RATING REPORT

Gohar Textile Mills (Pvt.) Limited

REPORT DATE:
June 06, 2022

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 Date	*June 06, 2022*		*May 26, 2021*	
Rating Outlook	Stable		Stable	

COMPANY INFORMATION	
Incorporated in 1980	External Auditors: Azhar Zafar & Company
Private Limited Company	Chairman of the Board/CEO: Mr. Liaqat Ali
Key Shareholders (More than 5%):	
Mr. Liaqat Ali – 32.2%	
Mr. Gohar Mustafa – 35.8%	
Mr. Muhammad Aftab Gauhar – 15.8%	
Mr. Altaf Gohar – 13.7%	

APPLICABLE METHODOLOGY(IES)

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

Gohar Textile Mills (Pvt.) Limited

OVERVIEW OF THE INSTITUTION

Gohar Textile Mills Limited (GTML) was established in 1980 in UK and an integrated operation was opened in Pakistan in 1995. The company is involved in the spinning, weaving and finished fabric.

Profile of the Chairman/CEO
Mr. Liaqat Ali serves as the Chairman of the Board and Chief Executive Officer. He has over 35 years of experience in the textile industry.

Financial Snapshot
Total Equity: end-HY22: Rs. 9.8b; end-FY21: Rs. 9.2b; end-FY20: Rs. 8.0b; end-FY19: Rs.6.8b
Assets: end-HY22: Rs. 19.9b; end-FY21: Rs. 19.1b; end-FY20: Rs. 14.3b; end-FY19: Rs. 11.4b
Profit After Tax: HY22: Rs. 689m; FY21: Rs. 1.2b; FY20: Rs. 847m; FY19: Rs. 979m

RATING RATIONALE

The ratings assigned to Gohar Textile (Pvt.) Limited (GTML) take into account the moderate risk profile of the company underpinned by its presence in the export oriented value-added textile segment, complete control on quality maintenance coupled with extensive sponsor experience and established operating track record of nearly four decades in textile business. Ratings also reflect long-standing business relationships with leading international brands and growing demand of home-textile products. Further, the recent rupee devaluation positively impacted financial results for the review period. Prospects of the industry are strong going forward, however rising cotton prices with delayed pass on remains a key business risk. Furthermore, ratings draw comfort from the continuous increase in production capacities of the company to cater increasing demand which are expected to support profitability and yield operational efficiencies going forward.

Assessment of financial risk profile encapsulates strong revenue growth in the outgoing year and onwards with subsequent translation of the same into profitability metrics. However, gross margins declined slightly during the rating review period owing to adverse input/output price movement and inflationary pressures coupled with outsourcing of various processing-based activities as the demand of the company's products exceeded the inhouse capacity. In line with higher scale of operations and margins, liquidity position improved and is considered sound on account of sufficient cash flow generation in terms of outstanding liabilities. Moreover, debt servicing levels remained sizable in line with limited reliance of the company on long-term funding. Leverage indicators have increased on a timeline basis due to debt drawdown to finance expansion in the stitching and processing segments; while the same still remain within manageable levels and in sync with the assigned ratings. Although plans of financing capex through long term borrowings are in place, capitalization indicators of the company are expected to remain around current levels as the increase in long-term debt is projected to be off-set by augmentation of equity base with no increase in short-term borrowings expected. The ratings remain dependent on maintenance of margins, realization of projected targets, incremental cash flow generation and cost savings from recent capital expenditure and maintenance of leverage indicators.

Rating Drivers

Improvement in business risk profile:

The country's textile industry has scaled up production to pre-Covid level of full-capacity as a significant improvement in containment of the pandemic in the country led the world buyers to partially divert their orders to domestic manufacturers. The growth in production is backed by a big jump in the import of basic raw materials – cotton and man-made yarn – after the heavy rainfall and pest attack damaged notable portion of cotton crops in the fields to a multi-year low. The cotton production in the country has declined by 22.8% to 7.1m tons in FY21 as opposed to 9.1m tons in the preceding year due to both reduction in cotton production and yield per acre. Secondly, the industry recovered on a fast pace with the government's support in the shape of rationalizing energy price to a regional competitive level, the same included continued supply of raw material and subsidized financing for the expansion of production and setting up new units. Further, the textile exports have also largely recovered from the Covid-19 pandemic shocks and are still growing both in terms of their quantity and dollar value. The textile exports increased by 23% to USD $15.4b as compared to USD $ 12.5b in FY20 with major contributors being knitwear by 37%, towels by 32% (other than cotton yarn), home textile by 29% and made-ups (excluding home textile and towels) by 28%

respectively. Further, the textile shipments have surged by 3.8% to $4.8 billion between July and October 2021 from $4.6bn in the corresponding period last year. The rise in the textile and clothing group has been slightly faster than the 0.6% growth in the overall export. The export recovery is most prominent in the knitwear, home textiles and denim segments.

Outlook of the textile industry remains positive on account of recovery in international markets and export-oriented policies of the government. Going forward, prospects remain strong on account of gradual establishment of international customer base alongside favorable incentives offered by the government. However, federal government's consideration to revise gas tariff for textile export units to $9 per mmbtu from $6.5 from November 15 2021 to March 31, 2022 remains a key risk which would detrimentally impact cost of sales. Nonetheless, the recent rupee devaluation is likely to offset possible increase in gas tariff.

Corporate Profile & Business Dynamics: Incorporated in 1995, the company is principally engaged in the manufacturing and selling of value-added fabrics and textile made ups, with exports contributing to 99% of the total sales in FY21. The product portfolio primarily includes duvet cover sets, fitted sheets, pillowcases, grey and finished fabrics. Major sales were concentrated in Europe (44%), Australia (34%) and USA (15%) during FY21; however, the company plans to diversify its geographical revenue mix with increased focus on Asia and USA over the rating horizon in order to rationalize client concentration. The customers of the company include renowned international brands including K-Mart, Turner Bianca, Primark, Dunnes Stores, Gerber Childrenswear, Walmart/ASDA, Target, Sartex Quilts & Textiles, Next, Debenhams and SIMBA. As a result of dealing with prominent wholesale clients, the client concentration was sizeable with top-10 customers representing around 60% (FY20: 55%) of the total revenues during FY21.

Gohar Textile is a vertically integrated entity incorporating spinning, weaving, processing, and a stitching unit; driven by in-house Independent Power Producer (IPP) based on furnace oil, Liquefied Petroleum Gas (L.P.G.), natural gas, and coal. Moreover, the company has access to dedicated power supply of 13MW electricity from WAPDA; the project came online during the outgoing year. Therefore, the company enjoys a competitive advantage with respect to the availability of various resources for meeting power requirements which is recorded at around 12 MW.

Capacity utilization & capital expenditure:

The installed capacity of spinning, weaving, processing and power remained unchanged during FY21. On the other hand, the capacity of stitching unit increased on account of addition of 321 single needle stitching machines; the total capex incurred on the same amounted to Rs. 38.3m during FY21. Further, the capacity utilization indicators improved for spinning, weaving and processing divisions in line with increased production levels on account of better reception of local home-textile products in the export markets owing to capitalizing of market gap created by the pandemic and rupee devaluation leading to positive price parity. On the other hand, utilization of power plant declined as a result of dedicated power line of 13 MW available from WAPDA so the company's reliance on backup fuel was limited. The table below gives a snapshot installed capacities and utilization for the company of different production departments:

Spinning Unit	FY20	FY21
Number of spindles installed	31,680	31,680
Number of spindles worked	31,680	31,680
Number of days actually worked	345	363

Installed capacity (Bags based on 31/S PC)	173,375	177,025
Actual production (Bags based on 31/S PC)	163,875	176,055
Capacity Utilization on conversion (%)	94.5%	99.5%
Weaving Unit	**FY20**	**FY21**
Number of looms installed	452	452
Number of looms worked	452	452
Number of days actually worked	340	355
Installed capacity (square meters in millions @ 68 picks)	89.07	89.07
Actual production (square meters in millions @ 68 picks)	74.58	77.80
Capacity Utilization on conversion (%)	83.7%	87.3%
Processing Unit	**FY20**	**FY21**
Installed capacity (square meters in millions)	165.05	165.05
Actual production (square meters in millions)	101.62	121.17
Capacity Utilization (%)	61.6%	73.4%
Processing Unit	**FY20**	**FY21**
Installed capacity (square meters in millions)	94.50	120.96
Actual production (square meters in millions)	88.70	113.25
Capacity Utilization (%)	93.4%	93.6%
Power House	**FY20**	**FY21**
Installed capacity (in megawatts)	10.92	10.92
Actual production (in megawatts)	4.15	2.24
Capacity Utilization (%)	38.0%	20.5%

During FY21, the company incurred capex amounting to Rs. 916.2m out of which Rs. 796.2m was manifested in plant and machinery. Major capital investments were made on procurement of Reggiani printing machine (Rs. 274m) for improving the capacity and depth of processing unit to reduce reliance on outsourcing, jacquard machine (Rs. 84), knitting machines (Rs. 37m) in order to add flexibility to revenue stream with new market development of knitted products, smart MRT system (Rs. 58m) to improve productivity of stitching unit through automation and sampling loom (Rs. 32m) to improve the efficiency of Research & Development Department.

Continuing with the strategic goal, GTML plans to install 80 air-jet looms in FY22 to completely eliminate the need to outsource fabric. Apart from addition of air-jet looms, the company has also initiated capex on jacquard looms, boiler, warping machine and singing machines; the aggregate capex to be incurred on the same amounts to around Rs. 1.0b during FY23. Land and building construction for installation of machinery has been completed; the capital investment is to met by combination of internal cash generation and debt in the proportion of 20:80. Given the business model of the company revolves only around exports, the funding amounting to Rs. 800m will be procured under concessionary SBP scheme, LTFF. The air jet looms are expected to come online by end-Sep'22. Apart from this, the company has completed the purchase of land in Faisalabad City (FIEDMC) for development purposes; and will consequently enter the tax-free zone. In that regard, 80% payment has already been made while the remaining will be made in the due course. There has been a change in plan in terms of initially shifting the entire spinning unit to FIEDMC, now the management plans to set up a new spinning unit aimed at producing 100% cotton yarn since demand of the product has escalated in the last three years.

Sizable growth witnessed during the period under review on account of multiple factors:

The company's topline registered an increase of around 40% to Rs. 19.5b (FY20: Rs. 13.9b), exceeding the projected revenue of Rs. 18.0b, during FY21; the same was a combined outcome of growth in volumetric sale, new market development with notable export revenue emanating from US along with appreciation of dollar against rupee. Around two-thirds of the revenue growth was a function of increased demand of domestic products underpinned by capitalizing of marketing gap as production units in competing countries were not operating at full potential owing to COVID-19 related lockdowns. GTML's revenue in USD increased to $126.3m during FY21 as opposed to Rs. $86.2m in the preceding year. As per the management, the company has also improved its market penetration in exports through addition of renowned clients during the period under review.

The margins declined slightly to 13.8% (FY20: 14.1%) owing to increase in input cost as the cost of the major raw material, yarn, constituting 63% of the total purchases for FY21 increased to Rs. 494/kg (FY20: Rs. 420/kg) during FY21. As per the management, cotton yarn is largely procured locally while polyester and acrylic are imported. GTML maintains normal cotton yarn stock for around 2 months of projected production while owing to higher lead time of specialized yarn ranging between 40-60 days, buffer stock for at least three months of production is retained to avoid customer attrition. In addition, due to weak cotton crop the reliance on imported cotton also increased to 48% of the total requirement in FY21 as opposed to 38% in the preceding year. Further, the decrease in gross margin was also attributed to outsourcing of cutting, measuring and trimming (CMT) processes to other textile mills in Faisalabad as the demand for GTML's products exceeded the company's in-house production capacity.

The selling and distribution expenses increased to Rs. 661.7m (FY20: Rs. 472.6m) majorly due to increase in freight & export clearing and local carriage & fuel expenses; the increase is in sync with enhanced scale of operations. Moreover, administrative expenses also stood higher at Rs. 312.0m (FY20: Rs. 212.3m) mainly as a result of increase in employee related expenses in line with annual salary increments coupled with increase in headcount as average employees were reported higher at 2,826 (FY20: 2,374) during FY21. The increase in administrative expense was also a function of higher fee & subscription expenses incurred. Increase in all other administrative expenses is largely aligned with higher sales and general inflation. Further, other expenses stood higher at Rs. 84.1m (FY20: Rs. 51.9m) owing to increased contribution to workers' profit participation fund coupled with loss on disposal of plant & equipment booked during FY21. In addition, the finance cost also increased to Rs. 271.6m (FY20: Rs. 243.8m) in line with higher utilization of short-term funding owing to sizable growth in working capital requirements. As a result of positive trajectory of revenues, GTML reported higher profit of Rs. 1.8b (FY20: Rs. 1.3m) during FY21.

Going forward, the management projects to close FY22 with a topline of Rs. 21.5b, the company in on track of meeting the projected target as revenue of Rs. 11.5b was booked during HYFY22. The increase in revenue is mainly attributable to positive outlook on sector and capacity enhancement with addition of 68 weaving machines leading to increase in volumetric sale during 1HFY22. Further, the company has orders of over $70m in the pipeline for the next six months. The gross margins remained unchanged as of FY21's level given the increase in input cost was offset by increase in retail prices of final products coupled with higher economies of scale advantages. Going forward, company is targeting a turnover of Rs. 18b at end-FY21, and a gross margin of 14-15% on the back of operational efficiencies through timely procurement and cost control initiatives. As per the management, the future prospects are encouraging due surge in company's products demand and improved capacity utilization in all business segments. VIS will continue to monitor profitability indicators going forward.

Sound liquidity profile and adequate cash flow coverage continue to support ratings

Liquidity position of the company has improved during the rating review period on account of sizable cash flows in relation to long-term outstanding obligations and substantial debt service capacity. In line with increased scale of operations, Funds from Operations (FFO) exhibited considerable improvement on a timeline basis to Rs. 963.3 (FY21: Rs. 1.8b, FY20: Rs. 1.3b) during HY22. Despite significant increase in total borrowings especially short-term credit in line with higher working capital requirements, FFO to total debt was maintained sound at 0.26x (FY21: 0.24x; FY20: 0.27x) while FFO to long-term debt was substantial at 1.60x (FY21: 1.34x; FY20: 1.25x) at end-HY22 in line with limited reliance on long-term borrowings. Similarly stemming from nominal dependence on long-term debt, debt service coverage was also recorded sizable at 6.2x (FY21:7.8x; FY20: 3.5x) at end-HY22. Going forward, according to the management, cash flows are expected to improve on account of increase in sales supported by improvement in sector dynamics and capacity enhancement in weaving segment.

Stock in trade increased significantly on a timeline basis to Rs. 7.4b (end-FY21: Rs. 6.4b; end-FY20: Rs. 4.5b) at end-HY22 primarily owing to sizable raw material inventory held to meet forecasted demand; the same is linked with growth in scale of business operations. Raw material stocks reflect an uptick as company increased their safety stock on account of cotton shortage and rising prices in the market; thus, resulting in increased working capital requirements. Further, trade debts also increased on a timeline owing to increase in revenues; the aging of receivables is considered satisfactory as 93% of receivables pertained to overdue up-to three-month bracket. As per the management, no impairment allowance is necessary in respect of trade receivables as some receivables were recovered subsequent to year end and for remaining there are reasonable grounds to believe that the amounts will be recovered in short course of time. Loans & advances increased on a timeline to Rs. 431.3m (FY21: Rs. 439.8m; FY20: Rs. 371.4m) by end-HY22 on account of increased loan extended to suppliers/contractors; the same is in sync with growth in business operations. Further, the liquidity position of the company is sizably impacted, primarily due to sales tax refunds and duty drawback aggregating to Rs. 1.9b (end-FY21: Rs. 2.1bm; FY20: Rs. 1.3b) due from government at end-HY22; the company is unable to rectify the situation given it is an exogenous factor and inherent in the local textile industry.

On the other hand, trade and other payables were recorded higher at Rs. 2.5b (end-FY21: Rs.2.4b; FY20: Rs. 1.5b) at end-HY22 with majority pertaining to trade creditors; the increase in trade creditors is a function of higher inventory kept to meet demand of growing business operations. Majority of the local cotton purchases are made on cash and advance basis, while 90 days credit period is availed for polyester; import is made through banking lines. Further, GTML's cash conversion cycle also remained unchanged at 106 days (FY21: 100 days; FY20: 106 days) at end-HY22 in line with increase in days inventory outstanding and days receivables outstanding completely offset by increase in days payables outstanding. The rise in payable days outstanding supported working capital management which rose to 72 days (FY21: 66 days; FY20: 62 days). The liquidity profile continues to remain sound; evident through the current ratio which stands at 1.48x (FY21: 1.42x; FY20: 1.52x) at end-HY22. Cash and cash balances, inventory, and trade debts continue to provide sufficient coverage to support short term obligations.

Capitalization indicators aligned with the assigned rating: The equity base of GTML augmented to Rs. 9.8b (FY21: Rs. 9.2b; FY20: Rs. 8.0b) at end-HY22 in line with internal capital generation. The debt matrix of the company is largely tilted towards short term debt comprising around 71% of total debt. In line with increased working capital requirements owing to growth in scale of operations, the utilization of short-term borrowings increased to

Rs. 6.2b (FY21: Rs. 6.1b; FY20: 3.7b) at end-HY22. Out of total short-term funding of Rs. 6.2b at end-HY22, around 87% amounting to Rs. 5.4b has been obtained as export refinance under SBP's refinance scheme on which concessionary charge at 3% per annum (FY21: 3.0%) is payable. Moreover, GTML has also obtained borrowing amounting to Rs. 369.7m (FY21: Rs. 313.9m) under short-term foreign currency financing. On the other hand, long-term borrowings also increased during the rating review period as the company procured additional debt under SBP LTFF facility to fund recent capex incurred along with acquiring refinance scheme for payment of salaries to the employees of the company; the facility is payable in eight equal installments out of which five have already been made. All borrowings of the company are procured under SBP subsidized facilities therefore the interest cost is on the lower side. Moreover, for all existing long-term facilities in FY21 banks deferred the loan installments for the period of one year under SBP directive as a relief to the company during COVID-19 pandemic. The long-term financing is secured against first equitable mortgage charge over fixed assets of the company amounting to Rs. 2.7b at end-FY21 along with personal guarantees of the directors of the company. With increase in utilization of borrowings, gearing and leverage indicators increased to 0.82x (FY21: 0.89x; FY20:0.67x) and 1.11x (FY21: 1.19x; FY20: 0.89x) by end-HY22; the leverage indicators still compare favorably to peer companies. Despite procurement of additional long-term debt amounting to Rs. 800m projected for FY22 to fund capacity enhancement of weaving and processing divisions, capitalization indicators are expected to remain around current levels in line with equity expansion coupled with no significant increase projected in short-term borrowings. Furthermore, no incremental long-term funding is projected for FY23.

FINANCIAL SUMMARY *(amounts in PKR millions)*					
BALANCE SHEET	**FY18**	**FY19**	**FY20**	**FY21**	**HYFY22**
Non-Current Assets	4,894	4,958	5,584	5,971	5,935
Stock-in-Trade	2,641	3,427	4,541	6,427	7,392
Trade Debts	956	1,765	1,776	3,232	3,253
Other Receivables	581	680	1,247	2,052	1,905
Cash & Bank Balances	43	37	457	385	405
Total Assets	**9,485**	**11,396**	**14,354**	**19,087**	**19,904**
Trade and Other Payables	664	1,034	1,535	2,374	2,512
Short Term Borrowings	2,465	2,829	3,721	6,129	6,200
Long-Term Borrowings *(Inc. current maturity)*	622	630	1,044	1,312	1,203
Paid up Capital	69	231	519	519	519
Tier-1 Equity	**4,705**	**5,923**	**7,127**	**8,370**	**9,074**
Total Equity	5,701	6,843	7,977	9,158	9,847
INCOME STATEMENT	**FY18**	**FY19**	**FY20**	**FY21**	**HYFY22**
Net Sales	7,842	12,297	13,923	19,528	11,518
Gross Profit	1,178	1,872	1,967	2,691	1,588
Operating Profit	728	1,315	1,230	1,634	990
Profit Before Tax	580	1,063	987	1,362	807
Profit After Tax	654	979	847	1,181	689
FFO	914	1,375	1303	1,755	963
RATIO ANALYSIS	**FY18**	**FY19**	**FY20**	**FY21**	**HYFY22**
Gross Margin (%)	15.0	15.2	14.1	13.8	13.8
Net Working Capital	1,282	2,311	2,939	3,831	4,433
FFO to Long-Term Debt	1.47	2.18	1.25	1.34	1.60*
FFO to Total Debt	0.30	0.40	0.27	0.24	0.26*
Debt Servicing Coverage Ratio (x)	4.2	4.3	3.5	7.8	6.2
ROAA (%)	7.6	9.4	6.6	7.3	7.1*
ROAE (%)	12.2	15.6	11.4	14.1	14.5*
Gearing (x)	0.66	0.58	0.67	0.89	0.82
Debt Leverage (x)	0.78	0.77	0.89	1.19	1.11
Current Ratio	1.38	1.56	1.52	1.42	1.48
(Stock in Trade + Trade Debts)/Short Term Borrowing (x)	1.46	1.84	1.70	1.58	1.72
Cash Conversion Cycle (days)	-	96	106	100	106
***Annualized**					

ISSUE/ISSUER RATING SCALE & DEFINITIONS Annexure 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					**Appendix III**
Name of Rated Entity	Gohar Textile Mills (Pvt.) Limited				
Sector	Textile				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	**Rating Date**	**Medium to Long Term**	**Short Term**	**Rating Outlook**	**Rating Action**
	RATING TYPE: ENTITY				
	06-06-2022	A	A-1	Stable	Reaffirmed
	05-26-2021	A	A-1	Stable	Maintained
	04-18-2020	A	A-1	Rating Watch-Negative	Maintained
	03-26-2019	A	A-1	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. VIS is not an NRSRO and its ratings are not NRSRO credit ratings. 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**	
	1	Mr. Asif Sheikh	CFO	12-May-2022	