

## RATING REPORT

## Zaman Textile Mills (Pvt.) Limited

**REPORT DATE:**

April 24, 2020

**RATING ANALYST:**Talha Iqbal  
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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	Maintained		Stable	
Rating Date	April 24, 2020		November 29 <sup>th</sup> , 2019	
Rating Action	Rating Watch-Developing		Reaffirmed	

## COMPANY INFORMATION

<b>Incorporated on 1969</b>	<b>External auditors:</b> M/s. Deloitte Yousuf Adil
<b>Private Limited Company</b>	<b>Chairperson:</b> Mr. Ebrahim Qassim
<b>Key Shareholders (with stake 5% or more):</b>	<b>Chief Executive Officer:</b> Mr. Muhammad Jamil Qassim
Mr. Ebrahim Qassim – 18.2%	
Mrs. Kulsoom Banoo – 11.6%	
Mr. Muhammed Jamil Qassim – 18.6%	
Mr. Muhammed Haroon Qassim – 18.5%	
Mr. Muhammed Salman Qassim – 18.4%	
Mrs. Zohra Banoo – 5.0%	
Mrs. Saba Jamil Qassim – 5.0%	
Mrs. Wazira Parveen – 5.0%	

## APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria *Industrial Corporates (April 2019)*<https://s3-us-west-2.amazonaws.com/backupsqvis/docs/Corporate-Methodology-201904.pdf>

**Zaman Textile Mills (Pvt.) Limited**

**OVERVIEW OF THE INSTITUTION**

Zaman Textile Mills (Private) Limited (ZTML) was incorporated in 1969 as a public company limited by shares. The company changed its status to a private company in May 2016. Principal activity of the company includes manufacturing, processing and sales of yarn and fabric.

**RATING RATIONALE**

Zaman Textile Mills (Pvt.) Limited (ZTML) is a family-owned business, which is principally engaged in manufacturing, processing, sale and trading of yarn and fabric. The product portfolio of the company includes coarse yarn (20-30s), greige & dyed fabric that is sold in the local market, whereas coarse yarn (20d), hospital gowns, home textiles, greige & bleached fabric are sold in the export market.

The company operates through two factories located at Kotri Industrial Estate near Hyderabad that is engaged in yarn manufacturing; whereas the fabric weaving, dyeing and printing facilities are based in Landhi Industrial Area, Karachi. The power requirements of both production units are met through in-house gas based generators.

**Capacity utilization for both segments has remained on the higher side.**

	FY17	FY18	FY19
<b>Spinning</b>			
Total number of spindles installed	24,288	24,288	24,288
Total number of working spindles	24,288	24,288	24,288
Number of shifts per day	3	3	3
Installed capacity after conversion into 20/s counts (lbs.)	15,150,394.0	15,527,359.0	15,695,493.0
Actual production after conversion into 20/s counts (lbs.)	15,077,655.0	15,467,258.0	15,550,556.0
<b>Capacity utilization</b>	<b>99.5%</b>	<b>99.6%</b>	<b>99.1%</b>
<b>Weaving</b>			
Total number of air jet looms installed	346	373	404
Total number of air jet looms worked [excludes 3 looms held as Backup]	343	370	372
Installed capacity after conversion into 60/s picks (m)	50,992,871.0	60,830,752.0	65,723,953.0
Actual production after conversion into 60/s picks (m)	45,315,072.0	54,313,793.0	58,717,674.0
<b>Capacity utilization</b>	<b>88.90%</b>	<b>89.30%</b>	<b>89.3%</b>

**Local sales represented the major portion of sales mix**

Topline of the company was reported at Rs. 11.7b (FY18: Rs. 8.1b) during FY19. During the outgoing year, around one-tenth of the total sales comprised export sales. In terms of segment wise sales, revenues from the fabric segment have been increasing on a timeline basis and represented around two-third of total sales in FY19.

**Coronavirus to result in uncertainty in textile sector dynamics**

The revision in rating outlook reflects prevailing uncertainty in textile sector dynamics due to coronavirus outbreak, prolonged lockdown, overall contraction in demand and challenging economic environment. It is expected that the entire value chain of the textile industry will be impacted by these developments. Status of the assigned rating is therefore uncertain, as an event of deviation from expected trend has occurred; additional information will be necessary to take any further rating action, warranting a 'Rating Watch-Developing' status. Given the adequate financial profile, it is expected that ratings will remain stable post recovery of the ongoing situation; nevertheless, as scenario is evolving rapidly, VIS will closely monitor and will accordingly take action to resolve the outlook status.

<b>Financial Summary (amounts in PKR millions)</b>			
<b>Appendix I</b>			
	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>
<b><u>BALANCE SHEET</u></b>			
<b>Paid Up Capital</b>	980.0	980.0	980.0
<b>Total Equity (without surplus revaluation)</b>	3,064.5	3,517.2	5,298.3
<b><u>INCOME STATEMENT</u></b>			
<b>Net Sales</b>	6,888.7	8,077.8	11,777.9
<b>Profit Before Tax</b>	347.0	389.6	584.0
<b>Profit After Tax</b>	336.2	243.5	551.2
<b><u>RATIO ANALYSIS</u></b>			
<b>FFO</b>	646.8	660.9	977.9
<b>Current Ratio (x)</b>	1.36	1.37	1.44
<b>Gearing (x)</b>	0.8	1.3	1.6

**ISSUE/ISSUER RATING SCALE &DEFINITIONS**

**Appendix II**

**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

**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](http://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](http://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.

**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.

**(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](http://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						Appendix III
<b>Name of Rated Entity</b>	Zaman Textile Mills (Pvt.) Limited					
<b>Sector</b>	Textiles					
<b>Type of Relationship</b>	Solicited					
<b>Purpose of Rating</b>	Entity Rating					
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>	
	<b>RATING TYPE: ENTITY</b>					
	24-Apr-2020	A-	A-2	Rating Watch-Developing	Maintained	
	29-Nov-2019	A-	A-2	Stable	Reaffirmed	
22-Nov-2018	A-	A-2	Stable	Initial		
<b>Instrument Structure</b>	N/A					
<b>Statement by the Rating Team</b>	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.					
<b>Probability of Default</b>	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.					
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