

Press Release

VIS Upgrades Entity Ratings of Blessed Textiles Limited

Karachi, Aug 11, 2022: VIS Credit Rating Company Limited (VIS) has upgraded the entity ratings of Blessed Textiles Limited (BTL) to 'A/A-1' (Single A/A-One) from 'A-/A-1' (Single A Minus/A-One). Outlook on the assigned ratings is 'Stable'. 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 May 27, 2021.

Assigned ratings continue to take into account the established operating history of over three decades in the composite textile sector and strong group strength. Ratings also consider the qualified management team, IT infrastructure's suitability in relation to size of operations, and long-standing client relationships, which ensures repeat business. Strong growth trend in revenues, profit margins, cash flow generation with adequate debt servicing coverage, improved capitalization supported by profit retention, and a significant reduction in leverage ratios have all been noted as improvements in the financial risk profile during the review period. However, the country's ongoing energy crisis, rising production costs as a result of inflation, and expected slowdown in demand given looming global recession and monetary tightening in major world economies are key business risk factors, posing a challenge to margin sustainability and future growth.

Ratings also take note of capacity expansion initiative, which includes the construction of a new spinning unit with 13,056 spindles. Total revised project cost (including cost overruns due to recent currency depreciation) is around Rs. 3b; of which Rs. 1.8b pertains to machinery, which is being financed through ILTFF debt facility (~75% is disbursed) and the remaining from internal cash generation. At present, construction of building is complete while production is scheduled to begin in Dec'22.

Segment wise, on 3-year average basis ~70% of sales revenue is generated from spinning segment while weaving division accounts for the remainder. Both yarn and fabric sales registered a strong growth of ~27% and ~19%, respectively, in FY21. Overall sales comprise a mix of local and international sales, with share of domestic sales increasing from 46% to 55% in the last 18 months. In terms of growth, local sales increased by ~43%, vis-à-vis 8% growth in exports, during FY21; similar trend is noted in the outgoing fiscal year. Major export destinations include China, Bangladesh, Turkey, Italy, Spain and Belgium. On a timeline basis, client-wise sale concentration risk (in both yarn and fabric sales) has remained elevated. Ratings remain dependent upon sustenance of margins, leverage indicators and profitability, going forward.

For further information on this rating announcement, please contact Mr. Muhammad Tabish (Ext: 203) or the undersigned (Ext: 207) at (021) 35311861-70 or email at info@vis.com.pk.

Sara Ahmed
Director

Applicable Rating Criteria: Corporates (August 2021)
<https://docs.vis.com.pk/docs/CorporateMethodology202108.pdf>