand for sustainable packaging, cost-effective and durable solutions, technological advancements, and export potential. Stringent environmental regulations are pushing manufacturers to adopt eco-friendly packaging materials. PP woven sacks offer cost savings compared to alternatives like jute and paper-based packaging. Improved manufacturing techniques enhance durability, strength, and customizability. Bangladesh has the opportunity to supply PP woven sacks to neighboring countries and emerging markets in Africa.

Challenges in the industry include intense market competition, overcapacity issues, and raw material dependency. The presence of numerous manufacturers results in price wars and margin pressures. Production capacity is double the domestic demand, leading to operational inefficiencies. Imported raw materials increase production costs and expose businesses to currency fluctuations.

The Bangladeshi government is encouraging the use of recyclable and sustainable packaging materials. Tax incentives and policy support for the manufacturing sector help boost the industry. The PP Woven Sacks industry in Bangladesh is well-positioned for future growth, backed by strong domestic demand, technological advancements, and export opportunities. However, manufacturers need to navigate challenges such as competition and overcapacity by investing in product innovation, expanding into export markets, and optimizing operational efficiencies. The industry's sustainability efforts will play a crucial role in maintaining long-term growth.

# C. BUSINESS RISK ANALYSIS

## C.1. Price Volatility of Raw Materials

With the recent foreign exchange volatility of Bangladesh has adversely impacted the import dependent companies with Bangladeshi Taka continuously depreciating against USD the cost of import is continuously increasing. However, the raw materials the products which are manufactured for QFL are imported by QFL and QPPL bears only the toll manufacturing charge for such supply. Hence, the raw material price volatility risk for QPPL has been minimized.

## C.2. Dependence on Single Buyer

Overall, the company the is subjected to single buyer risk as the company sells 70.00% of its products to a single buyer as a result the performance of the company is likely to vary with the change in the performance of Quality Feeds Limited. In addition to QFL the company also supplies to various traders and a multinational company which decreases the risk significantly.

## C.3. Changes in Government or Regulator Policy

Impact of changes in the national policies over time cannot be overlooked. Any casualty in the industry leads to tightening of rules and regulations. Keeping with the changes time to time is costly and thus profitability of the business shrinks. Moreover, any reform in the tax structure may affect the business's bottom line negatively. The directive of the interim government to halt use of poly bags in the super shops looks like a first step in materializing the mandatory jute packaging law that seemingly lost its urgency

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despite sporadic moves to enforce it in the past. Environment, forest and climate change adviser to the interim government announced the ban of polythene and polypropylene shopping bags across all superstores in the country starting October 1, 2024. Nonetheless, QPPL produces and supplies polypropylene woven bags for agro and chemical industries. Hence, the changes in government regulation regarding the use of plastic bags have not impacted the company's sales and revenue yet.

### C.4. Operating Risk

The profitability of the company can be adversely affected from shortage of power supply and inventory, labor unrest and natural calamities like flood, cyclone, and earthquake. These events are likely to hamper production of the company and can adversely impact the profitability of the company. There can be different factors affecting the business and can happen internally or externally.

## D. FINANCIAL RISK ANALYSIS

The rating process was based on qualitative aspects which are based on the firm'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 firm, 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 4:** Selected Indicators: Quality Printing Packaging Limited

| FYE 30 June | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Net Revenue (BDT in Million) | 196.64 | 145.73 | 164.92 | 155.55 |
| Revenue Growth (%) | 34.94 | (11.64) | 5.76 | 1.76 |
| COGS (BDT in Million) | 149.68 | 110.97 | 125.59 | 118.75 |
| COGS Growth (%) | 34.88 | (11.64) | 5.76 | 1.76 |
| Gross Profit Margin (%) | 23.88 | 23.85 | 23.85 | 23.85 |
| Operating Profit Margin (%) | 15.81 | 14.65 | 17.54 | 16.55 |
| Net Profit Margin (%) | 10.67 | 9.15 | 11.22 | 10.84 |
| ROA (%) | 4.78 | 3.25 | 10.37 | 10.46 |
| ROE (%) | 5.83 | 3.90 | 22.58 | 26.65 |

*FY2021-FY2024 data obtained from the audited financial statement*

Quality Printing Packaging Limited generates revenue through manufacturing and trading Poly Propylene and Woven Sacks items to various companies. In FY2024, revenue of the company experienced 34.94% growth and reached at BDT 196.64 million up from BDT 145.73 million in FY2023. In line with that, cost of goods sold also increased by 34.88% in the year under review and stood at BDT 149.68 million during that year. The increase in COGS is primarily driven by 116.51% rise in raw material purchase. Since the revenue growth and COGS growth stood close, gross profit margin remained almost the same in FY2024 as that in the previous year. Moreover, although total administrative, selling and distribution expenses rose by 18.45% in FY2024, operating profit margin of the company slightly improved at 15.81% during that year compared to 14.65% in the prior year. Furthermore, despite 68.48% increase in short-term bank loan, finance cost of QPPL moderately fell by 7.16% in the reviewed year. Additionally, net profit margin slightly ameliorated at 10.67% in FY2024 despite 39.31% increase in tax expense experienced during FY2024. Together with the improvement in net profit after tax, the asset and equity utilization capacity narrowly rose at 4.78% and 5.83% respectively in terms of ROA and ROE as opposed to that in the preceding year.

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## D.2. Liquidity Analysis & Cash Flow Coverage

**Exhibit 5:** Selected Indicators: Quality Printing Packaging Limited

| FYE 30 June | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Current Ratio (x) | 1.84 | 2.16 | 1.74 | 1.43 |
| Quick Assets Ratio (x) | 1.58 | 1.48 | 0.76 | 0.45 |
| Cash Conversion Cycle (days) | 74 | 145 | 168 | 176 |
| CFO (BDT in Million) | 21.24 | 20.29 | 12.14 | 7.73 |
| CFO Interest Coverage (x) | 9.98 | 8.85 | 4.86 | 4.68 |

*FY2021-FY2024 data obtained from the audited financial statement*

Over the last four years, both the current ratio and quick ratio of QPPL stood higher than 1 exhibiting adequate liquid assets held by the company to repay short-term obligation. In addition to that, cash conversion cycle notably reduced at 74 days in FY2024 from 145 days in the prior year primarily owing to decline in inventory turnover days (FY2024: 52 days, FY2023: 145 days). Moreover, cash generation from operating activities of the company stood at BDT 21.24 million in FY2024 which covers finance cost of the company by 9.98 times during the year under review.

## D.3. Leverage & Capital Structure

**Exhibit 6:** Selected Indicators: Quality Printing Packaging Limited

| FYE 30 June | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Debt to Equity (x) | 0.10 | 0.06 | 0.46 | 0.38 |
| Interest Coverage ratio (x) | 14.60 | 9.31 | 11.58 | 20.24 |
| Total Liabilities to Total Assets (x) | 0.18 | 0.17 | 0.54 | 0.61 |
| Short Term Debt Ratio (x) | 0.10 | 0.06 | 0.46 | 0.38 |

*FY2021-FY2024 data obtained from the audited financial statement*

The capital structure of Quality Printing Packaging Limited primarily relies on equity finance rather than bank borrowing. In FY2024, short-term borrowing of the company increased by 68.48%. Despite that, the debt-to-equity ratio of QPPL stood at 0.10 times suggesting low financial leverage. Additionally, only 18.00% of the company's assets are backed by total liabilities which also demonstrates low dependence on external sources of funds. Furthermore, operating profit covers total interest expenses by 14.60 times in FY2024 which was 9.31 times in the preceding year.

## D.4. Bank Facilities & Credit History

**Exhibit 7:** Bank Loan: Quality Printing Packaging Limited (As on January 07, 2025)

| Bank | Mode | Outstanding (BDT in million) | Total limit (BDT in million) |
|---|---|---|---|
| Prime Bank PLC | LC | - | 50.00 |
| | Acceptance (inner of LC) | - | (50.00) |
| | MPI-TR (Inner of LC) | - | (40.00) |
| | Bai-Muajjal (Com) | - | 20.00 |
| | Bai-Salam [Inner of Bai –Muajjal] | - | (8.00) |
| **Total** | | **-** | **70.00** |

Quality Printing Packaging Limited has been maintaining a banking relationship with Prime Bank PLC, Corporate & Institutional Banking Division since 2001. The company has been sanctioned short term loan BDT 70.00 million to meet up the additional working capital requirement of the company. As on January 07, 2025 total outstanding liability position nil.

## D.5. Collateral & Security

To avail the credit facility from the above-mentioned banks, QPPL has kept the following securities-

1. $1^{st}$ ranking pari-passu charge by way of hypothecation with other lenders over the floating assets (present & future) of the company duly registered with RJSC & Firms
2. Corporate guarantee of Quality Feeds Limited
3. Usual charge documents

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## E. MANAGEMENT AND OTHER QUALITATIVE FACTORS

The management structure of Quality Printing Packaging Limited is well defined and is headed by a group of professionals who have vast experience and exposure in their respective fields. The working environment of this company is very good. As a result, the employees are working here as team member like family and low employee turnover. Currently the management of the company is led by the Chairman, Mr. M. Kaiser Rahman and Managing Director, Mr. Ihtesham B. Shahjahan with having over 31 years of experience in relevant field.

**Exhibit 8:** Human Resource: Quality Printing Packaging Limited

| Name of department | Number of employees |
|---|---|
| Accounts | 5 |
| Sales & Marketing | 5 |
| Production Officers & Staffs | 15 |
| Workers & Supervisors | 100 |
| **Total** | **125** |

## F. CORPORATE INFORMATION

| Name of Shareholders | Percentage of Share |
|---|---|
| Mr. M. Kaiser Rahman | 11.30 |
| Mr. Shahryar Hussian | 11.30 |
| Mr. Ihtesham B. Shahjahan | 11.30 |
| Mr. S.M. Feroz | 11.30 |
| Mr. M.A. Matin | 8.71 |
| Mr. Reshadur Rahman | 8.71 |
| Mr. Fazley Ekram Chowdhury | 6.52 |
| IPDC of Bangladesh Ltd. | 13.04 |
| Mr. Riaz Murshed Khan | 11.30 |
| Quality Feed Ltd. | 6.52 |
| **Total** | **100.00** |

**Auditor Information**
A.K Azad & Co.
Chartered Accountants
Address: Al-Razi Complex (Royal Group), 166-167 Shahid Syed Nazrul Islam Sharani, Dhaka-1000

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# 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. |