RATING REPORT

Kohinoor Textile Mills Limited (KTML)

REPORT DATE:
January 20, 2021

RATING ANALYSTS:

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RATING DETAILS				
Rating Category	**Latest Rating**		**Previous Rating**	
	Long-term	**Short-term**	**Long-term**	**Short-term**
Entity	A+	A-1	A+	A-1
Rating Outlook	Stable		Rating Watch-Developing	
Rating Date	January 20, 2021		June 17, 2020	
Rating Action	Maintained		Initial	

COMPANY INFORMATION	
Public Limited Company since 1968	**External auditors:** M/s Riaz Ahmad & Company Chartered Accountants
Public Limited Company	**Chairman of the Board:** Mr. Tariq Sayeed Saigol
Key Shareholders (with stake 5% or more):	**Chief Executive Officer:** Mr. Taufique Sayeed Saigol
Directors, CEO and their spouse – 29.029%	
General Public – 55.08%	
Modarabas, Leasing and Mutual Funds – 13.919%	

APPLICABLE METHODOLOGY(IES)

Applicable Rating Criteria: Corporates (April, 2019)
https://s3-us-west-2.amazonaws.com/backupsqlvis/docs/Corporate-Methodology-201904.pdf

Kohinoor Textile Mills Limited (KTML)

OVERVIEW OF THE INSTITUTION

KTML was incorporated as a public limited company in Companies Act, 1913 (now the Companies Act, 2017) under the Companies Ordinance, 1984 and was subsequently converted into a public limited company in December, 1968.

Financial Statements of the company for FY19 were audited by M/s Riaz Ahmad & Company Chartered Accountants

Profile of Chairman

Mr. Tariq Sayeed Saigol is the Chairman of Kohinoor Maple Leaf Group. He is a leading and experienced industrialist with exposure to multiple sectors.

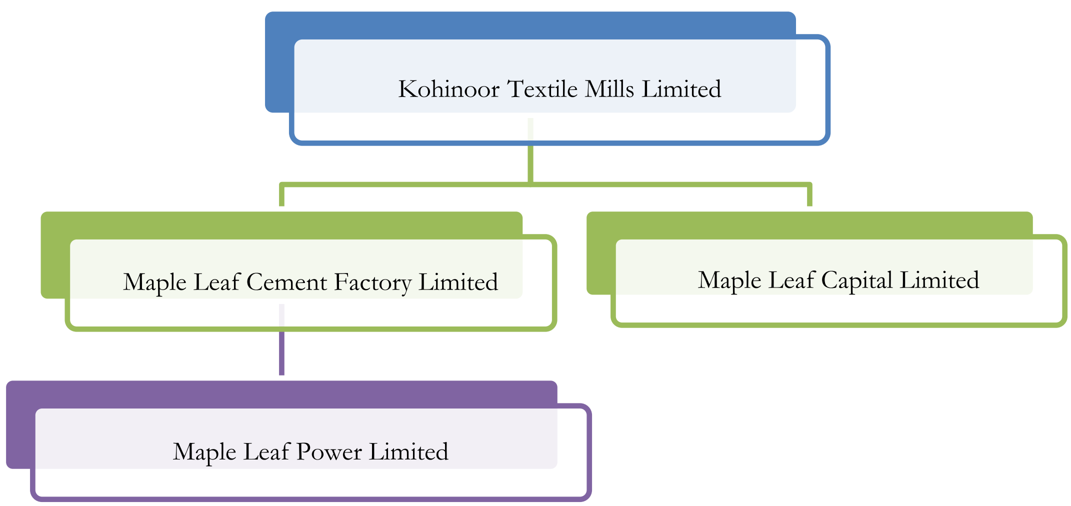
RATING RATIONALE

Kohinoor Textile Mills Limited (KTML) is part of Kohinoor Maple Leaf Group. The group has a presence in textile, cement, power generation and investment management.

KTML has a vertically integrated setup and is principally engaged in the manufacturing of yarn and cloth, processing & stitching the cloth and trade of textile products. Existing manufacturing facilities of KTML comprise two spinning units, one weaving unit and a home textile unit. The company's head office is situated in Lahore, while a regional office is based in Karachi. The Company has adequate power generation arrangement in place with generation sources including gas, furnace oil, solar and WAPDA. Generation mix is shifted depending on cost effectiveness of each fuel source.

Manufacturing units and office	Location
Head Office	Lahore
Regional Sales Office	Karachi
Spinning and Home Textile Units	Rawalpindi
Spinning Unit	Gujar Khan
Weaving Unit	Manga Raiwand, District Kasur

Product Portfolio
Yarn
Greige Fabric
Dyed and Printed Fabric
Home Textile Products (Bed Linen, Quilting, Embroidery, Curtains, etc)



Maple Leaf Cement Factory Limited (MLCF)
MLCF is principally engaged in production and sale of cement through a production factory is situated in Iskanderabad Distt: Mianwali. MLCF is one of the leading players in the cement sector. The company is the 4th largest player in terms of installed capacity and dispatches and recorded a market share of 8% during FY19. KTML holds 55.22% shares of the subsidiary company.

Maple Leaf Power Limited (MLPL)
MLPL is a wholly-owned subsidiary of MLCF; the company is principally engaged in generating, purchasing, transforming, distributing and supplying electric power to MLCF.

Maple Leaf Capital Limited (MLCL)
MLCL was incorporated in 2014 and is principally engaged in buying, selling and holding of financial instruments. KTML holds 82.92% shares of the subsidiary company.

Citing stability in operating performance during FY20 and 1QFY21, the outlook assigned to KTML's ratings has been revised to 'Stable'

Despite the impact of Covid-19-induced slowdown in FY20, gross margins compare to be on the higher side in relation to peers (1QFY21: 17%; FY20: 18%; FY19: 17%) and net margins were maintained at historical levels (1QFY21: 7.0%; FY20: 7.0%; FY19: 8.0%). Given the increase in quantum of borrowing, financing cost for the company has increased to Rs. 803m (FY19: 411m) during FY20 negatively affecting the bottom-line. Despite decline in net profitability, cash flow coverages in relation to outstanding obligations remain adequate during FY20 and 1QFY21. Gearing and leverage indicators continue to remain in line with benchmarks for the assigned ratings in the review period. Even though impact of Covid-19's second wave remains elevated, we expect the order book for the industry to remain strong in the ongoing year, easing our business risk concerns.

Financial Summary (amounts in PKR millions)				Appendix I
	FY18	**FY19**	**FY20**	**3MFY21**
BALANCE SHEET				
Property Plant and Equipment	8,578.7	8,907.6	9,699.5	9,837.4
Other Fixed Asset	9,577.2	9,605.0	12,924.5	12,924.5
Stock-in-Trade	2,574.8	3,814.3	5,362.7	4,215.9
Trade Debts	1,699.0	1,455.1	2,360.1	2,798.9
Cash & Bank Balances	161.9	216.4	186.6	134.0
Total Assets	24,872.0	25,546.6	32,703.8	32,507.7
Trade and Other Payables	1,797.7	2,133.4	2,785.3	2,303.7
Long Term Debt (including current maturity)	1,723.40	1,946.72	2,968.3	3,559.5
Short Term Debt	4,635.4	3,141.5	7,479.1	6,597.8
Total Debt	6,358.8	5,088.2	10,447.4	10,157.4
Total Liabilities	9,051.3	8,579.8	14,732.1	14,023.7
Total Equity (without surplus revaluation)	11,977.6	13,123.8	14,128.1	14,641.0
Paid-up Capital	2,993.0	2,993.0	2,993.0	2,993.0
INCOME STATEMENT				
Net Sales	17,833.5	21,220.1	21,844.8	7,075.5
Gross Profit	2,477.8	3,561.1	3,990.2	1,204.6
Profit Before Tax	2,154.1	2,280.9	1,878.2	622.6
Profit After Tax	1,664.3	1,750.6	1,528.0	512.9
RATIO ANALYSIS				
Gross Margin (%)	13.9%	16.8%	18.3%	17.0%
Net Profit Margin	9.3%	8.2%	7.0%	7.2%
Current Ratio	0.93	1.09	0.89	0.96
Net Working Capital	(484.6)	583.3	(1,240.8)	(387.4)
FFO	2,527.0	2,887.8	2,191.8	706.8
FFO to Total Debt (%)	39.7%	56.8%	21.0%	27.8%*
FFO to Long Term Debt (%)	146.6%	148.3%	73.8%	79.4%*
Debt Servicing Coverage Ratio (x)	4.6	4.2	2.8	3.3*
ROAA (%)	7.3%	6.9%	4.9%	6.3%*
ROAE (%)	15.1%	13.9%	11.1%	14.3%*
Gearing (x)	0.5	0.4	0.7	0.7
Leverage (x)	0.8	0.7	1.0	1.0

Annualized numbers*

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

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 — Appendix III

<table>
<tr><td>Name of Rated Entity</td><td>Kohinoor Textile Mills Limited</td></tr>
<tr><td>Sector</td><td>Textile</td></tr>
<tr><td>Type of Relationship</td><td>Solicited</td></tr>
<tr><td>Purpose of Rating</td><td>Entity Rating</td></tr>
<tr><td>Rating History</td><td>
<table>
<tr><th>Rating Date</th><th>Medium to Long Term</th><th>Short Term</th><th>Rating Outlook</th><th>Rating Action</th></tr>
<tr><td colspan="5"><u>RATING TYPE: ENTITY</u></td></tr>
<tr><td>20-January-21</td><td>A+</td><td>A-1</td><td>Stable</td><td>Maintained</td></tr>
<tr><td>17-June-20</td><td>A+</td><td>A-1</td><td>Rating Watch-Developing</td><td>Initial</td></tr>
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</td></tr>
<tr><td>Instrument Structure</td><td>N/A</td></tr>
<tr><td>Statement by the Rating Team</td><td>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.</td></tr>
<tr><td>Probability of Default</td><td>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.</td></tr>
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<tr><td>Due Diligence Meetings Conducted</td><td>
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<tr><th>Name</th><th>Designation</th><th>Date</th></tr>
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