RATING REPORT

Pak Kuwait Textiles Limited

REPORT DATE:
Oct 20, 2022

RATING ANALYSTS:

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RATING DETAILS		
Rating Category	**Initial Rating**	
	Long-term	**Short-term**
Entity	A-	A-1
Rating Outlook	*Stable*	
Rating Action	Initial	
Rating Date	*Oct 20, 2022*	

COMPANY INFORMATION	
Incorporated in 1981	**External auditors:** Rizwan & Company Chartered Accountants.
Public (unquoted) Limited Company	**CEO/Chairman:** Mr. Tariq Mehmood
Key Shareholders (with stake 5% or more):	
Mr. Raza Nasrullah – 15.64%	
Mr. Tariq Mehmood – 10.99%	
Mr. Usman Khalid – 9.03	
Mr. Saifullah Chaudhary – 7.23%	
Mrs. Farzana Chaudhary – 7.23%	
Mrs. Rubina Khalid – 7.10%	
Mr. Adeel Mehmood – 5.33%	
Mrs. Neelum Raza – 5.02%	

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

Pak Kuwait Textiles Limited

OVERVIEW OF THE INSTITUTION

Pak Kuwait Textiles *Limited was incorporated as unquoted Public Limited Company in September, 1981 under Companies Act 1913 (now Companies Act, 2017). The company is principally engaged in production and sale of cotton and polyester blended yarn. The registered office of the company is located at 29-Shadman II, Lahore.*

Profile of the Chairman/ CEO

Mr. Tariq Mehmood has around 45 years of experience of managing textile mills and is a fellow of the Institute of Chartered Accountant (England & Wales).

Financial Snapshot

Tier-1 Equity: end-FY22: Rs. 4.2b; end-FY21: Rs. 3.2b; end-FY20: Rs. 1.5b.

Assets: FY22: Rs. 7.7b; end-FY21: Rs. 5.9b; end-FY20: Rs. 3.0b.

Profit After Tax: FY22: Rs. 1.6b; FY21: Rs. 960.5m; FY20: Loss of Rs. 39.5m

RATING RATIONALE

Pak Kuwait Textiles Limited (PKTL) is a family-owned business. The company is primarily involved in manufacturing cotton and blended yarn for export-oriented textile units. The ratings incorporate extensive experience of the sponsors in the textile industry spanning over more than four decades. The company's topline exhibited sizeable growth emanating from volumetric increase in sales due to the impact of merger with the subsidiary company along with increase in average yarn rates driven by covid led growth in textile industry of Pakistan. Profit margins remained robust on account of favorable yarn prices, economies of scale and rationalized expenses. Liquidity profile is considered strong in terms of cash flow coverages and working capital management. The company has low leveraged capital structure indicating strong risk absorption capacity. Meanwhile, the ratings factor in high cyclicality and competitive intensity of the spinning industry along with volatility in cotton prices. Additionally, in the aftermath of recent floods leading to cotton shortage, weakening demand of non-essential items in the local and international markets amid looming recession may negatively impact the outlook of textile industry. The continuance of favorable regulatory regime for textile industry is imperative for the assigned ratings.

<u>Key Rating Drivers</u>

Cotton production to decline owing to recent floods: According to Federal Commission on Agriculture, targeted area for cotton crop was 2.53m hectares (2020-21: 2.32m Hectares) with production target of 11.03m bales (2020-21: 10.5m bales). Meanwhile, actual area sown in 2022-23 is reported at 2.065m hectares (2020-21: 1.935m hectares) which is 6.5% higher than the preceding year. (Source: Provincial Agriculture Extension & Crop Reporting Service Departments). However, the recent floods have brought devastation for the agriculture and livestock sector of the country. Cotton and rice crop belts remain the most affected, besides fresh vegetables. As per news reports, major cotton producing areas impacted primarily include Sanghar, Khairpur, Naushahro Feroz etc. regions in Sindh and Rahim Yar Khan, Dera Ghazi Khan, Rajanpur etc. in South Punjab. All Pakistan Textile Mills Association (APTMA) estimates cotton losses of 3.5 million bales, around 36% of the crop or USD 1.5b of the production losses due to rains and floods in the country. The destruction led to a decline of 24% YoY basis in cotton arrival, as reported in latest fortnightly data released by Pakistan Cotton Ginner's Association (PCGA). Sindh remained the hardest hit province with a reported decline of 41%. As per Pakistan Textile Exporters Association's (PTEA) official, cotton production in Pakistan could drop to 6.5 million bales during the ongoing fiscal year, which is well below the targeted production.

Due to demand and supply gap, Pakistan textile industry has to rely on imported cotton to meet country's demand. According to provisional numbers by Pakistan Bureau of Statistics (PBS), around 4.57m bales of cotton were imported during FY22 vis-à-vis 5.04m bales in FY21 while in terms of value, the imported cotton cloaked at Rs. 3.29b as compared to Rs. 2.35b in the preceding year; an increase of ~40%, primarily on account of surge in cotton prices due to demand supply dynamics. Cotton prices dropped by over 20% globally to six months low by end-June, 2022 and exhibited range bound variation afterwards owing to slowdown in demand amidst recession in global markets. With recent destruction of cotton crop, the country might have to spend around USD 3b on import of cotton which would further stress the forex reserves.

Textile industry in Pakistan plays a significant role in supporting economy in terms of industrial growth, employment opportunities, and most importantly in improving current account deficit. Pakistan exported USD 19.3b worth textile products during FY22, exhibiting an increase of 25.5% as compared to USD 15.4b in the preceding year (PBS). The textile exports contributed ~61% to the total exports of USD 31.8b during the outgoing year. Local currency devaluation against USD has been giving a competitive advantage to textile exporters in the international markets in terms of pricing. The

Govt. set the target to achieve USD 25b exports during FY23, however, domestic and global challenges may dampen the outlook of local textile industry. In addition, rising energy prices, inflationary pressure and recent increase in food inflation arising from flood has suppressed the purchasing power of local customers which may hamper the local demand of textile products.

Company's Profile: PKTL was incorporated in 1981 as a spinning unit comprising 26,000 spindles, which has been subsequently enhanced to 42,240 spindles over the years. The shareholding of PKTL is entirely vested within the family. The sponsors expanded the spinning operations through incorporation of another unquoted public limited company under banner of Al Nasr Textiles Limited (ANTL), in July, 2001, as a subsidiary company of PKTL, with an equity stake of 96.8%. ANTL had installed capacity of 44,784. Given similar operations, shareholding and management, the sponsors decided to merge both companies. **In June 2021, Securities and Exchange Commission of Pakistan (SECP) sanctioned the scheme of amalgamation of ANTL into PKTL. As per scheme, all assets, liabilities and obligations comprising ANTL have been amalgamated with, transferred to, vested with and assumed by PKTL w.e.f. January 1, 2021. As per scheme, share capital has been cancelled without any considerations as per provisions of Sections 284 (2) of Companies Act, 2017.** Accordingly, cumulative installed capacity of PKTL stands at 87,024 spindles. The Board of Directors (BOD) at PKTL comprises three members, all being representatives of the sponsoring family. The composition of the Board is as follows:

Name of Director	**Status**
Mr. Tariq Mehmood	Chairman/CEO
Mr. Raza Nasrullah	Executive Director
Mr. Saad Ullah Ch.	Executive Director

Company's operations: The production units are located in Jauharabad and Lahore (Raiwind). The company executes Balancing, Modernization and Replacement (BMR) of its units on a regular basis which has supported in achieving optimal production on a timeline basis.

	FY20	**FY21**	**FY22**
Spindles Installed	42,240	87,024	87,024
Production 20s count	17,046,203	25,925,615.0	35,119,004
Actual Production	14,675,280	22,507,213.0	39,838,328
Capacity Utilization	86%	87%	113%

Property, plant and equipment stood at Rs. 2.6b (FY21: Rs. 2.4b; FY20: Rs. 572.9m) at end-FY22. During the outgoing year, the company made additions of Rs. 484.8m in PP&E, which mainly included freehold land amounting Rs. 193.6m and BMR in plant and machinery amounting Rs. 226.0m. The land is located in Gulberg, Lahore and has been purchased to construct another office building to relocate. The company has a cumulative power requirement of 10 MW which has been arranged through sanctioned load from national grid. In addition, the company has gas-based captive power generators of 8.5 MW capacity, along with diesel run generators of 7.5 MW as backup source. The unit in Raiwind also have solar power setup of 1.69 MW. On account of gas supply constraints and hike in prices, the company has been using national grid as primary source of power. Meanwhile, regulatory support in terms of power subsidies and uninterrupted supply has boded well for the textile industry.

Growth in topline emanating from higher yarn prices and sales volume: PKTL manufactures cotton and blended, combed and carded, yarn ranging from 10s count to 52s count for export oriented-textile units. Net sales almost doubled to Rs. 16.1b (FY21: 8.2b; FY20: Rs. 4.0b) during FY22 on account of notable increase in volumetric sales and average selling prices in line with full year impact of merger and growth in textile industry of the country. During the outgoing year, the company sold 479,226 bags of yarn (FY21: 336,331 bags; FY20: 218,374 bags) at notably higher average rates of Rs. 31,698/bag (FY21: 22,907/bag; Rs. 17,172 per bag). In terms of product mix, around 63% (FY21: 56%; FY20: 34%) of the revenue emanated from cotton yarn, 30% (FY21: 36%; FY20: 62%) from cotton polyester yarn while the rest comprised waste sales, PVC yarn and raw material sale. The proportion of cotton yarn has increased following the merger of ANTL.

Product Mix	FY20	FY21	FY22
Cotton Yarn	1,351	4,611	10,071
Cotton Polyester Yarn	2,493	2,942	4,874
Viscose Yarn	-	130	0
PVC Yarn	35	6	245
Sale of Raw Material	-	187	219
Waste Sale	142	297	695
Gross Sales	4,022	8,172	16,105

Sales concentration risk is considered manageable as top ten clients accounted for around 34% (FY21: 57%; FY20: 41%) of the gross revenues, with each client contributing less than 10% to the total sales. Moreover, the company has longstanding relationships with its clients underpinned by better quality and pricing. PKTL's sales are largely directed towards home textile and knitwear apparel export-oriented textile units. Major clients with their respective proportion in gross sales is tabulated below:

Top 10 Clients	FY22 (in m Rs.)	%
Proline (Pvt.) Ltd.	1,091	6.8%
NFK Exports (Pvt. Ltd.	836	5.2%
Multinational Export Bureau	633	3.9%
M.K Sons (Pvt.) Ltd.	612	3.8%
Pelikan Knitwear	467	2.9%
Sapphire Fibres Ltd.	391	2.4%
Javed Gloves (Pvt.) Ltd.	385	2.4%
M.I Industries	384	2.4%
New Ways Industries	327	2.0%
Kings Apparel Industries (Pvt.) Ltd.	308	1.9%
Total	5,435	34%

During FY22, the company recorded considerably higher gross profit amounting Rs. 3.4b (FY21: Rs. 1.6b; FY20: Rs. 309.2m) with increase in gross margins to 21.1% (FY21: 19.5%; FY20: 7.7%). The healthy gross margins during the last two outgoing years have primarily been a function of increase in average selling prices of yarn in tandem with favorable demand dynamics driven by covid-led growth in textile industry. Therefore, despite considerable increase in average cost of raw materials procured, the company has been able to more than offset the increase in cost through favorable yarn rates and economies of scale. Raw material consumed as proportion of cost of goods manufactured were recorded higher at 77% (FY21: 72%; FY20: 74%). All other cost components have witnessed an increase in line with increase in scale of operations vis-à-vis preceding year along with inflationary pressure. Similarly, administrative and distribution expenses were recorded higher at Rs. 92.8m (FY21: 66.5m; FY20: 44.9m) and Rs. 171.3m (FY21: 101.2m; FY20: Rs. 45.6m) and were largely rationalized. Other operating expenses are majorly related to employees related funds contributions while other income largely included profit on bank deposits and scrap sale. Finance cost increased to Rs. 429.2m (FY21: 184.0m; FY20: 202.3m) on account of increase in average markup rates and borrowings. The company also charged one-time super tax at rate of 10% as imposed by the Government on certain sectors earning net profits of Rs. 300m and above. Accounting for taxation, the company reported net profits of Rs. 1.6b (FY21: 960.5m; FY20: Loss of Rs. 39.5m). Net margins decreased slightly to 10.0% as compared to 11.8% in the preceding year largely in line with higher effective tax rate and finance cost.

In the backdrop of recent floods leading to cotton shortage along with dampening demand in the local and international markets amid looming recession, the management projects a rather stressed profitability profile for the ongoing year. Whilst the sales are projected to decrease by ~6% during FY23, gross margins are projected to decline to 8.6% keeping in view of the increase in raw material prices due to supply constraints and decrease in average yarn rates driven by current market conditions.

The management projects to close the bottomline with relatively thin net margins. Meanwhile, as a result of strong client base, higher risk absorption capacity and economies of scale, PKTL would still be in a better position to take up the economic shocks as compared to smaller industry players.

Sound liquidity profile in terms of cash flow coverages and working capital management: The company generated Rs. 2.0b (FY21: Rs. 1.0b; FY20: Rs. 61.1m) in funds from operations (FFO) during the outgoing year in line with higher profitability. Resultantly, FFO to total debt and long-term debt increased to notably 1.11x (FY21: 0.70x; FY20: 0.05x) and 3.15x (FY21: 1.29x; FY20: 0.51x), respectively, despite increase in borrowings. Debt service coverage also remained sizeable at 3.85x (FY21: 3.62x; FY20: 1.27x).

Stock in trade stood higher at Rs. 2.7b (FY21: 1.6b; FY20: Rs.1 .4b) at end-FY22 largely due to increase in raw material inventory to Rs. 2.1b (FY21: 1.3b; FY20: 1.1b) and finished goods stock amounting Rs. 418.7m (FY21: Rs. 184.4m; FY20: Rs. 196.0m) mainly on account of increase in scale of operations in line with full year impact of merger of the subsidiary company. However, stock in trade as percentage of cost of sales remained at 21% (FY21: 24%; FY20: 37%). Post-merger, the proportion of imported raw material in total procurement has increased significantly during the last two outgoing year (FY22: 67%; FY21: 48%; FY20: 16%). As per management, to maintain quality of its yarn the proportion of imported raw material is expected to remain at around same level or might increase amidst local cotton availability constraints. To mitigate exchange rate risk, the company has imported around 85% (FY21: 55%; FY20: Nil) of cotton from Afghanistan, which the State Bank of Pakistan (SBP) has allowed to be done in Pak rupee. Accordingly, import of cotton from USA has decreased notably during the last two years (FY22: 7%; FY21: 4%; FY20: 45%). In addition, the company uses a mix of imported and local polyester and viscose based on requirements. In terms of value, cotton comprised 90% (FY21: 66%; FY20: 82%); polyester 9% (FY21: 27%; FY20: 16%) and viscose comprised 1% (FY21: 6%; FY20: 25) of the raw material mix.

Trade debts increased to Rs. 844.5m (FY21: Rs. 586.4m; FY20: Rs. 272.4m) by end-FY22, largely in line with increase in revenues. Aging profile is also satisfactory given 91% receivables were outstanding for less than three months while 7% fall due in 3-6 months credit bracket. Around 60% of sales (FY21: 60%; FY20: 68%) were made on credit basis during FY22. The company usually gives credit period of upto 15 days to majority of its clients while some of the bigger customers are given credit of thirty days. There were also inland letters of credit documents against collection amounting Rs. 513m (FY21 & FY20: nil) at end-FY22. The company also held short-term investments in term deposits receipts at end-FY21 and FY20, which carried profit at the rate ranging from 1.96% to 9.90% (FY20: 4.0% to 9.75%) per annum; the same stood nil by the end of FY22. The funds were utilized in meeting working capital requirements keeping in view of the cost of additional borrowings versus return on interments. Trade and other payables stood higher at Rs. 1.06b (FY21: Rs. 666.1m; FY20: 327.1m) largely in line with scale of operations. The company has sizeable cash and bank balances amounting Rs. 382.7m (FY21: 364.1m; FY20: Rs. 81.9m), which are largely held in current accounts. Current ratio has remained adequate at 1.84x (FY21: 2.04x; FY20: 1.26x). Net operating cycle of the company has remained manageable on a timeline basis (FY22: 71 days; FY21: 73 days; FY20: 117 days) due to higher inventory and receivables turnover. Coverage of short-term borrowings via trade debts and stock in trade remained sizeable (FY22: 3.12x; FY21: 3.24x; FY20: 1.41x) on a timeline basis.

Despite lower profitability projected for the ongoing year, the company's position is expected to remain adequate underpinned by somewhat adequate cash flow coverages and working capital management. FFO are projected to decline in line with lower profitability along with taxes paid due to super tax during FY23.

Low leveraged capital structure supported by internal capital generation: The core equity augmented to Rs. 4.2b (FY21: Rs. 3.2b; FY20: Rs. 1.5b) on the back of profit retention in FY22. The company paid out dividend amounting Rs. 656.2m (FY21: Rs. 431.2m; FY20: Rs. 93.8m) during the outgoing year. The equity base also includes amalgamation reserve of Rs. 10.8m in FY22 and FY21 (FY20: Nil).

Debt profile of the company comprised a mix of long-term and short-term borrowings. Long-term borrowings including current portion amounted to Rs. 621.4m (FY21: Rs. 798.3m; FY20: Rs. 119.0m); these also include long-term financing of Rs. 589.5m transferred from ANTL pursuance to implementation of the scheme in FY21. The long-term loans largely include diminishing musharaka facilities from various banks priced at 6M KIBOR/SBP rate plus 0.9% to 1.5% and have been obtained to finance BMR. In addition, there is an outstanding amount of Rs. 28.7m with respect to SBP Islamic Refinance scheme for salaries and wages at end-FY22. Short-term borrowings stood at Rs. 1.1b (FY21: Rs. 666.1m; FY20: Rs. 327.1m). Healthy cash flows have supported the capitalization structure of the company in meeting working capital requirements. Gearing and debt leverage have remained comfortable at 0.42x (FY21: 0.46x; FY20: 1.10x) and 0.86x (FY21: 0.84x; FY20: 1.60x), respectively. Given the management does not intend to mobilize any long-term financing in the medium term, leverage indicators are projected to improve further on the back of scheduled repayments of long-term loans.

Pak Kuwait Textiles Limited Annexure I

BALANCE SHEET	Jun 30, 2019	Jun 30, 2020 *	Jun 30, 2021	Jun 30, 2022
Property, Plant and Equipment	567	573	2,378	2,648
Stock in Trade	1,062	1,357	1,570	2,714
Trade Debts	317	272	586	1,357
Advances, Deposit and Prepayments	165	54	167	159
Short-Term Investments	-	227	500	-
Cash & Bank Balances	45	82	364	383
Other Assets	369	428	343	478
Total Assets	**2,524**	**2,993**	**5,908**	**7,739**
Trade and Other Payables	265	327	666	1,057
Short Term Borrowings	783	1,153	667	1,141
Long-Term Borrowings (incl. current maturity)	43	119	798	621
Total Interest-Bearing Debt	826	1,272	1,465	1,763
Deferred Liabilities	118	126	415	354
Super Tax Payable	-	-	-	225
Other Liabilities	27	121	145	177
Total Liabilities	**1,236**	**1,840**	**2,691**	**3,576**
Paid Up Capital	375	375	375	375
Tier-1/Total Equity	1,287	1,152	3,217	4,163

INCOME STATEMENT	Jun 30, 2019	Jun 30, 2020*	Jun 30, 2021	Jun 30, 2022
Net Sales	4,571	4,022	8,172	16,105
Gross Profit	460	309	1,593	3,392
Operating Profit	367	219	1,425	3,127
Finance Cost	150	202	184	429
Profit Before Tax	203	15	1,242	2,555
Profit After Tax	135	-39.5	961	1,603

RATIO ANALYSIS	Jun 30, 2019	Jun 30, 2020*	Jun 30, 2021	Jun 30, 2022
Gross Margin (%)	10.1	7.7	19.5	21.1
Net Margins	3.0	-	11.8	10.0
Current Ratio	1.48	1.26	2.04	1.84
Net Working Capital	526	434	1,793	2,290
Funds from Operations (FFO)	278	61	1,026	1,957
FFO to Total Debt (x)	0.28	0.05	0.70	1.11
FFO to Long Term Debt (x)	5.28	0.51	1.29	3.15
Debt Leverage	0.96	1.60	0.84	0.86
Gearing	0.64	1.10	0.46	0.42
Debt Servicing Coverage Ratio (x)	1.83	1.27	3.62	3.85
ROAA (%)	5.4	-	21.6	23.5
ROAE (%)	10.5	-	44.0	43.4
(Stock in Trade+ Trade Debt) to Short-Term Borrowing (x)	1.76	1.41	3.24	3.12
Net Operating Cycle (days)	96	117	73	71

**All assets, liabilities and obligations comprising ANTL have been amalgamated with, transferred to, vested with and assumed by PKTL w.e.f. January 1, 2021.*

ISSUE/ISSUER RATING SCALE & DEFINITION 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 — Annexure III

Name of Rated Entity	Pak Kuwait Textiles Limited
Sector	Textile
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
Rating History	see table below
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.
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Due Diligence Meetings Conducted	see table below

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
		RATING TYPE: ENTITY		
20-Oct-22	A-	A-1	Stable	Initial

Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Adeel Mehmood	Executive Operations	Sep 20, 2022
Mr. Arshad Mehmood	Deputy CFO	Sep 20, 2022