

Press Release

VIS Credit Rating Company Maintains Entity Ratings of Blessed Textiles Limited

Karachi, April 22, 2020: VIS Credit Rating Company Limited (VIS) has maintained 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 has been revised from 'Stable' to 'Rating Watch-Developing'. Previous rating action was announced on February 21, 2019.

BTL carry out operations through its two spinning units and one weaving unit. All the manufacturing facilities are located in Ferozewatan, Shiekhupura. The company operated with total 68,640 spindles (Unit-I & Unit-III) and 140 looms (Unit-II). Capacity utilization of both segments has remained on the higher side; however, some decline is expected, going forward. Double-digit growth was witnessed in both, exports and local sales in FY19. Around two-fifth of total sales are geared towards international market with the remaining comprising local sales.

Ratings assigned to the company take into account sound financial risk profile as reflected by adequate liquidity profile, low leverage capital structure and conservative financial policy. Ratings are constrained by high cyclicality & competitive intensity for spinning industry and volatility in cotton prices which translate into moderate to high business risk profile. The ratings also take into account the extensive experience of sponsor (Umer Group) in the textile industry spanning over four decades with well-diversified customer base spread across international markets.

The revision in rating outlook reflects prevailing uncertainty in textile sector dynamics due to coronavirus outbreak, prolonged lockdown, overall contraction in demand and challenging economic environment. It is expected that the entire value chain of the textile industry will be impacted by these developments. Status of the assigned rating is therefore uncertain as an event of deviation from expected trend has occurred; additional information will be necessary to take any further rating action, warranting a 'Rating Watch-Developing' status. Given the low leveraged capital structure and strong financial flexibility, it is expected that ratings will remain stable post recovery of the ongoing situation; nevertheless as scenario is evolving rapidly, VIS will closely monitor and will accordingly take action to resolve the outlook status.

For further information on this rating announcement, please contact Mr. Talha Iqbal (Ext: 213) or the undersigned (Ext. 306) at 021-35311861/70 or email at info@vis.com.pk.


Faryal Ahmad Faheem
Deputy CEO

Applicable Rating Criteria: Industrial Corporates (April 2019)

<https://s3-us-west-2.amazonaws.com/backupsqvis/docs/Corporate-Methodology-201904.pdf>

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