

MIRA INFORM REPORT

Report No. :	542596
Report Date :	05.12.2018

IDENTIFICATION DETAILS

Name :	BHANERO TEXTILE MILLS LIMITED
Registered Office :	Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi
Country :	Pakistan
Financials (as on) :	30.06.2018
Date of Incorporation :	29.03.1980
Com. Reg. No.:	0007604
Legal Form :	Public Limited Company
Line of Business :	Subject is engaged in manufacturing and sales of yarn and fabric
No. of Employees :	1,382

RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23rd January 2017)

MIRA's Rating : A

Credit Rating	Explanation	Rating Comments
A	Acceptable Risk	Business dealings permissible with moderate risk of default

Status :	Satisfactory
Payment Behaviour :	Slow and Delayed
Litigation :	Clear

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NOTES :

Any query related to this report can be made on e-mail : infodept@mirainform.com while quoting report number, name and date.

ECGC Country Risk Classification List

Country Name	Previous Rating (30.06.2018)	Current Rating (30.09.2018)
Pakistan	B1	B1

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

PAKISTAN - ECONOMIC OVERVIEW

Decades of internal political disputes and low levels of foreign investment have led to underdevelopment in Pakistan. Pakistan has a large English-speaking population, with English-language skills less prevalent outside urban centers. Despite some progress in recent years in both security and energy, a challenging security environment, electricity shortages, and a burdensome investment climate have traditionally deterred investors. Agriculture accounts for one-fifth of output and two-fifths of employment. Textiles and apparel account for more than half of Pakistan's export earnings; Pakistan's failure to diversify its exports has left the country vulnerable to shifts in world demand. Pakistan's GDP growth has gradually increased since 2012, and was 5.3% in 2017. Official unemployment was 6% in 2017, but this fails to capture the true picture, because much of the economy is informal and underemployment remains high. Human development continues to lag behind most of the region.

In 2013, Pakistan embarked on a \$6.3 billion IMF Extended Fund Facility, which focused on reducing energy shortages, stabilizing public finances, increasing revenue collection, and improving its balance of payments position. The program concluded in September 2016. Although Pakistan missed several structural reform criteria, it restored macroeconomic stability, improved its credit rating, and boosted growth. The Pakistani rupee has remained relatively stable against the US dollar since 2015, though it declined about 10% between November 2017 and March 2018. Balance of payments concerns have reemerged, however, as a result of a significant increase in imports and weak export and remittance growth.

Pakistan must continue to address several longstanding issues, including expanding investment in education, healthcare, and sanitation; adapting to the effects of climate change and natural disasters; improving the country's business environment; and widening the country's tax base. Given demographic challenges, Pakistan's leadership will be pressed to implement economic reforms, promote further development of the energy sector, and attract foreign investment to support sufficient economic growth necessary to employ its growing and rapidly urbanizing population, much of which is under the age of 25.

In an effort to boost development, Pakistan and China are implementing the "China-Pakistan Economic Corridor" (CPEC) with \$60 billion in investments targeted towards energy and other infrastructure projects. Pakistan believes CPEC investments will enable growth rates of over 6% of GDP by laying the groundwork for increased exports. CPEC-related obligations, however, have raised IMF concern about Pakistan's capital outflows and external financing needs over the medium term.

Source : CIA

COMPANY NAME

Business Name BHANERO TEXTILE MILLS LIMITED

FULL ADDRESS

Registered Address

Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi,
Pakistan

Tel # 92 (21) 35115177, 35115178, 35115179, 35115180

Fax # 92 (21) 35063002, 35063003

SHORT DESCRIPTION OF BUSINESS

- | | | |
|----|--------------------|--|
| a. | Nature of Business | The Company is principally engaged in manufacturing and sales of yarn and fabric |
| b. | Incorporated | 29 th March, 1980 |
| c. | Registration No. | 0007604 |

CORRESPONDENCE OFFICE

9th Floor, City Towers, 6-K, Main
Boulevard, Gulberg II, Lahore,
Pakistan

MILLS LOCATION

Unit I is situated at: Kotri Distric Dadu, Sindh, Pakistan.

Unit II and Unit III are situated at: Feroz Watwan, Sheikhupura, Punjab, Pakistan.

AUDITORS

Mushtaq & Company
(Chartered Accountants)

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LEGAL STATUS

The Company was incorporated in Pakistan as a public limited company and is listed at Pakistan Stock Exchange

DETAILS OF MANAGEMENT

Names	Designation
Mr. Mohammad Shaheen	Chairman
Mr. Khurram Salim	Chief Executive
Mr. Bilal Sharif	Director
Mr. Mohammad Amin	Director
Mr. Adil Shakeel	Director
Mr. Mohammad Salim	Director
Mr. Mohammad Sharif	Director
Mr. Mohammad Shakeel	Director
Mr. Iqbal Mehboob	Director

SHAREHOLDERS

Categories	Percentage (%)
Directors, Chief Executive Officer their spouse and minor children	51.28
Associated Companies, Undertaking & related parties	43.63
NIT & ICP	---
Insurance Companies	2.35
General Public / Individuals	2.71
Joint Stock Companies	0.02

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Other Companies 0.00

ASSOCIATES

A. SUBSIDIARY

None

B. ASSOCIATED COMPANIES

- (1) Blessed Textile Mills Limited, Pakistan.
- (2) Firhaji Footwear (Pvt) Limited, Pakistan.
- (3) Faisal Spinning Mills Limited, Pakistan.
- (4) Bhanero Energy Limited, Pakistan.
- (5) Bhanero Textile Power Generation, Pakistan.
- (6) Faisal Spinning Power Generation, Pakistan.
- (7) City Towers, Pakistan.
- (8) S.M. Saeed Goreja, Pakistan.

BUSINESS ACTIVITIES

Subject Company is engaged in manufacturing and sale of yarn and fabric.

Its import Textile Raw Materials, Textile Machineries through L/C, D/P basis to its trade suppliers globally.

It sales its products through cash / credit term basis in local markets. Whereas in case of export, payment would be accepted through L/C, D/P basis.

Its major customers are Buying Agencies, Private Companies, International Buyers, Distribution Companies etc.

Subject operates from caption leased factories premises located at commercial & industrial centers of Karachi, Lahore, Punjab & Sindh.

Subject employs about 1,382 persons in its set up.

ANNUAL SALES VOLUME

Years	In Pak Rupees
2016	6,637,411,409/-
2017	6,837,254,892/-
2018	8,073,845,411/-

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PLANT CAPACITY & PRODUCTION

	2018	2017
Number of spindles installed	80,112	69,312
Number of looms installed	160	160
Number of spindles worked	80,112	69,312
Number of looms worked	160	160
Number of working days	364	364
Number of shifts per day	3	3
Installed capacity of yarn (Kgs.)	14,810,385	13,954,119
Actual production of yarn (Kgs.)	11,392,698	10,621,496
Installed capacity of fabric - meters	21,534,566	21,534,566
Actual production of fabric - meters	15,952,617	15,100,469

It is difficult to precisely describe production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindles speed and twist etc. It would also vary accordingly to pattern of production adopted in a particular year.

TRADE SUPPLIERS (FOREIGN)

Subject import globally from Companies belongs to China, India, Korea, Japan, Taiwan & European Countries

BANKERS

- (1) Bank Alfalah Limited, Pakistan.
- (2) Dubai Islamic Bank, Pakistan.
- (3) Habib Bank Limited, Pakistan.
- (4) Samba Bank Limited, Pakistan.
- (5) MCB Bank Limited, Pakistan.
- (6) Meezan Bank Limited, Pakistan.
- (7) Faysal Bank Ltd, Pakistan.
- (8) Standard Chartered Bank (Pakistan) Limited, Pakistan.
- (9) United Bank Limited, Pakistan.

FINANCIAL PERFORMANCE

Company earned profit after tax of PKR 482.036 million during the year ended 30 June, 2018 (2017:PKR 275.736 million). Despite global and domestic challenging economic condition attributable to increasing prices of cotton

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and yarn, the company sales increased from PKR 6,837.254 million to PKR8,073.845 million in current year. The increase in other income is mainly attributable to sale of land and machinery during the current year. The distribution and other operating cost to sales ratios remains almost same during current year however, the administration and finance cost to sales ratio has been decreased by 0.25% and 0.11% during the current year as compared to the corresponding year. The Company earned gross profit of PKR 868.395 million during the current year ended June 30, 2018 as compared to PKR 754.283 in corresponding year. The growth in gross profit is mainly attributable to export rebates and foreign exchange gain on export sales.

FUTURE PROSPECTS

Domestic debt increased by five times and external debt by 1.4 times in between 2009 and 2018 and servicing of debt is an overarching theme of the Pakistani economy. Despite the government's self-congratulatory claims, the fact remains that the entire paradigm of economic development continues to be underpinned by debts and subsidies. CPEC is very much going to perpetuate the paradigm, as well as the defense budget, which weighs heavily as ever on the public exchequer. Earlier, Pakistan was awarded GSP Plus status which raised hopes that it would help increase our exports. However, that too proved to be wishful thinking. Pakistan's textile industry has also generally been targeting low value-added markets in Europe and North America, failing to move into better-value added products, which could have meant more revenues for the country. *The following measures are suggested for the newly elected government for revival of textile industry:* First, general inefficiencies in operations need to be identified and rooted out to reduce operating costs. Government should provide incentives to firms which remove their operational inefficiencies as efficacy and conducive work environment contributes to productivity.

MEMBERSHIPS

KCCI
APTMA

COMMENTS

Subject Company was established in 1987. The Company is primarily a spinning unit engaged in the manufacture & sale of Yarn & Woven Fabric. It is also engaged in the generation of electricity for self consumption. Directors of the Company are reported as qualified, experienced and resourceful businessmen. Payments are slow and delayed. In view of current disturbed economic and political situation, we would advise to deal with all the business in Pakistan with some caution.

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 70.34
UK Pound	1	INR 89.64
Euro	1	INR 80.07
PKR	1	INR 0.51

Note : Above are approximate rates obtained from sources believed to be correct

INFORMATION DETAILS

Analysis Done by :	VIV
Report Prepared by :	DNS

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RATING EXPLANATIONS

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)

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