

Press Release

VIS Reaffirms Entity Ratings of Bhanero Textile Mills Limited

Karachi, 30 January, 2025: VIS Credit Rating Company Limited (VIS) has reaffirmed entity ratings of Bhanero Textile Mills Limited (BHAT) at 'A+/A1' (Single A Plus/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 45-year legacy in yarn production, mainly for the export market geared towards denim manufacturing, as well as offerings in both greige & dyed fabrics and made-up articles. This standing is further supported by robust 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 (USA, UK, EU & China). 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 as it makes up over 45% of total revenue. The reaffirmed ratings also reflect strong revenue growth. However, margins were adversely impacted in FY24 on account of higher raw material costs, increased energy costs and high interest rates. The liquidity profile remains adequate with improvement in cash conversion cycle, although debt coverages were strained. Whereas, slight Increase in Capitalization Indicators in FY24 was observed. However, Improvement was Noted in 1QFY25. 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 and coverage metrics along with realization of recovery plans will remain important for future 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>