RATING REPORT

Magna Textile Industries (Pvt.) Limited

REPORT DATE:

March 15, 2023

RATING ANALYSTS:

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RATING DETAILS		
Rating Category	**Initial Rating**	
	Long-term	**Short-term**
Entity	BBB	A-2
Rating Outlook	*Stable*	
Rating Action	Initial	
Rating Date	*March 15, '23*	

COMPANY INFORMATION	
Incorporated in 1993	External auditors: RSM Awais Hyder Liaqat Nauman Chartered Accountants and Co.
Private Limited Company	Chairman/ CEO: Sheikh Saeed Ullah
Key Shareholders (with stake 5% or more):	
Mr. Sheikh Saeed Ullah – 25%	
Mr. Farhatullah Sheikh – 15%	
Mr. Zeeshan Javed – 15%	
Mr. Zulfiqar Ahmed – 15%	
Mr. Muhammad Abdullah – 15%	
Mr. Farhan Saeed – 15%	

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

Magna Textile Industries (Pvt.) Limited

OVERVIEW OF THE INSTITUTION

Magna Textile Industries (Pvt.) Limited was incorporated in 1993 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The company is principally engaged in export of value-added fabrics and provision of processing facilities to local companies. The registered of the company is located at p-15 Rail Bazar, Faisalabad.

Profile of the Chairman /CEO

Mr. Saeed Ullah Sheikh is a business graduate and has over five decades of experience in textile industry.

Financial Snapshot

Tier-1 Equity: end-FY22: Rs. 2.2b; end-FY21: Rs. 2b; end-FY20: Rs. 1.9b

Assets: end-FY22: Rs.5.3b; end-FY21: Rs. 2.8b; end-FY20: Rs 2.5b.

Profit After Tax: FY22: Rs. 221m; FY21: Rs. 138m; FY20: Rs. 84m.

RATING RATIONALE

Magna Textile Industries (Pvt.) Limited (MTIL) is a family-owned business. The ratings also incorporate extensive experience of the sponsors in the textile industry. MTIL is involved in production and sale of processed fabric used for home textile made-ups along with providing printing, dyeing and other processing services to local textile mills. The company has four rotary printing machines, six printing machines and other processing facilities while the company has recently diversified its operations by adding 132 Airjet looms for backward integration. The weaving unit has started commercial operation in Dec'22.

During FY22, topline exhibited sizeable growth led by increase in volumetric sales and average selling prices. Around 50% of the revenue emanated from export sales comprising processed fabric. Gross profit margins improved on the back of inventory gains and favorable product prices. Despite increase in operating costs, net margins improved slightly largely owing to lower effective tax rate. Liquidity profile is underpinned by adequate working capital management; however, cash flow coverages came under pressure due to augmentation in debt levels. The company obtained long-term financing in the outgoing year to fund capital expenditure which led to increase in its gearing.

The ratings take into account drop in turnover reported in 1HY23 owing to demand compression led by slowdown in global markets; meanwhile, gross margins improved as rupee depreciation continued to support the export-oriented textile industry in terms of pricing. Realization of projected incremental cash flows from augmentation in topline backed by expansion in operations seem quite challenging amidst weakening of overall macroeconomic indicators, and overall bleak outlook of textile sector in short to medium-term. The ratings will remain dependent on achieving projected growth in sales and profitability along with maintaining liquidity and capitalization indicators at adequate levels.

Key Rating Drivers

Company's Introduction: MTIL is a part of 'Magna Group', primarily involved in the production and distribution of a wide range of textile products including home textile made-ups, processed fabrics for home textile and ladies and gents' suiting. Shareholding of the group is entirely vested within the family of Sheikh Saeed Ullah. The founder of Magna group, Sheikh Muhammad Abdullah started the textile business in 1965, with a textile printing and fabric processing unit under the banner of 'Magna Processing', which has over the years developed into a vertically integrated export-oriented textile unit, Magna Processing Industries Ltd. Sheikh Saeed Ullah joined the family business in 1975. He also runs a separate sole proprietorship, Abdullah Collections, now converted into Abdullah Collections (Pvt.) Ltd. (ACPL), which is involved in sale of fabrics in the local market.

Business model: MTIL is involved in production and sale of printed and dyed fabric used for home textile made-ups along with providing printing, dyeing and other processing services to local textile mills, majorly including one of its associated concerns ACPL. ACPL, procures microfiber yarn and get it converted from MPIL at its waterjet looms and then the fabric is sent to MTIL for processing. As per management, Magna group is among few players who are involved in synthetic fabrics which are high in demand in rural and sub-urban areas due to being less costly and durability. The printing operations comprised four rotary printing machines with an annual capacity of 135.5K million meters. The six printing machines are utilized by the company for local sales of ladies and gents suiting. In order to produce printed fabric, the company procures yarn and get it converted into fabric from other textile mills. A small amount of weaved cloth is also procured on need basis. The fabric is then printed and processed as per requirements. During FY22, the capacity utilization of processing division increased to 76% (FY21: 69% FY20: 61%) in line with the demand dynamics.

	Installed Capacity			Actual Production			Capacity Utilization		
Processing Unit	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
Cloth Production-million meters	135.5	135.5	135.5	83.1	93.7	103.1	61%	69%	76%

Meanwhile, the company has recently diversified into weaving operations for backward integration, with installation of a weaving unit comprising 132 Picanol Airjet looms. The looms started commercial operations in Dec'22. The weaving unit is located at Allama Iqbal Industrial City, a Special Economic Zone, near M-4 motorway. The project is likely to contribute to operational efficiencies through cost rationalization; moreover, the company would be able to target niche quality customers as fabric on the new machines can be prepared with higher specifications.

Property, Plant and Equipment (PP&E) stood higher at Rs. 3.2b (FY21: Rs. 446m, FY20: Rs. 321m) at end-FY22, owing to capital work in progress amounting Rs. 2.8b (FY21: Rs. 66m, FY20: Rs. 18.2m) related to the aforementioned expansion. This includes capex related to weaving machinery worth Rs. 2.0b, which has been majorly financed through subsidized bank borrowings under Islamic Temporary Economic Refinance Scheme (ITERF) and TERF. The civil work and other electrical installations amounting has been financed through own sources. Total expenditure of Rs. 3.3b has been incurred on weaving unit for which the company mobilized an additional long-term loan of Rs. 1.1b in 2QFY23 under the same subsidized financing schemes. The management expects incremental revenue of around Rs. 8b from the company's weaving segment in full year of operations. Furthermore, the management also intend to further expand its weaving capacity, which has now been postponed to be pursued later due to challenging economic circumstances. The expansion would entail addition of new weaving unit comprising 144 Airjet looms.

Following the installation of weaving unit, the power requirements of the company increased to 3.5 MW from 2.5 MW, previously. At present, power needs are primarily met through captive gas engines of 3 MW capacity sanctioned load from national grid of the required capacity. Furthermore, the company is in process of installing a solar power setup of 2 MW capacity in the ongoing year, with an estimated cost of Rs. 250m for which financing of Rs. 200m has been obtained from a bank. The solar project is expected to be completed by end-Mar'23.

Growth in topline led by increase in volumetric sales and average selling prices: During FY22, the company achieved a YoY growth of 37.5% in topline, with net sales amounting to Rs. 3.3b (FY21: Rs. 2.4b, FY20: Rs. 1.7b). Export sales contributed 47.9% (FY21: 38.1%; FY20: 38.3%) to sales mix in the outgoing year, which entirely comprised processed fabric for home textile made-ups. Local sales emanated from processing income, which majorly comprised proceeds from providing printing services. A small proportion of local sales also included dyeing and bleaching income along with leftover fabric sale. Export sales almost doubled in the outgoing going year on the back of ~43% increase in quantity sold coupled with ~24% increase in average selling prices. Whereas, for local sales, the volumetric growth was ~10% while average price per meter for processing income increased by ~5%. Local currency devaluation against USD has been giving a competitive advantage to textile exporters in the international markets in terms of pricing. Breakdown of sales mix is presented below:

	Quantity Sold (000's meters)			Average Price Rs./meter			Total (million Rs.)		
	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
Export Sales:									
Fabric	886.4	1,212.6	1,735.4	675	730	903	598.3	884.5	1,567
Made ups	68.2	23.5	-	890	1,007	-	60.7	23.6	-
Local Sales									
Processing	33,203	38,754	42,651	32	38	40	1,062.4	1,472.6	1,706

MTIL operates in a diverse international markets including Mexico, Peru, Guatemala, Venezuela, Chile, Paraguay, Ukraine and Russia. The company is associated with established wholesalers and retailers in these markets. The entire export revenue emanated from six clients namely, Commercial Mexico, Hertex (George), Texmodas, Textile Transito, Gahin A & RM. Korea and El Castillo. According to management, the higher export sales concentration risk is manageable given the company has longstanding relationships with these clients underpinned by better quality and competitive pricing.

During FY22, gross profits were recorded sizably higher at Rs. 487.9m (FY21: Rs. 241.3m, FY20: Rs. 174.7m) while gross margins increased to 14.9% (FY21: 10.0%, FY20: 10.0%) mainly due to inventory gains emanating from bulk purchasing of inventory at lower cost along with increase in average selling prices of all products. Cost of sales increased to Rs. 2.8b (FY21: Rs. 2.2b, FY20: Rs. 1.6b) and was largely rationalized with inflationary pressure and scale of operations. Raw material consumed and conversion charges accounted for 30% (FY21: 28%; FY20: 33%) while dyes and chemicals consumed contribution increased to 35% (FY21: 23.6%; FY20: 34%) in the cost of goods manufactured (COGM). Fuel and power cost makes ~27% of the COGM. The proportion of imported raw material, entirely including yarn, remained limited at 3% (FY21: Nil; FY20: 24%). Breakdown of raw material mix is tabulated below:

Breakdown of Raw Materials Procured	Quantity			Total PKR (Million)			Average Price Rs./Unit		
	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
Imported:									
Yarn (000's Kgs)	573.8	N/A	93	126.8	N/A	23.34	221	N/A	251
Local:									
Yarn (000's bags)	22.3	28.8	60.6	313.1	443.15	576.33	14,009	15,376	9,497
Fabric (000's meters)	5.9	70.4	188.1	1.2	7.75	21.45	198	110	114
Conversion (Local; Kgs)	4,025	2,579	2,780	92.58	77.37	105.63	23	30	38

Administrative expenses amounted to Rs. 76.2m (FY21: Rs. 59.9m, FY20: Rs. 53.2m) which were largely rationalized during FY22. Selling and distribution expenses surged to Rs. 140.1m (FY21: Rs. 44.0m, FY20: Rs. 28.5m), primarily on account of increase in freight charges to Rs. 121.6m (FY21: Rs. 32.3m, FY20: Rs. 14.7m). Other expenses increased to Rs. 39.5m (FY21: Rs. 25.7m, FY20: Rs. 8.3m), due to increase in loss booked on investments classified as fair value through profit and loss (FVTPL). Other income of Rs. 59.0m (FY21: Rs. 75.4m, FY20: Rs. 29.4m), largely included dividend income on short-term investments and capital gain on disposal of investments. Finance cost increased to Rs. 27.9m (FY21: Rs. 7.1m, FY20: Rs. 1.2m) mainly due to higher average markup rates. Accounting for taxation, net profit was reported higher at Rs. 221.4m (FY21: 138.3m, FY20: Rs. 83.6m) during FY22. Despite increase in operating costs, net margins increased to 6.8% (FY21: 5.8%; FY20: 4.8%) mainly on account of lower effective tax rate.

During 1Q'23, the company reported dip in sales and profitability whereas gross margins improved owing to benefit of low-cost inventory. Higher operating costs due to inflationary pressure led to decrease in net margins. Nonetheless, rupee depreciation has continued to support the export-oriented textile units till 1QFY23; meanwhile, demand compression amidst economic slowdown in local and international markets has hit the textile industry. According to management, the demand picked some pace in Jan'23 coupled with some uptick in product prices as well. As per management, half yearly sales are reported at around Rs. 2.8b. Meanwhile, in full year, the management contemplates to generate revenue of ~Rs. 8b on account of incremental sales of around Rs. 4b from new weaving unit in FY23 The company has started dispatching export orders since the weaving unit came online. Around two-third of the product mix from new weaving unit would emanate from export of high quality greige fabric for ladies and gents suiting market while the rest would comprise export of processed fabric. Expansion in operations would bode well in improving financial risk profile of the company, going forward. Meanwhile, in view of prevailing macroeconomic uncertainty, achieving projected turnover seem challenging.

Pressure on cash flow coverages due to augmentation in long-term financing while liquidity profile in terms of working capital management remained adequate: Funds from operations (FFO) increased to Rs. 274.7m in FY22 (FY21: Rs. 173.7m; FY20: Rs. 149.4m) in line with higher profitability. However, the FFO to long-term debt and total debt ratio declined to 0.14x (FY21: 13.6x, FY20: 5.2x) and 0.12x (FY21: 0.73x; FY20: 0.81x) as a result of substantial rise in long-term debt. The debt service coverage ratio, on the other hand, remained sizeable due to minimal long-term repayments.

Stock in trade stood lower at Rs. 71.2m (FY21: Rs. 166.5m, FY20: Rs. 233.9m), primarily due to the decrease in raw materials inventory by end-FY22. Trade debts increased to Rs. 822.4m (FY21: Rs. 409.8m, FY20: Rs. 394.9m) out of which around 30% of the receivables were due from foreign clients. Local trade debts include amount of Rs. 382.3m (FY21: Rs. 116.0m; FY20: ---) due from its associated undertaking, M/s Abdullah Collection, which were outstanding for less than six months. Overall aging profile of local trade debts is considered satisfactory with 77% of the amount falling due under six months credit bracket and 7% were due for less than a year. The remaining amount was outstanding for more than a year while the management expect full recovery from these parties. Trade debts as percentage of net sales increased to 25.2% (FY21: 17.1%, FY20: 22.6%) in the outgoing year. Local sales are majorly executed on cash/advance basis while international sales are mostly done on 180 days letters of credit. Loan and advances stood higher at Rs. 272.2m (FY21: Rs. 197.6m, FY20: Rs. 195.7m) mainly due to increase in advances extended to suppliers of Rs. 193.2m (FY21: Rs. 52.8m, FY20: Rs. 18.7m) at end-FY22. Loans to associated undertakings amounted to Rs. 21.6m (FY21: Rs. 90.3m, FY20: Rs. 145.8m). Tax refunds from government amounted to Rs. 262.4m (FY21: Rs. 261.9m, FY20: Rs. 172.9m).

The company holds short term investments amounting Rs. 271.0m (FY21: Rs. 793.7m, FY20: Rs. 884.0m) at end-FY22. Around 60% of these comprised funds placed in money market mutual funds while the rest included investment in dividend paying listed companies. The company offloads and reinvest in liquid investments depending on availability of funds. Cash and bank balances stood at Rs. 73.4m (FY21: Rs. 92.4m, FY20: Rs. 147.5m). Trade and other payables stood higher at Rs. 785.7m (FY21: Rs. 480.5m, FY20: Rs. 344.0m) largely due to increase in trade creditors to Rs. 562.8m (FY21: Rs. 368.9m, FY20: Rs. 231.2m) and advances from customers to Rs. 129.8m (FY21: Rs. 26.4m, FY20: Rs. 55.2m). Credit terms with local suppliers are generally on cash basis while some suppliers may be given credit of 20-25 days. Coverage of short-term borrowings via stock in trade and trade debts remained sizeable at 3.65x (FY21: 2.57x, FY20: 4.03x) on a timeline basis. Current ratio also remained adequate at 1.90x (FY21: 3.13x, FY20: 4.05x). Net operating cycle improved to 23 days (FY21: 44 days; FY20: 78 days) due to higher inventory turnover and has remained manageable on a timeline basis.

Increase in leverage indicators due to substantial increase in long-term borrowings: Tier-1 equity stood at Rs. 2.2b (FY21: Rs. 2.0b. FY20: Rs. 1.9b) on the back of internal capital generation during the outgoing year. Previously the company had minimal reliance on long-term financing, meanwhile, in the outgoing year, debt profile changed considerably owing to mobilization of long-term loan to finance expansion. For this purpose, the company obtained long-term financing to the tune of Rs. 1.9b during FY22. This includes loan amounting Rs. 1.15b obtained under ITERF, which is secured against exclusive charge over machinery of the company and the tenure of loan is nine years including two years of grace period. Loan amounting Rs. 800m is obtained under TERF, which is secured against 1st joint pari passu charge over fixed assets of the company and exclusive charge over machinery of the company; the tenure of the loan is ten years including two years of grace period. The facilities are subject to mark up at SBP rate plus 2.5% per annum.

Short-term borrowings amounted to Rs. 245.2m (FY21: Rs. 224.5m, FY20: Rs.156m), these largely includes mark-up bearing short-term facilities from banking companies. The aggregate unavailed short term borrowings facilities available to the company stood at Rs. 530m (FY21: Rs.2.8b, FY20: Rs. 435m). These facilities are secured against pari-passu over personal properties of the company and the directors, and against lien on both import and export documents. Short term borrowings of Rs. 19.2m are secured from associated undertaking MPIL, as interest free loans to meet working capital requirements. As a result of increase in debt levels, debt leverage and gearing increased considerably to1.39x (FY21: 0.40x, FY20: 0.31x) and 0.99x (FY21: 0.12x, FY20: 0.10x), respectively by end-FY22.

In 2QFY23, the company mobilized an additional long-term financing of Rs. 1.3b to finance the expansion due to which the gearing is projected to increase to 1.28x in full year. However, the capitalization indicators are still projected to remain at manageable level on the back of growth in activity base led by profit retention. Nonetheless, the same will remain contingent upon realization of the incremental cash flow generation from expansion.

Corporate Governance and internal controls: Being a private limited company corporate governance framework has sufficient room for improvement. The Board comprises six members who are also shareholders of the company. In addition, the CEO also serves as the Chairman of the Board. MTIL has a separate internal audit function, consisting a team of four individuals. External audit was conducted by RSM Awais Hyder Liaqat Nauman Chartered Accountants, who are on the SBP panel of auditors in the 'A' category. The company uses customized ERP system to manage financials, reporting, manufacturing, payroll and supply chain operations.

Magna Textile Industries (Pvt.) Limited (MPIL) Appendix I

FINANCIAL SUMMARY	(amounts in PKR millions)			
BALANCE SHEET	**FY20**	**FY21**	**FY22**	**Q1'FY23**
Property, Plant , and Equipment	320.7	445.8	3,216.3	3,289.8
Stores, Spares. And Loose Tools	87.4	420.0	334.5	244.5
Stock-in-Trade	233.9	166.5	71.2	182.7
Trade Debts	394.9	409.8	822.4	872.4
Other Receivables	27.4	41.7	11.0	12.0
Tax Refund Due From Government	172.9	261.9	262.4	169.4
Other Assets	0.6	0.6	10.3	10.0
Short Term Investments	884.0	793.7	271.0	271.0
Loans and Advances	195.7	197.6	272.2	276.2
Cash and Bank Balances	147.5	92.4	73.4	45.8
Total Assets	**2,464.3**	**2,829.3**	**5,334.3**	**5,363.7**
Trade and Other Payables	344.0	480.5	785.7	813.1
Short-Term Borrowings	156.0	224.5	245.2	269.0
Long-Term Borrowings *(Inc. current maturity)*	28.8	0.0	1,945.3	1,945.3
Other Liabilities	57.6	105.2	128.9	89.1
Total Liabilities	**586.3**	**810.3**	**3,105.1**	**3,116.5**
Paid-Up Capital	200.0	200.0	200.0	200.0
Tier-1 Equity	1,878.5	2,019.6	2,239.6	2,257.0
Total Equity	**1,878.5**	**2,019.6**	**2,239.6**	**2,257.0**
INCOME STATEMENT	**FY20**	**FY21**	**FY22**	**Q1'FY23**
Net Sales	1,743.5	2,401.9	3,263.4	507.0
Gross Profit	174.7	241.3	487.9	87.7
Finance Cost	1.2	7.1	28.0	6.9
Other Income	29.5	75.4	59.0	14.6
Profit Before Tax	112.9	180.0	263.2	22.5
Profit After Tax	83.6	138.3	221.4	18.6
FFO	149.4	173.7	274.7	19.6
RATIO ANALYSIS	**FY20**	**FY21**	**FY22**	**Q1'FY23**
Gross Margin (%)	10.0%	10.0%	14.9%	17.3%
Net Margin (%)	4.8%	5.8%	6.8%	3.7%
Current Ratio (x)	4.05	3.13	1.90	1.84
Net Working Capital	1,614.3	1,623.3	1,000.7	946.4
FFO to Long-Term Debt	5.19	13.55	0.14	0.01
FFO to Total Debt	0.81	0.73	0.12	0.01
Debt Servicing Coverage Ratio (x)	121.08	25.61	28.29	3.82
ROAA (%)	3.4%	4.9%	5.4%	1.4%
ROAE (%)	4.4%	6.8%	10.4%	3.3%
Gearing (x)	0.10	0.12	0.99	0.99
Debt Leverage (x)	0.3	0.4	1.4	1.4
Inventory + Receivable/Short-term Borrowings (x)	4.0	2.6	3.6	3.9
Net Operating Cycle (Days)	78	44	23	58

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.

REGULATORY DISCLOSURES — Appendix III

Name of Rated Entity	Magna Textile Industries (Pvt.) Limited
Sector	Textile
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
03/15/2023	BBB	A-2	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.
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Due Diligence Meetings Conducted

Name	Designation	Date
Muhammad Afzal	Chief Financial Officer	December 28, 2022