RATING REPORT

Crescent Bahuman Limited

REPORT DATE:
June 11, 2021

RATING ANALYSTS:
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RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A-	A-2	A-	A-2
Rating Outlook	*Stable*		Rating Watch - Developing	
Rating Date	*11th Jun'21*		*22nd Apr'20*	

COMPANY INFORMATION

Incorporated in 1993	External auditors: Riaz Ahmad & Co. Chartered Accountants.
Public Limited (Unlisted) Company	CEO: Mr. Rizwan Shafi
Key Shareholders (More than 5%):	
Directors & family members – 68.7% The Crescent Textile Mills – 13.9% International Finance Corp – 9.1%	

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Corporates (May 2019)
https://www.vis.com.pk/kc-meth.aspx

Crescent Bahuman Limited

OVERVIEW OF THE INSTITUTION

Crescent Bahuman Limited (CBL) was incorporated in 1993 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The principal activity of the company is manufacturing and export of denim fabric and garments. The production facility is located at Sargodha Road, Pindi Bhattian and head office is located at 45-A Zafar Ali Road, Gulberg-V Lahore.

Profile of the CEO

Mr. Rizwan Shafi holds a Bachelor's degree in Engineering from USA. He has been serving on the Board of Directors of Crescent Bahuman Ltd since 2001.

Financial Snapshot

Total Equity: end-HY21: Rs. 5.8b; end-FY20: Rs. 5.6b; end-FY19: Rs.5.4b; end-FY18: Rs. 2.80b

Assets: end-HY21: Rs. 13.4b; end-FY20: Rs. 12.8b; end-FY19: Rs. 12.7b; end-FY18: Rs. 11.8b

Profit After Tax: HY21: Rs. 255.3m; end-FY20: Rs. 182.9; FY19: Rs. 571.9m; FY18: Rs. 599.5m

RATING RATIONALE

The ratings assigned to Crescent Bahuman Limited (CBL) take into account moderate risk profile of the company underpinned by its presence in the export oriented value-added textile segment, fully integrated denim jeans production unit giving complete control on quality maintenance, geographical diversification and continued investment in supply chain automation and research & development coupled with efficiency enhancements through capex in waste management and solar energy systems. Ratings reflect the company's established market position as one of the leading exporters of denim products along with long-standing business relationships with leading international brands. Ratings also incorporate sound financial risk manifested by rescued margins, positive momentum in profitability, manageable gearing indicators and comfortable debt service coverages. Further, owing to reduction in benchmark rates, the financing cost for the company has reduced, reflecting positively on the bottom line.

Given improvement in the company's operational performance owing to pandemic led boom in textile sector during the period under review, the outlook assigned to CBL's ratings has been revised to 'Stable'. Even though concerns of a successive waves of Covid-19 are present, strong order book of the industry for the ongoing year along with vaccine rollout has largely subsided business risk concerns. With plan of equity injection, leverage indicators are projected to improve further during the rating horizon. The ratings are dependent on maintenance of margins, realization of projected targets, sustenance of long-term customer relations and incremental cash flow generation from recent capital expenditure coupled with evolution of sector dynamics post ongoing pandemic.

Local Textile Sector performance during COVID-19: The coronavirus pandemic led to 3% drop in global trade volumes in the 1QFY20 according to United Nations conference on Trade and Development forecasts. Industries whose operations were more globalized (particularly those who relied on Chinese inputs for production) were highly exposed to initial supply side disruptions. However, given most of the textile companies in Pakistan are heavily reliant on local cotton produce; the supply side risk was largely curtailed. In addition, the lockdown in China at the initial stage turned advantageous as the orders got shifted to Pakistan. Prior to onslaught of the pandemic, the European buyers were attracted by repetitive rupee weakening since 4QFY18, as unit prices fell only for Pakistan in 9MFY20 vis-à-vis its competitors. The price effect was further enforced by duty-free/quota free access under the GSP Plus agreement. Bangladesh and Pakistan have been able to increase their exports to the bloc as they enjoy preferential trade treatment within EU. Moreover, US-China trade war with USA applying additional tariffs on Chinese apparel imports since Sep'19 has aided low cost suppliers including Pakistan in capturing the untapped share. So after global onslaught of corona virus European and American retailers, the two main destination markets for this sector, cancelled their orders causing serious concerns in many sourcing countries. With only a few buyers honoring their import commitments with local manufactures, exports declined during April'20. Exports of readymade garments dipped by

69% in April'20 compared to same month ln the preceding year.

The country's textile industry has scaled up production to pre-Covid level of full-capacity as a significant improvement in containment of the pandemic in the country led the world buyers to partially divert their orders to domestic manufacturers. The growth in production is backed by a big jump in the import of basic raw materials – cotton and man-made yarn – after the recent heavy rainfall and pest attack damaged notable portion of cotton crops in the fields to a multi-year low. Secondly, the industry recovered on a fast pace with the government's support in the shape of rationalizing energy price to a regional competitive level, the same included continued supply of raw material and subsidized financing for the expansion of production and setting up new units. Further, the textile exports have also largely recovered from the Covid-19 pandemic shocks and are still growing both in terms of their quantity and dollar value. The textile shipments have surged by 3.8% to $4.8 billion between July and October from $4.6bn in the corresponding period last year. The rise in the textile and clothing group has been slightly faster than the 0.6% growth in the overall export. The export recovery is most prominent in the knitwear, home textiles and denim segments.

Business Model:
As per the company's business model, it procures a range of raw materials from both local and foreign suppliers. Cotton for yarn spinning is procured from multiple local vendors on a credit period of 60 days; CBL maintains one-month buffer stock for production. During FY20, entire cotton requirement was met locally. As per normal practice, the company meets nearly 60% of its yarn requirement from in-house production and procures the remaining 40% from the local and foreign spinning mills, including Crescent Textile Mills Ltd, Naveena Exports Ltd, Sapphire Fibers Ltd, DSM Dyneema BV and Changzhou Texhong Textile Co Ltd, on a credit period ranging from 45 days to 90 days. Total yarn purchases amounted to Rs. 450.0m (FY20: Rs. 1.7b; FY19: Rs. 1.4b) during 1QFY21. Revenue model of the company encompasses denim garments (FY20: 80%, FY19: 86%), denim fabric (FY20: 17%, FY19: 9%), retail (FY20: 2%, FY19: 4%) and yarn sales (FY20: 1% FY19: 1%), with exports accounting for 96% of total revenue during FY20 (FY19: 93%, FY18: 90%). The contribution of local sales has declined over the past three years due to gradual closure of Stoneage branded retail outlets.

Denim garment sales are made to multinational retail chains, including Levi Strauss & Co. (LEVI), Express LLC, Realteks Tekstil, and Dressmann, whereas nominated denim fabric sales are made to local and regional garment manufacturers. Top 10 customers nearly constitute 90% of total revenue, resulting in high concentration risk. The three largest customers are Levi Strauss, Express, and Realteks Tekstil, accounting for 47%, 13% and 8% of total revenue during FY20. CBL faces a risk of limited pricing power due to large sized customers and strong competition for denim exports from the local textile industry. Top-10 customers are tabulated below:

Customer (FY20)	Qty	Rs. million	% of Net Revenue
LEVI STRAUSS & CO.	4,204,366	6,296	47%

EXPRESS LLC,	952,988	1,681	13%
Realteks Tekstil*	2,823,211	1,003	8%
Dressmann AS	442,319	730	5%
Ananta Denim	1,063,001	527	4%
Jeans Collection	313,515	485	4%
Bluezone Denim LLC*	1,287,159	455	3%
Bestseller A/S	280,334	384	3%
Aero Opco LLC	187,700	326	2%
Grotto SPA	132,465	206	2%
Total	**11,687,068**	**12,093**	**90%**

CBL has had long-term business relationship with Levi Strauss since FY95; meanwhile, business with Express was secured in FY16 which has grown substantially since then. As per the management, established customer relations, high customer satisfaction underpinned by focus on quality and sustainability and fairly cumbersome supplier switching process help mitigate the intensity of concentration risk. CBL makes 95% sales on open account payment terms with a credit receivables period ranging from 30 days to 110 days for denim garment customers and up to 170 days for denim fabric customers. Levi Strauss makes payments normally within two months.

Production Update:

CBL follows a build to order approach where products are produced when confirmed orders are received. Customer normally shares a tentative annual sales plan, however, the average duration of confirmed orders are around three months in advance and production is scheduled accordingly. In response to increasing denim demand, CBL has enhanced denim fabric and garment production capacities during the past four years. Installed capacities and actual production are tabulated below;

	FY19	FY20	1QFY21
Installed Capacity ('000 lbs')			
Ring Yarn Spinning	10,500	9,725	2,625
Open End Yarn Spinning	8,050	7,456	2,013
Actual Production ('000 lbs')			
Ring Yarn Spinning	6,306	6,495	1,580
Open End Yarn Spinning	4,234	4,490	1,437
Installed Capacity ('000 meters')			
Fabric Weaving	16,500	15,283	4,125
Fabric Finishing	16,500	15,283	4,125
Actual Production ('000 meters')			
Fabric Weaving	12,812	15,062	3,601
Fabric Finishing	10,992	12,811	3,175
Installed Capacity ('000 garments')			
Garment Cutting	9,600	8,892	2,400
Garment Stitching	9,600	8,892	2,400
Garment Wet Processing/Washing	9,600	8,892	2,400

Actual Production ('000 garments')			
Garment Cutting	9,163	7,564	1,702
Garment Stitching	9,156	7,710	1,659
Garment Wet Processing/Washing	9,002	7,547	1,694

Topline and profitability took a hit during FY20; however, both picked pace during the ongoing year: Given the onslaught of COVID pandemic and subsequent depressed economic indicators, the company fell short of its last year revenue by 4.8% at Rs. 13.4b (FY19:Rs. 14.0b) during FY20; the decline was primarily an outcome of complete halt to order placement, reception of shipments and delay in payments from the export originating countries. However, despite the unprecedented situation the dip in the revenues was not alarming and was only manifested in local sales which were recorded lower at Rs. 537.9m (FY19: Rs. 964.6m) in FY20. The company was able to maintain the exports at prior year's level despite decrease in the number of orders processed due to the pandemic owing to tilt of consumer preferences towards premium products along with increase in average price. On the other hand, margins declined from to 14.3% (FY19:15.5%) in FY20 on account of increase in cost of sales in line with higher salary expense incurred due to outsourcing of Cut, Make and Trim (CMT) processes in the production process along with increase in processing charges without proportionate increase in revenues. Moreover, the increase in cost of cotton to Rs. 255/kg (FY19: Rs. 234/kg) during the outgoing year has also resulted in decline in margins. The Research and development cost also increased to Rs. 224.6m in FY20 (FY19: Rs. 195.3m) in line with management's endeavors to focus on process refinement.

Further, distribution expenses were reported lower at Rs. 680.0m (FY19: Rs. 744.2m) due to decline in salary expense, rent and taxes in line with reduced scale of operations. Administrative expenses on the other hand increased on a timeline basis owing to increase in legal and professional charges to Rs. 86.4m (FY19: Rs.40.0m) during FY20; legal charges include consultancy fees of trainers hired to improve the quality standard of the products offered. The employee related expenses also increased to Rs. 166.3m (FY19: 149.2m) in line with inflationary pressure on salaries as the average head count was recorded lower at 7,607 (FY19:8,323) at end-FY20. Further, other expenses stood higher at Rs. 185.5m (FY19: Rs. 110.5m) on account of increase in allowance for expected credit loss of Rs. 116m in FY20 (FY19: Rs. 12.4m) coupled with a loss on disposal of property, plant and equipment of Rs. 13.0m (FY19: nil) in FY20. The other income was recorded significantly lower to Rs. 135.3m (FY19: Rs. 312.7m) as a result of reduced exchange gain reaped during the year amounting to Rs. 106.1m (FY19: 297.2m) in line with relatively stable forex position. The finance cost related to commercial borrowings increased slightly to Rs. 166.7m during FY20 as opposed to Rs.164.4m in preceding year owing to higher utilization of short-term borrowings; the same was largely marginalized on account of significant reduction in benchmark rates in 4QFY20 by SBP to support depressed economic indicators amid ongoing pandemic. Other components of finance cost including bank charges, bills discounting and interest paid on non-voting cumulative participatory preference shares aggregated to Rs. 294.4m (FY19: 384.3m); the decrease was manifested in interest paid on preference shares in line with conversion of aforementioned into non-voting ordinary shares at par value during FY20. Subsequently, with decline in scale of operations, margins and other income along with increase administrative expenses, CBL reported a bottom line of Rs. 182.9m during FY20 as compared to Rs. 571.9m in the preceding year.

The declining trend in quantum sales was rescued during the ongoing year with the company's operations back at full capacity. CBL's topline was recorded higher at Rs. 8.0b during HY21 as opposed to Rs.7.6b in the corresponding period last year owing to a combined impact of increase in export quantum coupled with higher average prices in line with positive momentum in demand of premium fabric denims. The increased demand of domestic products is underpinned by capitalizing of marketing gap as production units in competing countries are not operating at full potential owing to COVID-19 related lockdowns. In addition, the power subsidy announced by the government for the sector has made the prices even more competitive globally, therefore positively resulted in the off-take of local products. Subsequently, with increase in retail prices and no major increase in input cost the margins have reverted back to the pre-COVID level of around 15.5% in HY21. The total operating expenses were recorded slightly higher at Rs. 704.8m (HY20: Rs. 668.2m) during HY21; however the same if annualized is largely in sync with increase in scale of operations. On the other hand, the finance cost was rationalized owing to sharp dip in benchmark interest rates despite increase in total borrowings of the company during the period under review. As a result of positive trajectory of revenues, improved margins and curtailment of interest expense, CBL reported profit of Rs. 255.3m (HY20: Rs.103.0m) during HYFY21. Going forward, the management projects to close FY21 with a topline of Rs.15.6b and profit of Rs. 380.0m; the projected target is realistic and expected to be materialized given positive prospects for the sector.

Adequate liquidity profile as evident from healthy cash flows in relation to outstanding obligations and sound debt service ability: Liquidity profile of the company is considered sound in view of sizable cash flows in relation to long-term outstanding obligations and adequate debt service capacity. As an outcome of dip in revenues and margins, both translating into subdued profitability indicators, Funds from Operations (FFO) declined and were recorded lower at Rs. 590.2m (FY19: Rs. 873.1m) during FY20. However, with the plant operational at full capacity and improvement in industry dynamics during the ongoing year, FFO amounted to Rs. 556.9m during HY21. On the other hand, there was an increase in the total borrowings due to higher utilization of short term debt during the outgoing year; therefore, FFO in terms of outstanding obligations had a significant dip in FY20 as it was recorded lower at 0.14x (FY19: 0.24x); the same improved to 0.23x during HY21. On the other hand, FFO to long-term debt declined on a timeline basis in line with CBL obtaining long-term debt of Rs. 593.9m under SBP's refinance scheme for payment of salaries and wages. However, debt service coverage and remained sizeable at 2.21x during FY20 (FY19: 2.70x) in line relatively low reliance on long-term debt. With the plant operational at full capacity and improvement in industry dynamics, FFO were recorded at Rs. 556.9m during HY21. Going forward, cash flows are expected to improve on account of increase in sales supported by incremental revenue from capacity expansion of stitching unit along with cost efficiencies projected to be derived from increased reliance on solar energy generation.

The stock position has remained relatively stable over the rating review period and majorly comprises work in process inventory and finished goods. In addition, trade receivables also declined on a timeline basis; the aging of receivables is considered satisfactory since less than 8% of the total receivables were due for more than six months while none is overdue for more than nine months. Trade debts due from other than related parties amounting to Rs. 796.2m (FY19: RS. 627.0m) were overdue for more than one month; however the same were not impaired. These receivables pertain to independent clients with no history of default. Receivables amounting to Rs. 176.4m (FY19: nil) were written off during FY20; the same were overdue for more than year. Loan and advances amounting to Rs. 112.1m (FY19: Rs. 118.5m) pertained to advances extended to employees and suppliers at end-FY20. Other receivables were sizable at Rs. 1.3b (FY19: Rs. 1.4b) majorly comprises sales tax recoverable and duty drawback amounting to Rs. 674.9m (FY19: 195.9m) and Rs. 458.6m (FY19: 949.3m) respectively at end-FY20. On the other hand, trade and other payables decreased on timeline basis primarily on account of sizable decline in payable to employees provident fund trust amounting to 13.1m during FY20 in comparison to payable of Rs. 609.0m in the preceding year. As a result the current ratio from improved to 1.43x (FY20: 1.24x; FY19: 1.20x) in HY21.

The company is currently in the process of transforming its energy generation source from conventional thermal sources to solar energy generation. CBL's total power requirement is 5MW out of which 1.3MW has been transferred to solar using the SBP financing during FY20; total capex incurred on the projected amounted to Rs. 110m. Going forward, the company plans to increase the solar generation capacity to 4MW by end-FY22; the estimated cost of transfer ranges between Rs. 200-225m and is planned to be funded by central bank's long term financing facility (LTFF).

Moderately leveraged capital structure: The equity base of the company has steadily improved on the back decrease in accumulated loss reserve with healthy internal capital generation over the years. The debt profile of the company comprises a mix of short-term and long-term debt, though the proportion of former is higher. CBL procured long-term debt amounting to Rs. 593.3m during FY20 under SBP refinance scheme for payment of salaries and wages at subsidized rate of borrowing during HY21. The loan has a tenor of two years out of which two quarterly payments have already been made so the entire loan will be paid off in the next 18 months. Further, for all the other existing long-term facilities banks have deferred the loan installments for the period of one year under SBP directive as a relief to the company during COVID-19 pandemic. The outstanding balance of short-term borrowings stood lower at end-HY21; these short term finances are obtained under markup agreements with the rates ranging from 9.3% to 16.2% per annum during the year on the balance outstanding and are secured against first and second pari passu charge and raking hypothecation charge on all present and future current and fixed assets of the company. The short term finances also include export refinancing availed amounting to Rs. 3.4b (FY19: Rs. 3.1b) in FY20 at SBP's concessionary rate of 3% markup rate. Subsequently, in line with higher quantum of total borrowings owing to procurement of long-term debt, gearing increased on a timeline basis to 0.98x (FY20: 0.94x; FY19: 0.84x) at end-HY21. On the other hand, in line with decline in trade payables along with augmentation in equity base the debt leverage improved to 1.56x (FY20:1.58x; FY19: 1.66x) at end-HY21.

The company also plans to enhance the capacity of sewing and washing unit along with installation of water recycling plants by end-FY22; the capex on both is expected to be around Rs. 500.0m. The capex is expected to be largely financed through SBP's concessionary schemes as equity contribution is to be capped at Rs.50m. The specifications of capital investment include laser machines (Rs. 135m), steam dryers for washing (Rs.135m), pocket setters and auto loop machines (Rs.117m) and water recycling plant (Rs. 70m. Going forward, CBL also plans to inject equity amounting to Rs. 500-600m in the ongoing year therefore leverage indicators are expected to scale down during the rating horizon.

Crescent Bahuman Limited — Appendix I

FINANCIAL SUMMARY (*amounts in PKR millions)*

BALANCE SHEET	June 30, 2019	June 30, 2020	Dec 31, 2020
Non-Current Assets	4,232.9	4,175.9	4,135.4
Stock-in-Trade	4,363.2	4,828.6	4,815.2
Trade Debts	1,696.8	1,571.1	1,170.4
Cash & Bank Balances	305.6	267.6	779.5
Total Assets	12,650.8	12,815.8	13,379.6
Trade and Other Payables	3,531.2	2,855.2	2,739.3
Short Term Borrowings	3,324.9	4,026.6	3,627.5
Long Term Borrowings	372.5	310.4	1,135.9
Total Debt	3,697.4	4,337.0	4,763.4
Total Liabilities	7,297.9	7,255.4	7,563.9
Paid Up Capital	4,053.1	5,265.1	5,265,1
Tier 1 Equity	4,395.1	4,602.6	4,858.0
Total Equity	5,352.9	5,560.4	5,815.8
INCOME STATEMENT	**June 30, 2019**	**June 30, 2020**	**Dec 31, 2020**
Net Sales	14,046.6	13,375.9	7,981.0
Gross Profit	2,130.4	1,918.9	1,237.9
Operating Profit	1,255.4	776.7	551.6
Profit Before Tax	706.6	315.6	334.8
Profit After Tax	571.9	182.9	255.3
FFO	873.1	590.2	556.9
RATIO ANALYSIS	**June 30, 2019**	**June 30, 2020**	**Dec 31, 2020**
Gross Margin (%)	15.2	14.3	15.5
Current Ratio (x)	1.20	1.24	1.43
FFO to Total Debt (x)	0.24	0.14	0.23
FFO to Long Term Debt (x)	2.34	1.90	0.98
Debt Service Coverage Ratio (x)	2.70	2.21	3.54
ROAA (%)	4.7	1.4	3.9
ROAE (%)	14.0	3.4	9.0
Gearing (x)	0.84	0.94	0.98
Debt Leverage (x)	1.66	1.58	1.56
Stock+ Trade debts/ Short-term Borrowings (x)	1.82	1.59	1.65

Crescent Bahuman Limited Appendix II

BALANCE SHEET Projections (Millions)	June 30, 2021	June 30, 2022	June 30, 2023
Non-Current Assets	4,551	4.619	4,680
Stock-in-Trade	5,018	5,107	4,662
Trade Debts	1,799	2.340	2,366
Cash & Bank Balances	496	358	477
Total Assets	13,660	14,503	14,179
Trade and Other Payables	2,565	3,162	2,650
Short Term Borrowings	3,586	3,586	3,386
Long Term Borrowings	984	550	252
Total Liabilities	7,149	7,317	6,305
Paid Up Capital	5,836	5,836	5,836
Tier 1 Equity	5,554	6,228	6,915
Total Equity	6,512	7,186	7,873
INCOME STATEMENT	**June 30,2021**	**June 30, 2021**	**June 30, 2022**
Net Sales	15,635	20,332	20,559
Gross Profit	2,069	2,578	2,648
Operating Profit	1,061	1,405	1,401
Profit Before Tax	568	928	944
Profit After Tax	380	674	687
FFO	617	908	925
RATIO ANALYSIS	**June 30,2021**	**June 30, 2021**	**June 30, 2022**
Gross Margin (%)	13.2	12.7	12.9
Current Ratio (x)	1.38	1.41	1.55
FFO to Total Debt (x)	0.14	0.22	0.25
FFO to Long Term Debt (x)	0.63	1.65	3.67
Debt Service Coverage Ratio (x)	2.16	1.52	2.33
ROAA (%)	2.9	4.8	4.8
ROAE (%)	6.3	9.8	9.1
Gearing (x)	0.82	0.66	0.53
Debt Leverage (x)	1.29	1.17	0.91
Stock+ Trade debts/ Short-term Borrowings (x)	1.90	2.08	2.08

ISSUE/ISSUER RATING SCALE & DEFINITIONS Appendix III

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: ISSUES / ISSUERS

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.vis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details.www.vis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.vis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES	Appendix IV
Name of Rated Entity	Crescent Bahuman Limited
Sector	Textile
Type of Relationship	Solicited
Purpose of Rating	Entity Rating
Rating History	

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
11-06-2021	A-	A-2	Stable	Maintain
22-04-2020	A-	A-2	Rating Watch - Developing	Maintain
20-12-2019	A-	A-2	Stable	Initial

Instrument Structure	N/A
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	VIS ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. VIS is not an NRSRO and its ratings are not NRSRO credit ratings. Copyright 2021 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

Due Diligence Meetings Conducted

	Name	Designation	Date
1	Mr. Muhammad Attiq ur Rehman	Asst. Vice President Finance	2-April-2021