RATING REPORT

Nishat Chunian Limited

REPORT DATE:
June 2, 2022

RATING ANALYST:

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RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A	A-2	A	A-2
Rating Outlook	*Positive*		*Stable*	
Rating Action	Maintained		Initial	
Rating Date	*2nd Jun'22*		*26th Mar'21*	

COMPANY INFORMATION

Incorporated in 1990	External auditors: Riaz Ahmad & Co. Chartered Accountants
Public Limited Company (Listed)	Chairperson: Mr. Farrukh Ifzal CEO: Mr. Shahzad Saleem
Key Shareholders (with stake 5% or more):	
Mr. Shahzad Saleem – 22.85% Nishat Mills Limited – 13.61% General Public – 32.96% National Bank of Pakistan– 6.14%	

APPLICABLE METHODOLOGY

VIS Entity Rating Criteria: Corporates (August 2021)
https://docs.vis.com.pk/docs/CorporateMethodology202108.pdf

Nishat Chunian Limited (NCL)

OVERVIEW OF THE INSTITUTION

Nishat Chunian Limited (NCL) is a public limited company incorporated in Pakistan under the Companies Act 1913 (now Companies Act, 2017). The company is listed on Pakistan Stock Exchange. The company is primarily involved in spinning, weaving, processing and finishing fabric along with sale of textile madeups.

Profile of the Chairperson

Mr. Farrukh Ifzal joined Nishat Group in 1988 as financial controller of NCL and since then has been serving the group in various capacities. He is a fellow member of Institute of Chartered Accountants of Pakistan.

Profile of the CEO

Mr. Shahzad Saleem has over 25 years of professional work experience in the relevant industry. He holds an MBA degree from Lahore University of Management Sciences (LUMS).

Financial Snapshot

Total Equity: end-9MFY22: Rs. 23.8b; end-FY21: Rs. 19.0b; end-FY20: Rs. 13.6b

Assets: end-9MFY22: Rs. 63.6b; end-FY21: Rs. 51.8b; end-FY20: Rs. 47.8b

Profit After Tax: 9MFY22: Rs. 6.7b; FY21: Rs. 5.6b; FY20: Rs. 265.4m

RATING RATIONALE

The ratings assigned to Nishat Chunian Limited (NCL) take into account the company's association with Nishat Chunian Group; one of the leading groups in Pakistan with sizable financial strength. The ratings incorporate diversification of revenue stream into spinning, weaving and madeup segments. Given significant reliance of the company on spinning operations, ratings factor in high cyclicality and competitive intensity for spinning industry along with volatility in cotton prices which translate into moderate to high business risk profile. Meanwhile, overall business risk profile of the textile industry is supported by stable demand and favorable regulatory regime.

The ratings derive strength from sound growth in revenues on account of increase in volumetric sales and average product prices during FY21 and the ongoing year. Gross profit margins have improved considerably mainly due to higher contribution margin of spinning segment in line with favorable yarn prices and economies of scale leading to fixed overheads absorption. The company generated healthy bottomline leading to notable improvement in liquidity profile as reflected by adequate cash flows in relation to outstanding obligations. Despite high debt levels, gearing improved on a timeline basis on the back of equity expansion. The company is in process of conducting major BMR primarily to enhance operational efficiencies in the spinning segment along with some capacity enhancement and upgradation in weaving, processing and madeups segments. The above-mentioned projects are projected to be funded through a combination of debt and equity. The leverage indictors are projected to decrease in FY23 onwards. The ratings will remain dependent on maintaining profitability profile while improving liquidity and leverage indicators, going forward.

Key Rating Drivers

Capacity utilization remained high amidst higher demand while the company is in process of extensive Balancing, Modernization and Replacement (BMR) to enhance operational efficiencies: As per company's policy, the management conducts a major BMR after two to three years period entailing replacements and upgradation of various processes. In FY21, the company has added machinery worth Rs. 439.9m in spinning segment, constituting four ring frames, five automatic cone winder and two twisting machines. Resultantly, the number of installed spindles increased to 223,668 (FY21: 222,708) while capacity utilization has remained high at 98% (FY21: 99%). Similarly, on account of additions in weaving segment amounting Rs. 257.2m, which largely entails addition of 10 looms and 10 hooking machines, capacity after conversion into 50 picks-square yards increased to 345.6m (FY21: 244.5m) while number of looms installed remained unchanged at 379. The installed printing capacity, under the made ups segment was also enhanced to 10.8m meters (FY21: 9.1m meters) in FY21 while capacity utilization increased to 90% (FY20: 72%). The installed capacity of dyeing and digital printing remained intact in the outgoing year; meanwhile capacity utilization increased to 99% (FY20: 83%) and 41% (FY20: 35%), respectively. Power division installed capacity remained unchanged at 747.9m KWh with increase in capacity utilization to 43% (FY20: 30%). Installed capacities and actual production of the company's segments for FY21 and FY20 are tabulated below.

	FY20	FY21
Spinning		
Number of Spindles installed	222,708	223,668
Number of Spindles Worked	196,222	211,567
Capacity after conversion into 20s	73,548,828	80,813,152
Actual Production	72,461,901	79,449,352
Capacity Utilization	**99%**	**98%**

Weaving		
Number of Looms Installed	379	379
Number of Looms Worked	373	379
Capacity After conversion into 50 picks-Sq.yards	244,492,844	345,597,351
Actual Production	211,262,191	300,663,935
Capacity Utilization	**86%**	**87%**
Power Plant		
Number of Engines Installed	17	17
Number of Engines Worked	17	17
Generation Capacity (KWh)	747,894,000	747,894,000
Actual Generation (KWh)	224,500,149	323,400,200
Capacity Utilization	**30%**	**43%**
Dyeing		
Number of Thermosol Dyeing Machines	1	1
Number of Stenter Machines	4	4
Capacity in meters	36,500,000	36,500,000
Actual Processing of Fabrics	30,339,338	36,256,326
Capacity Utilization	**83%**	**99%**
Printing		
Number of Printing Machines	1	1
Capacity in Meters	9,125,000	10,800,000
Actual Processing -in meters	6,534,206	9,711,359
Capacity Utilization	**72%**	**90%**
Digital Printing		
Number of Printing Machines	5	5
Capacity in meters	9,125,000	9,125,000
Actual Processing of Fabrics	3,221,600	3,698,556
Capacity Utilization	**35%**	**41%**

Total expenditure related to the ongoing BMR, which effectively spans over FY21 and FY22, is estimated at Rs. 7.5b, out of which cost of machinery component of around Rs. 6b has been financed through long-term borrowings. Outlay on spinning segment is estimated at Rs. 4b which mainly entails installation of Auto Coro machines by Schlafhrost with single spinning unit technology comprising of 2,880 rotors along with enhanced back process technology. This open-end spinning machinery will replace the old machinery. In addition, the management is also pursuing to revamp significant number of ring frames and Auto Cone machines which would increase the operating capacity by over 9,000 spindles. Capital expenditure on weaving division is estimated at Rs. 1b. The management is also conducting capex on home textile division of around Rs. 500m which majorly entails installation of a new production line in processing unit, which will increase the production capacity by 15%. The company also plans to set up a new stitching unit comprising 50 juki machines, which will increase the existing capacity by around 12%. Rest of the expenditure is related to power generation equipment and other machinery for process efficiencies. In view of the aforementioned capex, property, plant and equipment (PP&E) stood higher at Rs. 20.5b (FY21: Rs. 17.2b; FY20: Rs. 16.6b) at end-3QFY22. Capitalized additions in PP&E amounted to Rs. 1.1b (FY21: Rs. 1.4b; FY20: Rs. 1.7b) which majorly pertains to additions in plant and machinery amounting Rs. 382.9m (FY21: 795.0m; FY20: Rs. 1.3b), power generation equipment worth Rs. 192.7m (FY21: 77.3m; FY20: Nil) and building on freehold land amounting Rs. 140.8m (FY21: Rs. 176m; FY20: Rs. 43.7m). Meanwhile, capital work in progress was recorded considerably higher at Rs. 4.0b (FY21: Rs. 781.2m; FY20: Rs. 286.7m) which majorly included advances paid to the tune of Rs. 2.5b (FY21: Rs. 523.5m; FY20: Rs. 177.2m), plant and machinery worth Rs. 921.3m (FY21: Rs. 130m; FY20: Rs. 7.1m) and civil work on freehold land amounting Rs. 488.4m (FY21: Rs. 39.4m; FY20: Rs. 93.6m) during 9MFY22. The advances paid to suppliers are related to the spinning machinery, which suffered some delays due to logistics issues developed amidst pandemic. The machinery is expected to arrive by end-June, 2022 while the impact of this capital expenditure on company's operations would come forth in subsequent years.

Long-term investments of the company stood at Rs. 1.9b (FY21 & FY20: Rs. 1.9b) which comprised investment in subsidiary companies, Nishat Chunian Power Limited (Rs. 1.9b) and Nishat Chunian USA Inc. (Rs. 10.8m).

Significant improvement in profitability profile driven by growth in topline and better margins: The company's sales have exhibited upward trajectory in line with covid led growth in textile industry of the country, primarily backed by higher export orders. During FY21, sales were recorded higher at Rs. 49.3b (FY20: Rs. 35.7b) depicting a growth of 38% on YoY basis. Yarn remained the major revenue driver while its contribution decreased slightly to 56% (FY20: 59%); net revenue from yarn clocked in at Rs. 27.5b (FY21: 21.2b) in FY21. Net revenue from madeups augmented to Rs. 12.9b (FY20: Rs. 7.3b) with increase in contribution to 26% (FY20: 21%) in the revenue mix. Meanwhile, revenue from other products remained largely muted. Breakdown of major products/service lines is presented below:

Major Products/Service Lines	**FY20**		**FY21**	
Yarn	21,180	59%	27,507	56%
Comber Noil	814	2%	1,246	3%
Grey Cloth	4,100	11%	4,437	9%
Process Cloth	2,037	6%	2,665	5%
Made Ups	7,333	21%	12,938	26%
Bed Sheets	203	1%	209	0%
Electricity	0	0%	283	1%
Net Sales	35,667	100%	49,284	100%

Export sales were recorded higher at Rs. 26.3b (FY20: Rs. 18.8b) in FY21. Processing and home textile segment remained the main growth driver in export sales with increase in its contribution to 54% (FY20: 50%). The proportion of export revenue from spinning segment remained largely intact at 37% (FY20: 38%) while contribution of weaving segment decreased to 9% (FY20: 12%). Export sales remained majorly concentrated in Asia, Africa and Australia (FY21: 53%; FY20: 55%) while proportion of sales to Europe increased to 26% (FY20: 17%). Export sales contribution in USA, Canada and South America decreased to 22% (FY20: 27%).

NCL recorded Rs. 9.0b (FY20: Rs. 4.2b) in gross profits in line with growth in revenues and notable increase in gross margins to 18.2% (FY20: 11.8%). Increase in gross margins is primarily a function of significant improvement in contribution margins of its spinning and weaving segments mainly due to economies of scale leading to absorption of fixed overheads coupled with higher average prices, in both local and international markets. Cost of sales was recorded higher at Rs. 40.3b (FY20: Rs. 31.5b) mainly on account of surge in cost of raw material consumed which accounted for nearly three-fourth of the cost of goods manufactured (FY20: 72%). Average procurement rates of local and imported cotton have witnessed hike in the outgoing year owing to decline in domestic aggregate output of cotton to 5.6m bales (FY20: 10.8m bales), dropping to the lowest level in the last three decades mainly as a result of heavy rainfall, pest attack and lack of farmers' interest. Distribution cost increased to Rs. 1.2b (FY20: Rs. 869.0m) mainly due to higher freight expenses in line with surge in oil prices increasing transportation charges for Karachi bound shipments and container shortage globally causing hike in ocean freight. Administrative expenses amounted to Rs. 311.9m (FY20: Rs. 324.2m). Other expenses increased to Rs. 340.4m (FY20: 95.0m) mainly owing to higher expenses related to employee related funds (FY21: Rs. 328.6m; FY20: Rs. 44.5m). Other income was recorded higher at Rs. 864.0m (FY20: Rs. 454.0m) as the company booked higher net exchange gain of Rs. 619.3m (FY20: Nil) in FY21. The bottomline also received support from notable decrease in finance cost to Rs. 1.7b (FY20: Rs. 2.7b), mainly on account of lower average benchmark rates during FY21. Accounting for taxation, net profit augmented to Rs. 5.6b in FY21 vis-à-vis Rs. 265.4m in the preceding year. Net profit margin increased to 11.4% (FY20: 0.7%) mainly on the back of higher gross profit, rationalized operating costs and decrease in finance cost.

The uptrend in revenue growth and profit margins continued in the ongoing year with the topline registering growth of 31% in 9MFY21 on YoY basis; net sales were recorded higher at Rs. 47.2b (9MFY21: Rs. 36.0b) on the back of volumetric growth as well as average product prices. Gross margins increased further to 22.3% as a result of better prices and rationalized cost of sales. Despite increase in operating and other expenses, lower other income and relatively higher finance cost, the company reported higher profit after tax of Rs. 6.7b (9MFY21: Rs. 3.2b) while net margins increased to 14.8% in 9MFY22. The company projects to generate net revenue of Rs. 58.5b in FY22. Being conservative the management projects the gross margins to decrease on a full year basis. As per management, this significant growth in gross margins may not sustain going forward, and are expected to revert to their historic mean over the medium-term. The management expects steady growth in topline while operational efficiencies exuding from ongoing capex are expected to support profitability, going forward.

Adequate liquidity underpinned by sizeable cash flows in relation to outstanding obligations: Liquidity position of the company has improved notably in FY21 and in the ongoing year in line with higher profitability. Resultantly, funds from operations (FFO) augmented to Rs. 7.9b (FY21: Rs. 6.3b; FY20: 1.0b) during 9MFY22. The annualized FFO to total debt and FFO to long-term increased to 0.34x (FY21: 0.22x; FY20: 0.03x) and 0.82x (FY21: 0.68x; FY20: 0.15x), respectively, by end-9MFY22. In addition, debt service coverage ratio has increased to 2.92x (FY21: 2.13x; FY20: 0.99x).

Stock in trade stood considerably higher at Rs. 23.1b (FY21: Rs. 18.2b; FY20: Rs. 20.0b) mainly on account of higher inventories build to meet demand along with the impact of increase in average cost of raw materials procured during 9MFY22. Stores and spares have also increased sizably to Rs. 3.1b (FY21: 1.7b; FY20: Rs. 0.9b) due to the impact of ongoing capex along with increase in average cost. Trade debts increased to Rs. 9.0b (FY21: Rs. 6.8b; FY20: Rs. 4.7b) by end-9MFY22. Credit terms with customers have remained unchanged, with 60 to 90 days of credit provided to local buyers while export sales are made on 60 days credit period. Loans and advances decreased to Rs. 2.7b (FY21: Rs. 3.3b; FY20: Rs. 1.1b); notable increase in loans and advances at end-FY21 was due to higher advances paid to suppliers amounting Rs. 3.1b (FY20: 1.1b) primarily related to in progress capex. Short-term investment worth Rs. 234.1m (FY21: Rs. 157.5m; FY20: 37.8m) largely represents term deposit receipts under lien against bank guarantees issued by the bank to Sui Northern Gas Pipeline Limited related to disputed amount of infrastructure cess. Other receivables largely related to taxes recoverable, increased to Rs. 2.7b (FY21: 2.0b; FY20: Rs. 2.3b). Cash and bank balances stood at Rs. 175.7m (FY21: 272.6m; FY20: Rs. 47.5m). Current ratio improved to 1.44x (FY21: 1.25x; FY20: 1.04x). Coverage of short-term borrowings via trade debts and stock in trade remained adequate at 1.71x (FY21: 1.32x; FY20: 0.99x) by end-9MFY22. However, higher cash conversion cycle mainly due to slower inventory turnover (9MFY22: 191 days; FY21: 177 days; FY20: 222 days) in comparison to industry median needs to be addressed. The liquidity position is projected to remain adequate, going forward.

Improvement in capitalization indicators on the back of augmentation in equity base: Core equity of the company increased to Rs. 23.8b (FY21: Rs. 19.0b; FY20: Rs.1 3.6b) on account of internal capital generation. In FY21, the company paid dividend of Rs. 240.1m for the year 2020 (FY20: Rs. 600.3m). During 9MFY22, the company has paid final dividend to the tune of Rs. 1.2b, for the outgoing year along with payment of interim dividend amounting Rs. 720.4m. The long-term borrowings including current portion witnessed a notable increase in the ongoing year and FY21 (9MFY22: Rs. 12.9b; FY21: Rs. 9.3b; FY20: 6.6b) largely to support ongoing capex and reprofile some of its short-term financing. During FY21, the company obtained long-term loans of Rs. 4.3b (FY20: Rs. 1.1b) out of which a facility of Rs. 1b was mobilized to reprofile its debt while the rest of the facilities were obtained to fund capex. Meanwhile, in 9MFY22 additional long-term borrowings to the tune of Rs. 6.0b were mobilized out of which Rs. 4.0b pertained to reprofiling of loans and Rs. 2b were obtained to fund capital expenditure. The company has made long-term repayment of loans amounting Rs. 1.8b (FY21: Rs. 1.9b; FY20: 1.0b) in 9MFY22. Short-term borrowings stood at Rs. 18.8b (FY21: Rs. 18.9b; FY20: Rs. 22.6b). The company had aggregate working capital lines of Rs. 35.2b (FY20: Rs. 22.6b) at end-FY21. Trade and other payables have increased to Rs. 6.8b (FY21: Rs. 4.1b; FY20: Rs. 4.5b) while remained at 13% (FY21: 10%; FY20: 14%) as percentage of cost of sales. Gearing and debt leverage have improved to 1.33x (FY21: 1.48x; FY20: 2.14x) and 1.67x (FY21: 1.73x; FY20: 2.50x), respectively. The long-term financing is projected to increase to Rs. 13.9b by end-FY22. Going forward, the management intends to obtain additional long-term borrowing largely to reprofile its debt, in case the company receives favorable pricing. Capitalization indicators are projected to improve steadily as a result of largely retained profits.

Adequate corporate governance practices: Mrs. Farhat Saleem resigned as Chairperson of the board in Dec'21 and Mr. Farrukh Ifzal was appointed as new Chairman afterwards. Ms. Nadia Bilal also joined the board in Dec'21. Presently, the board comprised seven members including two executive directors, three non-executive directors and two independent directors. During the year under review, four board meetings were held with satisfactory attendance. The Board has two committees in place, namely Audit Committee (BAC) and HR and Remuneration Committee (HRRC); four quarterly meetings of BAC and one meeting of HRRC were held during FY21. Overall senior management has depicted stability over time. Meanwhile, Mr. Danish Farooq was appointed as new Head of Internal Audit in the ongoing year. The financial statements of NCL for the outgoing year were audited by Riaz Ahmad & Company Chartered Accountants who were reappointed as external auditors for FY22 as well.

Nishat Chunian Limited (NCL) Appendix I

Financial Summary (PKR millions)			
BALANCE SHEET	**Jun 30, 2020**	**Jun 30, 2021**	**Mar 31, 2022**
Property, Plant & Equipment	16,569	17,224	20,478
Long-term Investments	1,887	1,887	1,887
Stores, Spares and Loose Tools	934	1,729	3,094
Stock-in-Trade	19,988	18,214	23,115
Trade Debts	4,687	6,782	9,043
Loans & Advances	1,107	3,270	2,672
Other Receivables	2,306	2,031	2,752
Other Assets	226	359	422
Cash & Bank Balances	47	273	176
Total Assets	**47,751**	**51,770**	**63,639**
Trade and Other Payables	4,456	4,094	6,840
Short Term Borrowings	22,554	18,898	18,779
Long Term Borrowings	6,589	9,269	12,984
Total Interest-Bearing Debt	29,144	28,167	31,763
Other Liabilities	514	513	1,213
Total Liabilities	**34,113**	**32,774**	**39,816**
Paid Up Capital	2,401	2,401	2,401
Core Equity/Total Equity	**13,637**	**18,996**	**23,823**
INCOME STATEMENT	**June 30, 2020**	**Jun 30, 2021**	**Mar 31, 2022**
Net Sales	35,667	49,284	47,212
Gross Profit	4,204	8,969	10,533
Operating Profit	3,011	7,497	9,125
Profit Before Tax	709	6,273	7,284
Profit After Tax	265	5,599	6,747
FFO	1,014	6,289	7,946
RATIO ANALYSIS	**June 30, 2020**	**Jun 30, 2021**	**Mar 31, 2022**
Gross Margin (%)	11.8	18.2	22.3
Net Margin (%)	0.7	11.4	14.3
Current Ratio (x)	1.04	1.25	1.44
FFO to Total Debt (x)	0.03	0.22	0.33*
FFO to Long Term Debt (x)	0.15	0.68	0.81*
Debt Service Coverage Ratio (x)	0.99	2.13	2.92
ROAA (%)	0.6	11.3	14.1*
ROAE (%)	1.8	34.3	38.7*
Gearing (x)	2.14	1.48	1.33
Debt Leverage (x)	2.50	1.73	1.67
Stock+ Trade debts/Short-term Borrowings (x)	1.09	1.32	1.71
Net Operating Cycle (days)	222	177	191

**Annualized*

ISSUE/ISSUER RATING SCALE & DEFINITIONS Appendix II

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: ISSUES / ISSUERS

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.vis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details.www.vis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.vis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES	Annexure III				
Name of Rated Entity	Nishat Chunian Limited				
Sector	Textile				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	02-06-2022	A	A-2	Positive	Maintained
	26-03-2021	A	A-2	Stable	Initial
Instrument Structure	N/A				
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2022 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.				
Due Diligence Meetings Conducted	Name	Designation	Date		
	Mr. Mustaqeem Talish	General Manager Finance	April 6, 2022		
	Mr. Abdul Raffe Kayani	Deputy Manager Finance	April 6, 2022		