



Rating Action

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Applicable Criteria and Related Research

- Corporate Rating Methodology

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PACRA Maintains Entity Ratings of Nishat Mills

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term and short-term entity ratings of Nishat Mills Limited (NML) at "AA" (Double A) and "A1+" (A One plus), respectively. The ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect the diversity of Nishat Mills' (NML) underlying businesses, along with a conservative capital structure. This emanates from its implicit holdco structure within Nishat Group (NG). This helps in managing the impact of adversities in any industry, particularly textile business, on the overall profile of NML. NML's significant as well as diverse strategic investment portfolio is generating a regular and growing dividend stream in addition to potential of capital appreciation.

NML has an established business profile in textile industry. The company continues to maintain its position as a sizeable, export-oriented composite unit in the country's textile sector. NML has adequate diversification levels, in terms of both geography and customer base. After having a suppressed year, operational performance has shown some recovery in FY16 and onwards. This is likely to continue on the back of gradual improvement in textile sector dynamics, depicted from (i) relatively high domestic cotton production level for FY17, (ii) availability of low cost power fuel (RLNG), and (iii) stability in financial indicators. Going forward, the management intends to further augment its size, capitalizing on capacities enhancements. The improvement in business performance has uplifted the financial risk profile of the entity.

The ratings continue to depend on the management's ability to maintain its business profile while sustaining its market position. Maintaining positive trend in business margins remains important. Moreover, a formal holding company structure to monitor a large investment portfolio would bring structural efficiencies with focused decision making.

About the Company

NML, established in 1951, is the largest textile composite unit and a leading exporter of textile products in the country. The company is majority (53%) owned by Mansha family members and group companies. NML also acts as key participant in multiple strategic investments of Nishat Group (NG). NG - a leading conglomerate - maintains substantial presence in the country's financial sector, and strong foothold in textile, cement, and power sectors.

NML has a seven member board of directors. Two directors, including the CEO, represent sponsoring family, four directors are working for NG companies including one NML's executive, and one is independent member. The CEO, Mr. Umer Mansha, has been associated with NML since 1994 and carries extensive experience in textile industry. He is supported by an experienced management team. Moreover, the quality of systems and processes in place is considered good.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity.

PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.