

## Press Release

### VIS Credit Rating Company Maintains Entity Ratings of Faisal Spinning Mills Limited

**Karachi, April 22, 2020:** VIS Credit Rating Company Limited (VIS) has maintained the entity ratings of Faisal Spinning Mills Limited (FSML) at 'A/A-1' (Single A/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.

FSML has two manufacturing units, spinning and weaving, located at Nooriabad, District Dadu (Sindh) and Feroze Wattwan, District Sheikhpura (Punjab) respectively. Its production facilities are equipped with 38,208 spindles and 265 looms and each unit has its own ancillary power unit. Around 70% of total sales are geared towards export market with the remaining comprising local sales. In view of long term growth strategy the company has planned capex to expand business operations in the white sheet segment; expected COD of which is October'20. Around two-third of the project cost is being funded LTFF with the remaining planned to be financed through FSML's internal cash flows. This expansion will enhance & diversify revenues and improve margins of the company.

The assigned ratings take into account sound financial risk profile as reflected by adequate liquidity profile, low leverage capital structure and conservative financial policy. The ratings incorporate 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. Ratings are constrained by high cyclical & competitive intensity for spinning industry and volatility in cotton prices which translate into moderate to high business risk profile.

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](mailto: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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