

Press Release

VIS Reaffirms Entity Ratings of Blessed Textiles Limited

Karachi, 6 February, 2025: VIS Credit Rating Company Limited (VIS) has reaffirmed entity ratings of Blessed Textiles Limited (BTL) at 'A/A1' (Single A /A One). Medium to long-term rating of 'A' reflects good credit quality and adequate protection factors. Risk factors may vary with possible changes in the economy. Short-term rating of 'A1' signifies Strong likelihood of timely repayment of short-term obligations with excellent liquidity factors. Outlook on the assigned ratings remains 'Stable'. Previous rating action was announced on September 26, 2023.

Ratings continue to underscore the company's 37-year legacy in yarn production, mainly for the export market geared towards denim manufacturing, as well as offerings in both greige fabrics. This standing is further supported by strong sponsor group strength and sustained client relations.

Ratings incorporate business risk arising from high-interest rate environment, inflationary pressures, volatility in raw material prices, ongoing energy crisis in the country and sensitivity of textile exports to economic health and regulations of key export destinations. Moreover, all these factors pose a challenge to the sector over the medium term in terms of margin sustainability and future growth.

The assessment of the financial risk profile reflects growth in exports (including indirect exports) as it makes up over 59% of total revenue. The reaffirmed ratings also reflect strong revenue growth. However, margins were adversely impacted during the review period on account of higher raw material costs, rising energy costs, changes in tax regime and costly financing. The liquidity profile remains adequate with improvement in cash conversion cycle. Whereas, debt coverages were strained as DSCR was below 1x by end of FY-24 and 1QFY-25. Whereas, Capitalization profile remained intact. Nevertheless, Management expects a rebound in second half of the fiscal year as raw material prices stabilize and transition towards renewable sources of energy together with fall in interest rates would provide support to margins. Going forward, improvement in profitability, debt coverage and realization of recovery plans is critical for assigned ratings.

For further information on this rating announcement, please contact at 021-35311861-64 or email at info@vis.com.pk

Applicable Rating Criteria: Industrial Corporates.

<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

VIS Issue/Issuer Rating Scale.

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>