# RATING REPORT

# Sitara Textile Industries Limited (STIL)

**REPORT DATE:**
October 2, 2020

**RATING ANALYSTS:**
Tayyaba Ijaz
tayyaba.ijaz@vis.com.pk

Maimoon Rasheed
maimoon@vis.com.pk

| RATING DETAILS | | |
|---|---|---|
| | Initial Rating | |
| Rating Category | Long-term | Short-term |
| Entity | BBB+ | A-2 |
| *Rating Date* | *2 October 2020* | |
| Rating Outlook | Stable | |

| COMPANY INFORMATION | |
|---|---|
| Incorporated in 1985 | External Auditors: RSM Avais Hyder Liaquat Nauman, Chartered Accountants |
| Unlisted Public Limited Company | Chairman of the Board/CEO: Mian Muhammad Anees |
| **Majority Shareholders:** | |
| Mian Muhammad Anees– 86.96% | |
| Mrs. Naila Anees – 12.81% | |
| | |

| APPLICABLE METHODOLOGY(IES) |
|---|
| **VIS Entity Rating Criteria: Corporates (May 2019)** |
| **https://www.vis.com.pk/kc-meth.aspx** |

## OVERVIEW OF THE INSTITUTION

Sitara Textile Industries Limited (STIL) is a public limited unlisted company incorporated in Pakistan in 1985 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The principal activity of the company is manufacturing and export of value-added cloth and made-ups. The registered office is located at 6 Km Sargodha Road, Faisalabad.

**Profile of the Chairman/CEO**

Mian Muhammad Anees serves as the Chairman of the Board and CEO of STIL and two other group companies *(Sitara Hamza (Pvt.) Limited and Sitara Studios (Pvt.) Limited).* Mr. Anees has done MSc in International Fashion Retailing from University of Manchester, UK. He is a seasoned industrialist having more than two decades of experience.

**Financial Snapshot**

**Tier-1 Equity:** end-FY20: Rs. 1.5b; end-FY19: Rs. 1.4b; end-FY18: Rs. 1.4b

**Assets:** end-FY20: Rs. 5.5b; end-FY19: Rs. 5.2b; end-FY18: Rs. 5.1b

**Profit After Tax**: FY20: Rs. 55.0m; FY19: Rs. 50.9m; FY18: Rs. 60.6m

## RATING RATIONALE

Sitara Textile Industries Limited (STIL) is a small sized export-oriented processing unit; virtually wholly owned and managed by the sponsoring family. The sponsors have supported in the form of interest free loan payable at the discretion of the company. The ratings also incorporate its presence in value-added textile segment and the management's focus to increase operational efficiency through BMR. However, the ratings are constrained by relatively small scale of operations, limited profitability and relatively high debt leverage.

The company's topline witnessed a muted growth over the last few years, with largely stagnant gross margins. Around four-fifth of the net revenues comprises exports sales, while local revenue mainly emanates from sales to Sitara Hamza Limited, a wholly owned subsidiary of STIL. Given modest growth in equity base due to limited profitability and increasing trend in trade payables, debt leverage indicators have remained on a higher side. However, gearing has trended downwards over the years. Further, debt service coverage is considered adequate given minimal long-term borrowings. Keeping leverage indicators at acceptable levels while improving net margins are considered important for the assigned ratings.

**Textile sector, the largest export industry of Pakistan:** According to the Pakistan Economic Survey 2019-20, Pakistan's largest export industry has been the textile industry, contributing around 59% to the national exports and 8.5% to the country's GDP. Textile production decreased by 2.57% during 9MFY20 against a decrease of 0.17% in the corresponding period last year. However, textile exports increased by 4.24% (in US$ terms) during 9MFY20 mainly on back of quantum growth in high value-added products, particularly readymade garments. Bed-wear exports grew by 2.4% in value (in US$ terms) and 7.9% in quantity during 9MFY20 compared to the same period last year primarily on account of higher shipments to the European Union.

As only a few buyers were honoring their import commitments with local manufacturers due to Covid-19, exports declined during the month of April'20. Exports of ready-made garments declined by 69.5% in value (in PKR millions) in April'20 over March'20 and 69.1% over corresponding month last year. Knitwear exports declined by 54.4% in value (in PKR millions) in April'20 over March'20 and 55.4% in comparison to April'19. Bed-wear posted a negative growth of 51.3% in value (in PKR millions) over March'20 and 50.5% over April'19. According to the provisional figures compiled by the Pakistan Bureau of Statistics (PBS), exports from Pakistan during June'20 showed an increase of 18.1% over May'20. In terms of US$, the same showed an increase of 14.5% over May'20 but decreased by 6.1% in June'20 as compared to corresponding period last year.

Gross margins of textile made-up companies vary and depends upon sales mix, whereby companies having greater weight of high value-added products in the sales mix have usually reported higher margins. Meanwhile, margins have remained stagnant over the last two years for majority of the players due to increasing competition, rising input costs and higher cost of doing business. As the situation is currently evolving, performance of these companies depends on honoring of commitments by international buyers and diversification of product portfolio to compete with international competitors.

**Company's Profile:** STIL is an export-oriented processing unit, exports constituted around 80% of total sales while remaining pertained to commercial processing for Sitara Hamza (Pvt.) Ltd. *(SHL, A subsidiary Company)* and third parties. Export products portfolio of STIL includes home textile fabric on tube and home textile made-ups. Where made-ups include bedding (wide variety of sheet sets, quilt covers, shams, comforters, neck rolls and decorative cushions); exclusive table cloths, napkins, place mats, table runners, potholders, wide range of kitchen coordinates and curtains/valances of wide range of drapery styles.

The company's processing machinery for bleaching, dyeing, finishing, printing, rotary engraving department, flat bed engraving department, packing and folding department is mainly equipped with imported machinery from Japan, Germany, Italy, Austria, Switzerland and Korea. Garments stitching machinery includes 288 Juki machines and various other machines like button, over lock, safety, lock stich, fusing, chain stich, embroidery, steam press and quilting machines etc. STIL also has fully equipped laboratory to ensure quality standards. In terms of capacity, the unit has an installed processing capacity of 35 million meters (FY19: 35 million meters); while capacity utilization has remained around 80%; it is difficult to precisely determine actual production capacity since it fluctuates depending on various factors. Further, actual production is planned according to the market demand.

Power requirements are primarily met through two gas generators of 2 MW and WAPDA (FESCO) lines of 3.3 MW, while two CAT diesel generators with a combined capacity of 3.1 Kva are used as a backup source for continuous production processes.

**BMR may slightly improve operational efficiency:** The company added machinery costing Rs. 28.4m (FY19: Rs. 29.0m; FY18: Rs. 3.6m) as a part of regular BMR during FY20. Property, plant and equipment amounted to Rs. 2.1b (FY19: Rs. 2.1b; FY18: Rs. 2.2b) at end-FY20.

Digital printing machinery added during Jul'20 has started operations in Sep'20. Meanwhile, import of Montex 6500 Stenter and Weft Straightener Orthopac to improve the production and quality of finishing department, is currently in process. Moreover, addition of Dosun complete UV Digital Flatbed Blue Laser Engraver, to improve quality and working of design department and printing on flat bed, is also planned to be installed during FY21. Total capex of the aforementioned is estimated at Rs. 253m. The management also plans to relocate the existing production facilities to Faisalabad Industrial Estate Development & Management Company (FIEDMIC) in the next few years, for which advance for purchase of land amounted to Rs. 68.1m (FY19: Rs. 68.1m; FY18: Nil) at end-FY20. As per management, the existing plant area, with a relatively much higher market value, is contemplated to be used as investment property to generate additional cash flows.

**Investment in Subsidiary Company:** SHL is a wholly owned subsidiary of STIL, where total investment by the company amounted to Rs. 186.9m at end-FY20. SHL was incorporated as private limited company in 2004, under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the company is located at Sitara Tower, New Civil Lines, Faisalabad. Items produced for SHL are sold in Pakistan through retail chain of Sitara Studios (Pvt.) Ltd. (SSL) as well as agents in wholesale markets of Faisalabad, Lahore, Multan, Sukkur, Karachi and some other cities. SSL is a retail chain having purpose built outlets at Faisalabad, Islamabad/Rawalpindi and two franchises in other cities. Meanwhile, the management plans to add three more franchises by end-Dec'20.

**Procurement of raw material:** Business activity for exports starts from receiving orders, on the basis of which yarn is booked/purchased/imported. Yarn is weaved as per requirements from different local units and samples are prepared for the export customers. Following the approval of samples, production process is initiated as per order quantity, which is then checked, packed and dispatched as per customers' specifications. This whole process is usually completed in 4-5 months.

Local yarn constituted 40% (FY19: 38%; FY18: 31%) of the total raw material mix. The proportion of imported yarn decreased to 13% (FY19: 23%; FY18: 13%) in FY20 on account of local currency depreciation resulting in higher cost of imports. Weaving charges incorporated in raw material cost also decreased in the same period. Overall procurement of yarn for weaving decreased during the outgoing year as the company switched some of its requirement with readymade grey cloth. The same is evident through higher purchase of grey cloth in FY20. Payment terms with major raw material suppliers range from advance payment to 30 days' credit against supply of yarn, grey from local suppliers along with conversion services acquired. While payment terms with creditors of stores & spares suppliers, range from advance payments to credit periods ranging from 30-180 days.

**Overall sales depicted a modest growth in FY20 while gross margins remained largely stagnant over the last three years:** Among export sales, made-ups comprised 74% (FY19: 70%; FY18: 68%) while processed fabric constituted around 10% (FY19: 9%; FY18: 17%) of the total sales in FY20. In terms of geographic distribution, exports are divided into three zones. Zone A1 includes, Poland, Russia, Chile, Beirut, South Africa, Argentina, Ukarine, Iraq, Bahrain and Dubai; Zone A2 covers Germany, France, Italy, Greece, UK and Zone A3 includes, Holland, Denmark and Malaysia. More than 55% of export revenue emanates from Zone A2, meanwhile Zone A1 & A3 contributes around 22% each. Sales concentration in terms of top ten customers remained high, as it constituted 60% (FY19: 59%; FY18: 57%) of the topline in FY20. Net sales have grown at a CAGR of 7.2% over last three business cycles. However, in terms of volume, overall sales growth has remained largely muted. The company recorded net sales of Rs. 3.3b (FY19: Rs. 3.1b; FY18: Rs. 3.1b) during FY20.

Gross margins remained largely stagnant at 12.8% (FY19: 12.6%; FY18: 12.9%) despite increase in average selling price of export products and some increase in proportion of made-ups sales; the impact was largely offset by higher cost of sales and relatively lower margins on some sales items to SHL. Sales to SHL mainly includes gents cotton & cambric, a local lawn brand (Sitara Sapna) while products entailing relatively thin margins include quilts, kitchen cloths etc. Cost of sales increased to Rs. 2.9b (FY19: Rs. 2.7; FY18: Rs. 2.7b) during FY20 mainly on account of higher cost of raw material consumed and dyes & chemicals. Meanwhile, fuel and power cost decreased by 14% on account of change in fuel mix for steam boilers from gas to coal. Raw material consumed as a proportion of cost of goods manufactured was around 55% (FY19: 63%; FY18: 59%) during FY20. Cost of dyes and chemicals increased on a timeline basis primarily due to currency depreciation. Employees related costs increased mainly owing to annual salary adjustments. Administrative expenses have remained largely stable; slight increase was mainly due to increase in staff salaries & benefits. Moreover, distribution cost increased primarily as a result of higher ocean and freight expenses on exports. Finance cost amounted to Rs. 121.5m (FY19: Rs. 123.0m; FY18: Rs. 107.0m) during the outgoing year. Accounting for taxation, net profit amounted to Rs. 55.0m (FY19: Rs. 50.9m; FY18: Rs. 60.6m) during FY20.

Given lockdown, production and sales activities were discontinued for 15 days, due to which estimated lost sales were of around Rs. 150m; the amount of sales lost was estimated on average monthly sales. The lockdown period was relatively shorter for the company as it availed special approval from the government, for export oriented industry, to continue operations. Going forward, the management projects CAGR of 6% in sales during the next three years on back of increase in product prices along with uptick in sales volume. Net margins are projected to improve slightly on back of marginal increase in gross margins and rationalized operating expenses despite modest increase in finance cost. Despite procurement of additional funding for planned capex, increase in finance cost would remain manageable, given that financing would be mobilized on subsidized rates.

**Debt service coverage remained adequate on account of minimal reliance on long-term borrowings:** Given largely stagnant bottom line, higher finance cost and taxes paid along with some increase in employee related payments, Funds from Operation (FFO) decreased to Rs. 85.9m (FY19: Rs. 107.2m; FY18: Rs. 110.6m) in FY20. FFO to total debt remained low at 0.05x (FY19: 0.06x; FY18: 0.06) during FY20. However, given low levels of long-term borrowings, FFO to long-term debt remained high at 43.5x (FY19: 7.6x; FY18: 2.7x). Meanwhile, Debt Service Coverage Ratio (DSCR) remained adequate at 1.52x (FY19: 1.55x; FY18: 1.56x) during the review period.

Stock in trade stood at Rs. 1.37b (FY19: Rs. 1.34b; FY18: Rs. 1.24b) at end-FY20. Trade debts amounted to Rs. 792.3m (FY19: Rs. 737.4m; FY18: Rs. 671.0m) at end-FY20. Around two-third of these receivables are local, majority of which Rs. 500m (FY19: Rs. 463.7m; FY18: Rs. 416.9m) were due from SHL, at end-FY20. Sales on credit basis were around 98%; cash sales constituted only waste sales. Payment terms with foreign customers includes receipt of cash against documents, document against acceptances, LC at sight as well as usance; depending upon terms of contract with customers. For local customers, credit period of 7 days is allowed against processing of fabrics. While credit period of 180 days is provided to SHL extended credit period is generally allowed to the subsidiary in order to support its operations. Aging analysis of trade debts at end-FY20 showed that trade receivables of Rs. 242.1m fall within 6-12 months' credit bracket. Trade debts outstanding for more than one year amounted to Rs. 136.7m, majority of which were payable by SHL.

Loans, advances, deposits and prepayments amounting Rs. 398.1m (FY19: Rs. 386.3m; FY18: Rs. 367.3m) mainly pertained to unsecured, interest free loan to SHL of Rs. 246.1m (FY19: Rs. 300.3m; FY18: Rs. 300.3m), advances to suppliers and advance income tax paid, at end-FY20. Cash and bank balances stood higher at Rs. 120.0m (FY19: Rs. 31.0m; FY18: Rs. 48.6m) at end-FY20. Trade and other payables increased to Rs. 1b (FY19: Rs. 723.4m; FY18: Rs. 580.9m), mainly due to higher trade creditors at end-FY20; the company availed extended credit period allowed by suppliers due to Covid-19. As a result of increase in payable days and some decrease in inventory days, working capital cycle decreased to 130 days (FY19: 170 days; FY18: 167 days) in the review period. Current ratio increased slightly to 1.16x (FY19: 1.13x; FY18: 1.10x) by end-FY20. Further, coverage of trade debts and stock in trade via short-term borrowings also increased marginally to 1.33x (FY19: 1.21x; FY18: 1.07x) by end-FY20.

The company had off-balance sheet liability of Rs. 44.7m (FY19: Rs. 44.7m; FY18: Rs. 55.0m) regarding demand of gas infrastructure development cess (GIDC) at end-FY20. However, the Supreme Court of Pakistan decided to collect GIDC from various sectors, including textile, on August 13, 2020. The petroleum division has asked the gas providers to recover the arrear amount accrued upto July 31, 2020 in 24 installments from all defaulting customers, for which the Supreme Court has set the deadline for starting collection from Aug 1, 2020. Following the decision, liability has been recorded of the aforementioned amount in the ongoing year, as per the management.

**Debt profile largely constituted short-term borrowings:** Tier-1 equity witnessed a modest increase to Rs. 1.49b (FY19: Rs. 1.41b; FY18: FY18: Rs. 1.36) on back of profit retention and some increase in directors' loan amounting Rs. 141.3m (FY19: Rs. 121.3m; FY18: Rs. 116.3m) at end-FY20. The said loan is interest free and repayable at the discretion of the company. Surplus on revaluation of fixed assets was recorded at Rs. 1.2b (FY19: Rs. 1.2b; FY18: Rs. 1.2b) at end-FY20. Short-term borrowings remained largely stable at Rs. 1.6b (FY19: Rs. 1.7b; FY18: Rs. 1.8b) by end-FY19, largely in line with working capital requirements. Around three-fourth of these facilities pertained to export finances. Export finances in local currency are subject to markup at SBP rate plus 1% per annum, while export finance in foreign currency are charged at 3 months LIBOR plus 3%. As per management, the foreign exchange risk is sometimes hedged by forward contracts. Un-utilized credit lines at end-FY20, were of Rs. 375m (FY19: Rs. 237.4m; FY18: Rs. 258.5m). Gearing decreased slightly to 1.09x (FY19: 1.23x; FY20: 1.35x), however, debt leverage remained high at 1.89x (FY19: 1.85x; FY18: 1.87x) by end-FY20 mainly due to higher trade payables.

SBP has reduced the markup charged for Long-Term Financing Facility (LTFF) from 6% to 5% (for textile & non-textile) and from 7% to 5% for Temporary Economic Refinance Facility (TERF), as a relief for Covid-19. STIL has mobilized a loan in July'20 of Rs. 135m under LTFF scheme for purchase of machinery and applied for loan of Rs. 118m under TERF, the tenure of both facilities is 10 years including two years of grace period. The company has also availed a facility of Rs. 124m under Rozgar Scheme to finance wage bill (subject to markup of 3% with tenure of two years). Out of which, Rs. 67m has already been reimbursed for the three months' wage bill (April-June'20) in July'20, while the remaining amount for 1QFY21 will be reimbursed later. Repayment of this loan will be in 8 quarterly installments, starting from April'21. Leverage indicators are projected to increase slightly mainly on account of procurement of long-term loan, going forward.

## Sitara Textile Industries Limited — Appendix I

| BALANCE SHEET (PKR Millions) | FY18 | FY19 | FY20 |
|---|---|---|---|
| Property, Plant & Equipment | 2,190 | 2,081 | 2,066 |
| Investment in Subsidiary | 187 | 187 | 187 |
| Store, Spares and Loose Tools | 157 | 166 | 171 |
| Stock-in-Trade | 1,244 | 1,343 | 1,367 |
| Trade Debts | 671 | 737 | 792 |
| Advances, Deposits & Prepayments | 367 | 386 | 398 |
| Tax Refunds Due from Government | 138 | 158 | 264 |
| Cash & Bank Balances | 49 | 31 | 120 |
| Other Assets | 82 | 108 | 93 |
| Total Assets | 5,085 | 5,197 | 5,458 |
| Trade and Other Payables | 581 | 723 | 1,026 |
| Long Term Debt *(including current maturity)* | 41 | 14 | 2 |
| Short Term Debt | 1,798 | 1,722 | 1,617 |
| Other Liabilities | 133 | 157 | 156 |
| Tier-1 Equity | 1,363 | 1,411 | 1,486 |
| Total Equity | 2,533 | 2,581 | 2,656 |
| Paid-up Capital | 150 | 150 | 150 |
| | | | |
| **INCOME STATEMENT** | **FY18** | **FY19** | **FY20** |
| Net Sales | 3,140 | 3,100 | 3,326 |
| Gross Profit | 405 | 391 | 424 |
| Profit Before Tax | 95 | 90 | 100 |
| Profit After Tax | 61 | 51 | 55 |
| Funds from Operations | 111 | 107 | 86 |
| | | | |
| **RATIO ANALYSIS** | **FY18** | **FY19** | **FY20** |
| Gross Margin (%) | 12.9 | 12.6 | 12.8 |
| Net Margins (%) | 1.9 | 1.6 | 1.7 |
| Current Ratio (x) | 1.10 | 1.13 | 1.16 |
| Net Working Capital | 242 | 334 | 425 |
| FFO to Total Debt (x) | 0.06 | 0.06 | 0.05 |
| FFO to Long Term Debt (x) | 2.73 | 7.59 | 43.51 |
| Debt Leverage (x) | 1.87 | 1.85 | 1.89 |
| Gearing (x) | 1.35 | 1.23 | 1.09 |
| DSCR (x) | 1.56 | 1.55 | 1.52 |
| ROAA (%) | 1.2 | 1.0 | 1.0 |
| ROAE (%) | 4.5 | 3.7 | 3.8 |
| (Stock in Trade+Trade Debt) to Short-Term Borrowing Ratio (x) | 1.07 | 1.21 | 1.33 |

# ISSUE/ISSUER RATING SCALE & DEFINITIONS Appendix 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** | Sitara Textile Industries Limited |
| **Sector** | Textile |
| **Type of Relationship** | Solicited |
| **Purpose of Rating** | Entity Rating |
| **Rating History** | |
| **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** | |

Rating History:

| Rating Date | Medium to Long Term | Short Term | Rating Outlook | Rating Action |
|---|---|---|---|---|
| **RATING TYPE: ENTITY** | | | | |
| 02/10/2020 | BBB+ | A-2 | Stable | Initial |

Due Diligence Meetings Conducted:

| | Name | Designation | Date |
|---|---|---|---|
| 1 | Mr. Salahuddin Aliani | Chief Financial Officer | 25th August, 2020 |