

JCR-VIS Credit Rating Company Limited

Founder Shareholder - Islamic International Rating Agency (IIRA), Bahrain
Joint Venture Partner - Credit Rating & Information Services Ltd. (CRISL), Bangladesh
Member - Association of Credit Rating Agencies in Asia (ACRAA)

Press Release

VIS Credit Rating Company Reaffirm Entity Ratings of Blessed Textiles Limited

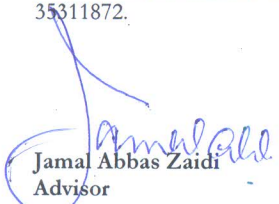
Karachi, February 21, 2019: VIS Credit Rating Company Limited (VIS) has reaffirmed the entity ratings of Blessed Textiles Limited (BTL) at 'A-/A-1' (Single A Minus/A-One). Long Term Rating of A- reflects good credit quality, adequate protection factors. Risk factors may vary with possible changes in the economy. Short Term Rating of A-1 indicates high certainty of timely payment, excellent liquidity factors supported by good fundamental protection factors and risk factors are minor. Outlook on the assigned ratings is 'Stable'. The previous rating action was announced on March 30, 2018.

The ratings reaffirmation continues to factor in the extensive experience of sponsor (Umer Group) with more than four decades in the textile industry. Financial risk profile of the company is considered as sound as indicated by sound liquidity profile and improving profitability metrics. Ratings also incorporate the healthy revenue growth posted in FY18 and in the ongoing year. Ratings are, however, constrained by company's higher leverage indicators vis-à-vis rating benchmarks and high cyclical & competitive intensity for spinning industry and volatility in cotton prices which translate into high business risk profile.

Umer Group is recognized as a prominent player in spinning and weaving segment with annual turnover of around Rs. 30b. Around one-half of total group sales comprise exports with presence in China, Italy, Japan, Turkey and Belgium & other European countries. Segment wise, three-fifth of revenue is generated through spinning segment while the remaining comprises sales of greige fabric. Going forward, given the favorable incentives for enhancing exports along with significant rupee depreciation, management expects proportion of export sales in sales mix to increase to around two-third of total sales. Umer Group has a total of 186,960 spindles and 565 looms.

During FY18 and 1QFY19, currency devaluation, higher volumes sold, increase in average selling prices and rebate on export sales aided growth in BTL's revenue base. Going forward, management's strong focus to increase proportion of export sales in both spinning and weaving segment would translate in to higher sales volumes. Overall profitability margins improved through efficient procurement of raw material. Given that management has already completed purchase of its cotton requirements for FY19 and some part of FY20 at competitive rates, overall margins are expected to continue to improve. Overall liquidity profile is considered adequate as indicated by satisfactory cash flows in relation to debt obligations. Gearing and leverage ratios have remained elevated due to higher short term borrowings to fund increase in inventory in anticipation of increase in cotton prices.

For further information on this rating announcement, please contact the undersigned (Ext: 201) at 021-35311861-70 or fax to 021-35311872.


Jamal Abbas Zaidi
Advisor

Applicable Criteria: Industrial Corporates (May 2016)
<http://www.vis.com.pk/docs/Corporate-Methodology-201605.pdf>

Information herein was obtained from sources believed to be accurate and reliable; however, VIS Credit Rating Company Limited (Formerly JCR-VIS Credit Rating Company Limited) (VIS) does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. VIS (Formerly JCR-VIS Credit Rating Company Limited), the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the rating(s)/ranking(s) mentioned in this report. VIS (Formerly JCR-VIS Credit Rating Company Limited) is not an NRSRO and its credit ratings are not NRSRO credit ratings. VIS (Formerly JCR-VIS Credit Rating Company Limited) is paid a fee for most rating assignments. This rating/ranking is an opinion and is not a recommendation to buy or sell any securities. Copyright 2019 VIS Credit Rating Company Limited (Formerly JCR-VIS Credit Rating Company Limited). All rights reserved. Contents may be used by news media with credit to VIS (Formerly JCR-VIS Credit Rating Company Limited).