RATING REPORT

Treet Corporation Limited

REPORT DATE:
December 27, 2016

RATING ANALYSTS:

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RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	AA-	A-1	AA-	A-1
Rating Outlook	Stable		Stable	
Rating Date	*20 Dec'16*		*08 Dec'15*	
Sukuk (preliminary)	*AA-*		*AA-*	
Rating Outlook	*Stable*		*Stable*	
Rating Date	*20 Dec'16*		*08 Dec'15*	
PTC	AA		AA	
Rating outlook	Stable		Stable	
Rating Date	*20 Dec'16*		*08 Dec'15*	

COMPANY INFORMATION-Based on FY 2014-15

Incorporated in 1977	**External auditors:** M/s KPMG Taseer Hadi& Co. Chartered Accountants
Public Limited Company	**Chairman:** Dr. Mrs. Niloufer Qasim Mahdi
Key Shareholders (with stake 5% or more):	**Chief Executive Officer:** Mr. Syed Shahid Ali
Syed Shahid Ali & Family – 39.2%	
NIT – 8.9%	
Loads Limited (Associated Company)- 5.5%	

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria:

Industrial Corporate (May 2016)
Notching the Issues (June 2016)
http://www.jcrvis.com.pk/kc-meth.aspx

Treet Corporation Limited

RATING RATIONALE

Ratings assigned to Treet Corporation Limited (TCL) reflect its low business risk profile emanating from continued robust performance by key business segments of the company. Ratings also take into account strong ownership profile of the company; sponsor support has been demonstrated by way of right share issuance. Resultantly, equity base of the company has strengthened on a timeline basis while low level of debt and adequate cash flow coverage continues to provide comfort to the assessment of financial risk.

Treet Group of Companies (TGC) is a consortium of 6 entities involved in diverse line of businesses which includes manufacturing and sale of razor and razor blades, soaps, corrugated packaging, motorcycle and trading of batteries.

Profitability: Sales of razor & razor blades, soaps and corrugated packaging represented around 93% of total sales of the company. Higher production capacity augmented sales volumes in the razor/blade segment. Improved sales were also reported in the soap segment while sales of corrugated packaging remained flat. Motorbike segment is expected to continue to operate at a low scale. Overall gross margin improved to 23.7% (FY15: 20.8%) during FY16 owing to improved margins in razor & razor blade and soap segment.

Liquidity & Cash Flow: Liquidity profile of the company remained sound. Availability of undrawn bank lines provides financial flexibility to the company. Funds from Operations (FFO) of the company increased to Rs. 257.4m (FY15: 36.3m) during FY16; cash flows are considered adequate to timely service debt obligations.

Funding: Capitalization related indicators improved owing to issuance of right shares and mandatory conversion of PTC into equity. Future debt levels are expected to remain low as expansion projects are mainly financed through raising additional equity. The company plans to issue a perpetual Sukuk amounting to Rs. 539.5m to meet working capital requirements; currently these are financed through short term bank borrowings. The sukuk is to be issued in perpetuity to existing shareholders and will be listed on Pakistan Stock Exchange (PSX).

Expansion projects: Various expansion plans are underway which pertain to new business segments including manufacturing facility for the production of lead acid batteries and educational project. The company continues to establish marketing and distribution channels of its battery segment; local production of batteries is expected to commence by June, 2017. Funding for the projects has been arranged through equity and internal sources ensuring low financial risk on TCL's balance sheet. The ability of the management to transform these projects into profit generating avenues would be seen overtime.

OVERVIEW OF THE INSTITUTION

Treet Corporation Limited (TCL) was incorporated in January 1977 as a public limited company and is listed on the Pakistan Stock Exchange (PSX). The group is principally engaged in the manufacturing and sale of razors and razor blades, soaps, corrugation packaging, motorbikes and trading of lead acid batteries. The head office is located in Lahore, Pakistan while the manufacturing units are located in Lahore, Gujranwala**,** Hyderabad and Faisalabad.

Profile of Chairman Dr. Mrs. Niloufer Qasim Mahdi continues to Chair the Board. She holds BA (Hons), MA, M.Litt, and D.Phil degrees from Oxford University.

Profile of CEO

Syed Shahid Ali has been serving as CEO of TCL for the past 21 years. Syed Shahid Ali holds a Masters degree in economics from Oxford University.

Financial Snapshot

Equity:FY16- Rs.8,798.6m, FY15- Rs. 6,980m

Net Profit: FY16- Rs. 214.3m, FY15- Rs. 242.2m

Treet Corporation Limited — Appendix I

FINANCIAL SUMMARY *(amounts in PKR millions)*

BALANCE SHEET	SEP 30, 2016	JUN 30, 2016	JUN 30, 2015
Fixed Assets	8,435.4	7,840.6	4,202.7
Stock-in-Trade	1,028.0	1,098.1	1,286.8
Trade Debts	599.2	616.9	482.8
Cash & Bank Balances	501.9	650.5	2,790.3
Total Assets	13,205.1	12,544.3	10,990.9
Trade and Other Payables	743.0	714.0	564.9
Long Term Debt- redeemable in Shares	691.3	691.3	864.5
Long Term Debt- redeemable in cash	25.1	25.1	31.4
Short Term Debt	2,039.2	1,558.8	1,806.4
Total Equity	8,900.6	8,798.6	6,980.4

INCOME STATEMENT	SEP 30, 2016	JUN 30, 2016	JUN 30, 2015
Net Sales	1,973.7	7,615.2	6900.2
Gross Profit	472.4	1,804.4	1,437.4
Operating Profit	124.9	461.3	260.2
Profit After Tax	101.9	214.3	242.2

RATIO ANALYSIS	SEP 30, 2016	JUN 30, 2016	JUN 30, 2015
Gross Margin (%)	23.9	23.7	20.8
Net Working Capital	929	1,468.4	3,491.9
FFO to Total Debt (x)	0.06	0.16	0.02
FFO to Long Term Debt (x)	5.3	10.3	1.2
Debt Servicing Coverage Ratio (x)	2.4	1.7	1.1
ROAA (%)	3.2	1.8	2.7
ROAE (%)	5.4	3.3	5.7

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: JCR-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.jcrvis.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.jcrvis.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.

'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.jcrvis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when JCR-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.

REGULATORYDISCLOSURES	Appendix III
Name of Rated Entity	Treet Corporation Limited
Sector	Consumer Goods
Type of Relationship	Solicited
Purpose of Rating	Entity & Instrument Rating

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
		RATING: ENTITY		
12/20/2016	AA-	A-1	Stable	Reaffirmed
12/08/2015	AA-	A-1	Stable	Reaffirmed
2/23/2015	AA-	A-1	Stable	Reaffirmed
12/10/2013	AA-	A-1	Stable	Reaffirmed
3/06/2012	AA-	A-1	Stable	Reaffirmed
		RATING:PTC		
12/20/2016	AA		Stable	Reaffirmed
12/08/2015	AA		Stable	Reaffirmed
2/23/2015	AA		Stable	Reaffirmed
12/10/2013	AA		Stable	Reaffirmed
10/23/2012	AA		Stable	Final
		RATING: SUKUK		
12/20/2016	AA-		Stable	Reaffirmed
12/08/2015	AA-		Stable	Reaffirmed
4/10/2015	AA-		Stable	Preliminary

PTC Issue

TCL issued PTCs amounting to Rs. 1.25b in 2013. The company issued 41,822,250 certificates of Rs.30 each to existing shareholders in the ratio of 1 PTC for every 1 ordinary share. These certificates are listed Pakistan Stock Exchange (PSX). The principal amount of PTCs shall be redeemed through cash and mandatory conversion into ordinary shares through share conversion @ 0.07shares per PTC per annum at a pre-agreed conversion price of Rs.59.14 for 2013 to 2018 and 0.08 shares per PTC at the price of Rs. 51.38 for 2019. The PTCs shall be redeemed through cash @ Rs. 4.14 per annum from year 2013-2018 and Rs. 4.4 for the year 2019. The PTC holder is entitled to a minimum profit of (Category A profit) at Rs. 4.14 per annum for each PTC and contingent profit (Category B profit) based on consolidated profits before tax, WWF, WPPF and finance cost based on pay off matrix. The issue has been secured by way of fixed and floating charge over designated fixed assets. An additional lien has been marked on investment in shares of existing companies amounting to Rs. 250m as a trust security/property.

Proposed Sukuk Structure	TCL plans to issue Sukuk of Rs.539.5m at face value of Rs.40 per Sukuk. Objective of the issue is to meet working capital requirements of the company. The Sukuk is proposed to be issued in perpetuity to existing shareholders in the by way of Renounceable Offer Letter (ROL); ROL will be trade-able at Pakistan Stock Exchange (PSX). The Sukuk will be listed on Pakistan Stock Exchange (PSX). Sukuk will be converted into ordinary shares maximum ratio of one sukuk to one ordinary share at the option of sukuk holders. The company will give a time bound put option to redeem the sukuk in full or partial payments in cash after expiry of three years (and therafter after every third anniversary of such date). Sukuk will carry voting right equal to one-tenth of ordinary share of the Company. Profit payment will be made to Sukuk holders in cash on annual basis. The profit for each Sukuk will be higher of either the cash dividend (interim plus final) paid by the Company per Ordinary share during the relevant financial year or 6% of Musharkah profit of relevant financial year (divided by number of Sukuks outstanding). The Company will have no option to redeem the Sukuk in cash or to convert them into Ordinary shares.

Statement by the Rating Team	JCR-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.
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