

MIRA INFORM REPORT

Report No. :	533474
Report Date :	10.10.2018

IDENTIFICATION DETAILS

Name :	NISHAT MILLS LIMITED
Registered Office :	Nishat House, 53 A, Lawrence Road, Lahore
Country :	Pakistan
Financials (as on) :	30.06.2018
Date of Incorporation :	1960
Com. Reg. No.:	0001053
Legal Form :	Public Limited Company
Line of Business :	The Company is engaged in the business of textile manufacturing and of spinning, combing, weaving, bleaching, dyeing, printing, stitching / apparel, buying, selling and otherwise dealing in yarn, linen, cloth and other goods and fabrics made from raw cotton, synthetic fibre and cloth and to generate, accumulate, distribute, supply and sell electricity
No. of Employees :	18,900

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

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 (31.12.2017)	Current Rating (01.04.2018)
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 **NISHAT MILLS LIMITED**

FULL ADDRESS

Registered Address

Nishat House, 53 A, Lawrence Road, Lahore, Pakistan

Tel # 92 (42) 36367812, 36367816
Fax # 92 (42) 36367414

SHORT DESCRIPTION OF BUSINESS

- a. **Nature of Business** The Company is engaged in the business of textile manufacturing and of spinning, combing, weaving, bleaching, dyeing, printing, stitching / apparel, buying, selling and otherwise dealing in yarn, linen, cloth and other goods and fabrics made from raw cotton, synthetic fibre and cloth and to generate, accumulate, distribute, supply and sell electricity
- b. **Incorporated** 1960
- c. **Registration No.** 0001053

HEAD OFFICE

Address 7-Main Gulberg, Lahore, Pakistan
Tel # 92 (42) 35716351, 35716359
Fax # 92 (42) 35716349, 50

LIASON OFFICE

Address 1st Floor, Karachi Chambers, Hasrat Mohani Road, Karachi, Pakistan.
Tel # 92 (21) 32414721, 722, 723
Fax # 92 (21) 32412936

MILLS LOCATION

- (1) Nishatabad, Faisalabad.(Spinning, Processing, Stitching Units & Power Plant)
- (2) 12 Km, Faisalabad Road, Sheikhpura.(Weaving Units & Power Plants)
- (3) 21 Km, Ferozepur Road, Lahore.(Stitching Unit)
- (4) 5 Km, Nishat Avenue Off 22 Km Ferozepur Road, Lahore.
- (5) 20 Km, Sheikhpura Faisalabad Road, Feroze Watwan.(Spinning Unit)

AUDITORS

Riaz Ahmad & Company
(Chartered Accountants)

LEGAL STATUS

Public Limited Company (Listed at stock exchanges of Pakistan)

DETAILS OF MANAGEMENT

Names	Designation
Mr. Mian Hassan Mansha	Chairman
Mr. Mian Umer Mansha	Chief Executive
Mr. Khalid Qadeer Qureshi	Director
Mr. Syed Zahid Hussain	Director
Ms. Farid Noor Ali Fazal	Director
Mr. Maqsood Ahmad	Director
Mr. Ghazanfar Hussain Mirza	Director

SHAREHOLDERS

Categories	Percentage (%)
Directors, CEO, their spouses and minor children	25.22

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Associated Companies, Undertakings & related parties	8.97
NIT & ICP	0.06
Banks, Development Financial Institutions, Non Banking Financial Institutions	3.41
Insurance Companies	3.84
Modarbas & Mutual Funds	10.10
General Public	45.52
Others	11.89

ASSOCIATES

A. SUBSIDIARY COMPANIES

Nishat Power Limited
Nishat Linen (Private) Limited
Nishat Hospitality (Private) Limited
Nishat USA Inc, U.S.A.
Nishat Linen Trading LLC, UAE.
Nishat International FZE.
Nishat Global China Company Limited.
Nishat UK (Private) Limited.
Nishat Commodities (Private) Limited.
(10) Lalpir Solar Power (Private) Limited

B. ASSOCIATED COMPANIES

- (1) Nishat Chunian Limited, Pakistan.
- (2) MCB Bank Limited, Pakistan.
- (3) Lalpir Power Limited, Pakistan.
- (4) Nishat Paper Products Company Limited, Pakistan.
- (5) Security General Insurance Company Limited, Pakistan.
- (6) Nishat Hotels & Properties Limited, Pakistan.
- (7) Nishat (Aziz Avenue) Hotels & Properties Limited, Pakistan.
- (8) Nishat (Raiwind) Hotels & Properties Limited, Pakistan.
- (9) Nishat (Gulberg) Hotels & Properties Limited, Pakistan.
- (10) Nishat Automobiles (Pvt) Limited, Pakistan.
- (11) Nishat Agriculture Farming (Pvt) Limited, Pakistan.

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- (12) Nishat Developers (Pvt) Limited, Pakistan.
- (13) Pakistan Aviators & Aviation (Pvt) Limited, Pakistan.
- (14) Nishat Dairy (Pvt) Limited, Pakistan.
- (15) Nishat Farm Supplies Limited, Pakistan.
- (16) Nishat Spinning (Pvt) Limited, Pakistan.
- (17) MCB Financial Services Limited, Pakistan.
- (18) Adamjee Life Assurance Company Limited, Pakistan.
- (19) Mnet Services (Pvt) Limited, Pakistan.
- (20) Euronet Pakistan (Pvt) Limited, Pakistan.
- (21) Adamjee Insurance Company Limited, Pakistan.
- (22) Nishat Energy Limited, Pakistan.
- (23) Nishat Real Estate Development (Pvt) Limited, Pakistan.
- (24) D.G. Khan Cement Company Limited, Pakistan.

BUSINESS ACTIVITIES

The Company is engaged in the business of textile manufacturing and of spinning, combing, weaving, bleaching, dyeing, printing, stitching / apparel, buying, selling and otherwise dealing in yarn, linen, cloth and other goods and fabrics made from raw cotton, synthetic fibre and cloth and to generate, accumulate, distribute, supply and sell electricity

NUMBER OF EMPLOYEES

18,900

ANNUAL SALES VOLUME

Years	In Pak Rupees
2016	47,999,179,000/-
2017	49,247,657,000/-
2018	53,729,124,000/-

PRODUCTION CAPACITY

Description	2018 (Figures in Thousand)	2017 (Figures in Thousand)
Spinning		

100 % plant capacity converted to
20s count based on 3 shifts per

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day for 1,098 shifts (30 June 2015: 1,095 shifts) (Kgs.)	71,115	77,455
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Actual production converted to 20s count based on 3 shifts per day for 1,098 shifts (30 June 2015: 1,095 shifts) (Kgs.)	57,740	67,633
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Weaving

100 % plant capacity at 50 picks based on 3 shifts per day for 1,098 shifts (30 June 2015: 1,095 shifts) (Sq.Mtr.)	304,996	298,257
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Actual production converted to 50 picks based on 3 shifts per day for 1,098 shifts (30 June 2015: 1,095 shifts) (Sq.Mtr.)	291,480	283,004
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Dyeing and finishing

Production capacity for 3 shifts per day for 1,098 shifts (30 th June 2015 : 1,095 shifts) (Mtr.)	54,000	54,000
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Actual production on 3 shifts per day for 1,098 shifts (30 th June 2015 : 1,095 shifts) (Mt.)	46,311	48,364
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Power Plant

Generation capacity (MWH)	780	799
Actual generation (MWH)	374	396

TRADE SUPPLIERS (FOREIGN)

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

BANKERS

- (1) Albaraka Bank (Pakistan) Limited, Pakistan.
- (2) Allied Bank Limited, Pakistan.
- (3) Askari Bank Limited, Pakistan.
- (4) Bank Alfalah Limited, Pakistan.
- (5) Bank Islami Pakistan Limited, Pakistan.
- (6) Barclays Bank PLC, Pakistan.
- (7) Burj Bank Limited, Pakistan.
- (8) Citibank N.A., Pakistan.
- (9) Deutsche Bank AG, Pakistan.
- (10) Dubai Islamic Bank Pakistan Limited, Pakistan.
- (11) Faysal Bank Limited, Pakistan.
- (12) Habib Bank Limited, Pakistan.
- (13) Habib Metropolitan Bank Limited, Pakistan.
- (14) HSBC Bank Middle East Limited, Pakistan.
- (15) JS Bank Limited, Pakistan.
- (16) Meezan Bank Limited, Pakistan.
- (17) National Bank of Pakistan.
- (18) NIB Bank Limited, Pakistan.
- (19) Samba Bank Limited, Pakistan.
- (20) Silk Bank Limited, Pakistan.
- (21) Soneri Bank Limited, Pakistan.
- (22) Summit Bank Limited, Pakistan.
- (23) Standard Chartered Bank (Pakistan) Limited, Pakistan.
- (24) The Bank of Punjab, Pakistan.
- (25) United Bank Limited, Pakistan.

FINANCIAL PERFORMANCE

Financial year 2017-18 was marked with unpredictable raw material prices, low international demand for textile products and high cost of production which were the main reasons for decrease in profit after tax of the Company by Rs. 165.215 million in the current year as compared to corresponding financial year despite an unprecedented increase in topline by Rs. 4,481.467 million.

TEXTILE INDUSTRY OVERVIEW

Textile industry is the most essential manufacturing sector of Pakistan as it serves as the backbone of Pakistan's economy. It has the longest production chain, with inherent potential for value addition at each stage of processing, from cotton to ginning, spinning, fabric, dyeing and finishing, made-ups and garments.

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CONTRIBUTION TO NATIONAL EXCHEQUER

As the Company is counted among top exporters of the country, it has contributed to the economy by earning foreign exchange of US\$ 353.026 million during the current year. Further it has also contributed Rs. 1,295.201 million towards national exchequer by way of custom duty, income taxes, sales taxes, education cess, social security contribution, EOBI contribution etc.

FUTURE PROSPECTS

Financial Year 2018-19 will be a challenging year for Spinning Division. Fear of high price of new cotton crop in local market as compared to last year is already a matter of worry. On the other hand, cotton prices in international markets are showing a decreasing trend which is why export customers are expecting a reduction in yarn prices. The Company is also planning to diversify its business by commissioning an open end yarn unit in Ferozewatwan by the end of financial year 2018. Weaving Division plans to strengthen back process by acquiring latest sizing machines. We are also planning to invest in new compressors and chillers. For technical and sheeting fabrics, we are going to buy latest brushing / vacuuming equipment along with a wider width palleting machine. The Company is committed to offer quality products to its customers; therefore, Dyeing Division is planning to install an automatic inspection and fault grading system to accurately identify faults in finished fabric at packing stage which will result in reduction of wastage and labor cost. The system will be linked with ERP system of the Company.

MEMBERSHIPS

- KCCI
- LCCI
- FPCCI
- APTMA

COMMENTS

Mansha Group of Companies enjoys excellent credibility in Pakistani as well as in abroad. Directors of the Company are reported as qualified, experienced and resourceful businessmen. Company can be considered for business dealings at usual trade terms and conditions.

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 74.10
UK Pound	1	INR 96.99
Euro	1	INR 85.11
PKR	1	INR 0.60

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

INFORMATION DETAILS

Analysis Done by :	VIVR
Report Prepared by :	SYL

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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)