

Press Release

VIS Credit Rating Company Maintains Entity Ratings of Bhanero Textile Mills Limited

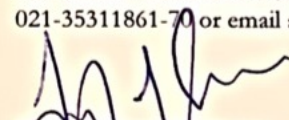
Karachi, April 22, 2020: VIS Credit Rating Company Limited (VIS) has maintained the entity ratings of Bhanero Textile Mills Limited (BHAT) at 'A+/A-1' (Single A Plus/A-One). The assigned ratings have been placed on 'Rating Watch-Developing' status. Long Term Rating of A+ reflects good credit quality, 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. Previous rating action was announced on February 21, 2019.

BHAT is engaged in the business of manufacturing and trading of yarn and knitted fabric. The Company maintains two separate spinning units of which Unit-I consist of 27,840 spindles and Unit-II consist of 52,272 spindles. Both units are adequately equipped to produce cotton, rayon, ring spun & carded yarn. There is a separate facility for weaving operations installed with 162 air-jet looms. This unit produces mix ranges of fine woven greige cloths, from light to heavy, wider width, plain, textured, twills and luxurious satins. Historically, around two-third of topline has comprised local sales. Segment wise yarn continues to be the major contributor with 66% (FY18: 64%) share in total revenue. In view of long term growth strategy the company has planned capex to enhance efficiency in business operations through replacement 140 new looms; BMR has been deferred till improvement in overall sectoral outlook.

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 cyclicity & 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 group is recognized as a prominent player in spinning and weaving segment with annual turnover of around Rs. 35.7b.

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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