RATING REPORT

Bismillah Textiles Limited

REPORT DATE:
September 08, 2022

RATING ANALYSTS:
Maham Qasim
maham.qasim@vis.com.pk

RATING DETAILS		
Rating Category	**Initial Rating**	
	Long-term	**Short-term**
Entity	BBB+	A-2
Rating Date	*8th Sep' 22*	
Rating Outlook	Stable	

COMPANY INFORMATION

Incorporated in 1989	External Auditors: RSM Avais Haider Liaqat Nauman & Co. Chartered Accountants
Public Limited (unquoted) Company	Chairperson of the Board/CEO: Mr. Abdul Hafeez Sheikh
Key Shareholders (More than 5%):	
Mr. Abdul Hafeez Sheikh – 73.7%	
Mr. Abdul Hameed Sheikh– 26.3%	

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Corporates (August 2021)
https://docs.vis.com.pk/docs/CorporateMethodology202108.pdf

Bismillah Textiles Limited

OVERVIEW OF THE INSTITUTION

Bismillah Textiles Limited (BTL) is a vertically integrated textile mill in Pakistan with primarily focus on home textile products. The company initiated its operations as a commercial exporter in 1989.

Profile of the Chairman/CEO

Mr. Abdul Hafeez Sheikh serves as the Chief Executive / Director of the company & has master degree from Pittsburgh University, U.S.A. He has been associated with the company for about three decades and handles exports with additional responsibilities of the company.

Financial Snapshot

Core Equity: end-FY22: Rs. 4.0b; end-FY21: Rs. 3.5b; end-FY20: Rs. 3.2b; end-FY19: Rs. 2.9b

Assets: end-FY22: Rs. 10.3b; end-FY21: Rs. 9.7b; end-FY20: Rs. 8.5b; end-FY19: Rs.7.7b

Profit After Tax: FY22: Rs. 242m; FY21: Rs. 187m; FY20: Rs.170m; FY19: Rs. 153m

RATING RATIONALE

Rating Rationale

Ratings assigned to Bismillah Textiles Limited (BTL) consider the medium risk profile of the company underpinned by its presence in the export oriented value-added textile segment, sizable control on quality maintenance coupled with extensive sponsor experience and established operating track record of over four decades in textile business. Ratings also reflect long-standing business relationships with leading international brands and growing demand of home-textile products. Further, the recent rupee devaluation positively impacted financial results for the review period. Prospects of the industry are strong going forward; however, rising cost of doing business, inflationary pressures coupled with rising commodity prices and onset of monetary tightening regime is likely to impact profitability across the entire textile sector, going forward. Furthermore, ratings draw comfort from the recent increase in production capacities of the company to cater to increasing demand which are expected to support profitability and yield operational efficiencies going forward.

Assessment of financial risk profile encapsulates revenue growth in the last two years post onslaught of pandemic; however, in line with relatively low gross and net margins the subsequent translation of the growth in revenue into profitability metrics remained nominal. Although gross margins improved slightly during the outgoing year in line with higher average price of the entire product portfolio coupled with inventory gains the same continue to be on a lower side in comparison to peers catering to export markets. With increasing interest rate environment and increased working capital requirements amidst rising commodity prices, maintenance of profitability indicators is considered important from a ratings perspective. In line with higher revenues and margins recorded in the outgoing year, BTL's liquidity position improved and is considered sound on account of sufficient cash flow generation in terms of outstanding liabilities. Moreover, debt servicing levels remained comfortable despite increased reliance and procurement through long-term borrowings in recent years to fund capacity expansion initiatives. Similarly, leverage indicators have increased nominally on a timeline basis due to debt drawdown to finance expansion in the weaving and processing segments; while the same still remain within manageable levels and compare favorably to industry averages. Going forward, capitalization metrics are expected to strengthen with profit retention, considering that no addition to the quantum of debt is projected in the medium term. The ratings remain dependent on improvement of margins, realization of projected targets, incremental cash flow generation from recent capital expenditure, mitigation of client-concentration risk and maintenance of leverage indicators.

Key Rating Drivers

Textile and clothing exports have registered a sizeable growth given the surge in demand on account of rerouting of orders to Pakistan and favorable sector policies. Outlook is favorable going forward.

The textile sector contributes nearly one-fourth to industrial value-added segment and 8.5% to the country's GDP, with an estimated market size of Rs. 3.8tr (FY20: Rs. 3.3tr) in FY21. Barring seasonal and cyclical fluctuations, textiles products have maintained an average share of about 60% in national exports. Given post pandemic sustained economic recovery and diversion of export orders to Pakistan, export revenues from textile segment (as per PBS) stood at USD 15.4b (FY20: USD 12.5b; FY19: USD 13.6b) in FY21, registering a sizeable year-on-year growth of ~23%. The similar growth trend has been noted in the ongoing year with exports reaching at USD 9.4b during 6M'FY22, up by 26% vis-à-vis SPLY. Knitwear, Readymade and Bed wear segments continued to contribute higher than other segments, with a cumulative contribution of more than 60% in textile exports. While primarily a volumetric driven growth, the exports also received a boost from higher prices (excluding Knitwear). During the year, while average volumes increased by around 20-30% in various segments as compared to the lock down period, average prices increased by 8-10%.

Going forward, sector dynamics are favorable as Pakistan continues to receive export orders from global economies as competing regional countries remains hampered by the pandemic. Given the surge in demand, the industry is currently operating at full capacity and going through expansion and up-gradation to cater for additional demand. With higher international demand for Pakistani Textiles along with favorable government policies, large capacity enhancement projects in the downstream textile industry are expected, which will further strengthen demand for yarn. Raw material prices along with many other commodities increased from the low levels seen last year, which in turn increased yarn prices.

Five Year (2020-25) textile policy continues to support the industry:

With the aim to double textile exports in five years, GoP through a five-year textile policy (2020-25) has provided incentives in form of preferential energy rates, low interest rates financing schemes (such as EFS, LTFF and TERF) and timely payments of DLTL, Income tax & Sales tax refund which would support liquidity constraints of local players. Initiatives are also being undertaken in order to increase production and yield of cotton to support the industry. In the long run, improvement in value addition, investment in technology and optimization of energy cost would define the future of textile exports.

Company profile & manufacturing facility:

BTL is a vertically integrated textile mill in Pakistan with primarily focus on home textile products. The company initiated its operations as a commercial exporter in 1989. Apart from spinning facility, the company is a full composite unit with weaving, processing and stitching units. Main business activities of the company at present are manufacturing/export of home textile house hold items/made ups. BTL's product line constitutes yarn, fabrics & made ups which include bed linen, kitchen accessories, bedcovers/bed spreads, shower curtains, lined/unlined & embroidered curtains, quilt cover sets, valance sheets, table covers, napkins, sofa covers, chair pads, crib in a bag, eyelet embroidered sets, placements, etc. The company also specializes in in yarn-dyed, jacquards, embroidery and other high-end fabrics. The major markets include South America, Europe, Australia, Argentina, Asia (including Middle East) and North America.

BTL is ISO- 9002 and Oekotex Standards certified. Moreover, the company also maintains two parallel quality departments namely quality assurance and quality control. Quality assurance department monitors and records quality parameters at the production stage by using smartphone applications. The findings then become part of the quality dashboard which can be viewed by the management in real-time to optimize trainings and processes. On the other hand, quality control department maintains the quality of products that are shipped from the facilities. The ownership of the company is shared among two members of the sponsoring family while presently four members serve as executive directors and are actively involved in business affairs. Production facility is located on Jaranwala Road, Khurrianwala, Faisalabad. The land is owned by the company while storage and warehouse facilities are also maintained within mill premises. Power requirement of 5.0MW is met through multiple sources; national grid, a turbine and two gas-based generators. The sanctioned load from WAPDA is 4.0MW while the SNGPL connection provides 1.73 MMCFT to fulfill gas requirements. The capacity utilization statistics are tabulated below:

(Numbers in Thousands)

Weaving	FY19	FY20	FY21
Total number of looms installed	132	132	132
Annual production capacity after conversion into 60 picks (sq. meter)	37,778	37,778	45,520
Actual production after conversion into 60 picks (sq. meter)	18,344	24,835	24,194
No. of shifts worked per day	3	3	3
Capacity Utilization on conversion (%)	49%	66%	53%
Processing	**FY19**	**FY20**	**FY21**
Annual Production Capacity (meters)	32,850	32,850	41,062
Actual Annual Production (meters)	23,665	23,189	37,117
Capacity Utilization (%)	72%	71%	90%

It is difficult to precisely describe the production capacity and actual capacity of stitching unit since it widely fluctuates depending upon various factors such as simple/multi-function articles, small and large article, special articles and pattern of articles adopted. Capacity utilization levels of processing unit have witnessed a strong recovery from the pandemic slump on account of sizeable jump in demand in textile sector particularly on the export front. Processing of fabric has increased by around 60% in FY21 and the growth trend has continued in the outgoing year.

Capex incurred to enhance operating scale: BTL incurred cumulative capex amounting to Rs. 894.1m during the last two financial reporting periods; out of the aggregate, Rs. 760.3m was incurred in FY21 while Rs. 134.1m was spent during FY22. Main capex amounting to Rs. 684m was incurred on procurement of additional 72 Airjet looms and 8 Jacquard looms from Piccanol and Dornier to expand and add depth to weaving unit; the same came online during the outgoing year. Civil works for set up of LEED certified (green building rating system) processing unit costing Rs. 170.0m was also completed during FY22; however, the total expense was spread out in three financial years. For capacity expansion of processing segment, BTL procured Reggiani digital printing machine with total capex amounting to Rs.115m during FY21; the machines started operations in FY22. Further, for efficiency improvements in the stitching unit the company invested Rs. 45m for procurement of automated logistics & smartMRT system in FY21. In addition to the aforementioned capex, Texpa duvet automation machine, amounting to Rs. 120m, was also purchased in FY20.

Topline & profitability indicators picked pace on a timeline during the last two years: The declining trend in quantum sales was rescued during the outgoing year with the company's capacity utilization touching 90% in the processing unit; the main contribution of that was reflected in timeline increase in value of local sales to Rs. 828.0m (FY21: Rs. 563.7m) during FY22. Further, BTL's topline was primarily recorded higher at Rs. 10.6b (FY20: Rs. 9.9b) during FY22 as a combined outcome of increase in prices of final products along with sizable exchange rate benefit reaped. The value of goods booked in major foreign currency, USD, were recorded at $ 55.3m during FY22 as opposed to $ 58.4m in the preceding year; however, the same reflected an uptick in local currency in line with significant dollar appreciation. Majority of sales are recorded in USD while a small chunk is booked in GBR Pound and Euro. Exports contributed around 92% of the total revenue amounting to Rs. 9.8b (FY21: Rs. 9.3b) while the remaining revenue emanated from local sales. Moreover, the company was able to reap higher average prices of fabric and made-ups during the outgoing year, the same therefore translated into slightly improved margins to 8.5% (FY21: 7.5%) during FY22. The improvement in margins was also an outcome of inventory gains as the company had made bulk purchases of yarn at lower rates. Further, margins also increased owing to overall improved business risk dynamics of the textile sector in line with capitalizing of market gap presented by prolonged lockdowns in competitor countries. On the flip side, the gross margins of the company are on a lower side in comparison to peers operating in value -added export segment. As per the management, in line with company's strategy to focus on volumes they have consciously taken a hit on margins in order to have a bigger share of the pie in a highly competitive export market. Moreover, BTL has considerable client concentration with top-10 customers constituting over four-fifths of the total revenue. However, the risk is largely mitigated by having long-standing business with clients along with cumbersome supplier switching process.

The selling and distribution expenses decreased to Rs. 271.0m (FY21: Rs. 304.9m) majorly due to decrease in freight & export clearing and forwarding expenses; the decrease is in sync with reduction in production volumes and capacity utilization of weaving unit leading to lower volumetric sales. On the other hand, administrative expenses stood higher at Rs. 170.5m (FY21: Rs. 153.8m) mainly as a result of increase in employee related expenses in line with annual salary increments during FY22. The increase in administrative expense was also a function of depreciation expense incurred owing to recent capex made resulting in accelerated depreciation recorded. Increase in administrative expenses is largely aligned with higher sales value and general inflation. The other income stood sizably lower at Rs. 5.0m (FY21: Rs. 163.9m) in line with significant gain on disposal of assets and recovery of bad debts recorded during FY21. Despite recording higher quantum of total borrowings at end-FY22, the finance cost decreased to Rs. 126.2m (FY21: Rs. 159.3m) during FY22 in line with reduction in average utilization of short-term funding throughout the year. As a result of positive trajectory of revenues and improvement in margins, BTL reported higher profit of Rs. 242.0 (FY21: Rs. 187.2m) during FY22. On the other hand, stemming from gross margins being lower than industry averages, net margins remain thin.

Going forward, the management projects to close FY23 with a topline of Rs. 12.9b; VIS expects that the target is realistic and achievable given upward trajectory evidenced in textile exports. Moreover, the margins are also projected to increase slightly to 9.1% for FY23 with any price increase in raw material to be timely transferred to customers coupled efficient and timely procurement of yarn.

Liquidity position exhibited improvement stemming from higher revenues & improved margins: Liquidity profile of the company has exhibited positive trajectory with improvement during the outgoing year in line with growth in revenues and margins coupled with higher non-cash adjustments. Hence, Funds from Operations (FFO) were recorded sizable at Rs. 613.0m (FY21: Rs. 304.1m; FY20: Rs. 437.8m) during FY22. As a result, despite increase in borrowings, FFO to total debt and FFO to long-term debt were recorded higher at 0.25x (FY21: 0.14x) and 0.97x (FY21: 0.39x) at end-FY22. In addition, the debt service coverage (DSCR) also improved and was recorded at 1.98x (FY21: 1.80x) in line with growth in FFO; the same depicts that the company is comfortably placed to meet its contractual obligations due in one year. On the other hand, although DSCR has declined on a timeline from FY19; the same does not depict any liquidity concern as the reduction in DSCR was on account of procurement of long-term debt post-FY19 resulting in regular periodic payments. Prior to FY20, BTL had almost a long-term debt free balance sheet.

Stock in trade increased on a timeline basis to Rs. 2.8b (end-FY21: Rs. 2.2b; end-FY20: Rs. 1.4b) at end-FY22 owing to sizable raw material inventory held to meet forecasted demand; the same is linked with growth in scale of business operations. Further, trade debts also increased during the outgoing year owing to increase in revenues; the aging of receivables is considered satisfactory as less than 4% were overdue for more than four months. Advances, deposits & prepayments largely remained range-bound and mainly comprised advances extended to suppliers and prepayment of income tax. Other receivables reduced sizably to

Rs. 36.5m (FY21: Rs. 171.1m) on account of timely recovery of duty drawback/ export rebate during FY22. On the other hand, trade and other payables were recorded higher on a timeline at Rs. 2.0b (end-FY21: Rs.1.9b; FY20: Rs. 1.2b) at end-FY22 with majority pertaining to trade creditors; the increase in trade creditors is a function of higher inventory kept to meet demand of growing business operations. As per management, the entire sale is conducted on LC based payment method with credit period ranging between 30-40 days. Therefore, working capital cycle necessitates utilization of short-term financing to fund inventory levels. Current ratio of the company stands comfortably over 1.0x. Stock levels are elevated while trade debts and stock in trade are more than sufficient to cover short-term borrowings. As per the management, the liquidity profile will improve in line with enhancement of scale of operations, sustained margins and capacity enhancement initiatives being undertaken. Going forward, maintenance of liquidity indicators is considered crucial from a rating perspective. In addition, the company has extended advance amounting to Rs. 618.1m (FY21: Rs. 618.1m) to an associate, BNP (Pvt.) Limited, for purchase of apartments; the same is classified as advance for investment property for the company. Further, investment property worth Rs. 484.3m (FY21: Rs. 484.3m) is also held by the company, the same can be liquidated in times of financial crunch; however, given currently there is no stress on profitability and liquidity metrics the management plans to hold on the investment in the long-term.

Nominally leveraged capital structure; equity augmentation on account of internal capital generation:

Core equity of BTL increased on a timeline to Rs. 4.0b (FY21: Rs. 3.5b; FY20: Rs. 3.2b) by end-FY22 on account of internal capital generation. There has been a sizable shift in the debt matrix as prior to FY21 the debt mix was heavily tilted towards short-term credit owing to limited reliance of the company on long-term borrowings. However, long-term borrowings increased during FY21 as BTL procured debt aggregating to Rs. 749.7m under term finance scheme amounting to Rs. 489.0m to fund the capex of Rs. 760.3m incurred during FY21 coupled with availment of salary refinance scheme of SBP amounting to Rs. 260.7m; seven installments of the salary loan have already been serviced. The term finance facility is secured against 1st charge over all imported machinery, ranking charge over land and building of weaving unit and personal guarantees of sponsoring directors of the company; the facilities carry a markup charge of 3m-KIBOR + 3% per annum. BTL has also procured loan from directors amounting to 123.1m (FY21: Rs. 123.1m) at end-FY22; the loan is interest free, repayable at the discretion of the company and subordinated to various long term and short term, funded and non-funded finance facilities availed from banking companies.

Further with increase in working capital requirements in line with improved scale of operations, the utilization of commercial short-term funding also increased on a timeline basis. Short-term financing has been obtained from banks on varying SBP and commercial bank rates and are secured against lien on export documents, first and ranking charge over current and fixed assets of the company and personal guarantees of directors. The aggregate unavailed short-term bank borrowing facilities available to the company were reported at Rs. 181.8m (FY20: 88.0m) at end-FY21. The related party has also extended interest free short-term debt amounting to Rs. 25.5m to meet working capital requirements; given the loan is payable on demand it is classified under borrowings.

With increase in total borrowings, gearing and leverage increased slightly on a timeline at 0.62x (FY21: 0.64x; FY20: 0.56x) and 1.20x (FY21: 1.26x; FY20: 1.07x) respectively at end-FY22; however, the increase in quantum of borrowing was largely offset by augmentation of equity base. The leverage indicators compare favorably to industry averages. Given there are no expansion plans in perspective with only normal BMR to be carried with no additional funding to be obtained, the leverage indicators are projected to improve during the rating horizon.

Room for improvement exist in terms of corporate governance framework; IT infrastructure is adequate. The company has in place a qualified senior management team with extensive relevant experience. Board of Directors (BoD) comprises four members while informal meetings are held on ad-hoc basis with complete log of minutes. Room for improvement exists in terms of increasing board size. IT infrastructure in place commensurate with the scale of operations.

Bismillah Textile Limited *(Rs. in million)*				Annexure I
BALANCE SHEET	**June 30, 2019**	**June 30, 2020**	**June 30, 2021**	**June 30, 2022***
Non-Current Assets	3,562.1	4,321.4	4,845.7	4,693.9
Stock-in-Trade	1,582.5	1,428.1	2,183.1	2,790.7
Stores & Spares	297.6	277.5	278.6	286.0
Trade Debts	1,002.2	1,290.3	1,275.7	1,873.0
Advances, Deposits & Prepayments	780.5	360.3	278.6	287.8
Cash & Bank Balances	107.8	281.5	149.6	149.7
Total Assets	**7,656.1**	**8,543.0**	**9,721.7**	**10,329.7**
Trade and Other Payables	610.7	1,240.7	1,881.1	1,961.2
Short Term Borrowings	1,652.3	1,649.1	1,444.9	1,828.1
Long Term Borrowings	4.5	113.7	779.3	631.3
Total Borrowings	1,656.8	1,762.8	2,224.2	1,828.1
Total Liabilities	2,628.6	3,406.3	4,374.7	4,750.7
Paid Up Capital	800.0	800.0	800.0	800.0
Core Equity	2,948.5	3,168.7	3,469.0	3,955.1
Total Equity	5,027.5	5,136.7	5,337.1	5,579.0
INCOME STATEMENT	**June 30, 2019**	**June 30, 2020**	**June 30, 2021**	**June 30, 2022***
Net Sales	6,828.7	7,198.1	9,862.0	10,631.4
Gross Profit	580.1	702.3	736.2	908.8
Profit Before Tax	219.6	237.9	281.4	346.2
Profit After Tax	153.1	169.6	187.2	242.0
FFO	348.6	437.796	304.139	613.0
RATIO ANALYSIS	**June 30, 2019**	**June 30, 2020**	**June 30, 2021**	**June 30, 2022***
Gross Margin (%)	8.5	9.8	7.5	8.5
Net Margin (%)	2.2	2.36	1.9	2.3
Current Ratio (x)	1.74	1.39	1.31	1.36
FFO to Total Debt (x)	0.21	0.25	0.14	0.25
FFO to Long Term Debt (x)	77.42	3.85	0.39	0.97
Debt Service Coverage Ratio (x)	2.99	2.47	1.80	1.98
ROAA (%)	2.0	2.0	2.0	2.6
ROAE (%)	5.5	5.5	5.6	6.5
Gearing (x)	0.56	0.56	0.64	0.62
Debt Leverage (x)	0.89	1.07	1.26	1.20
Stock+ Trade debts/ Short-term Borrowings (x)	1.56	1.65	2.39	2.55
Cash Conversion Cycle (days)	110.3	76.0	59.3	95.4
(*) unaudited				

Bismillah Textile Limited (*Rs. in million)* Financial Projections	(Annexure II)	
BALANCE SHEET	**30-Jun-23**	**30-Jun-24**
Non-Current Assets	4,437.8	4,208.1
Stock-in-Trade	2,700.0	2,891.3
Stores & Spares	270.6	280.5
Trade Debts	1,562.8	1,797.2
Advances, Deposits & Prepayments	288.5	276.5
Cash & Bank Balances	189.5	152.6
Total Assets	**9,950.2**	**10,145.3**
Trade and Other Payables	1,872.6	1,760.3
Short Term Borrowings	1,651.3	1,751.3
Long Term Borrowings	458.8	367.6
Total Borrowings	2,110.1	2,118.8
Total Liabilities	4,260.2	4,161.4
Paid Up Capital	800.0	800.0
Core Equity	4,289.0	4,781.9
Total Equity	5,690.0	5,983.9
INCOME STATEMENT	**30-Jun-23**	**30-Jun-24**
Net Sales	12,919.4	14,811.3
Gross Profit	1,177.1	1,409.8
Profit Before Tax	327.3	439.3
Profit After Tax	200.5	293.9
FFO	467.6	532.2
RATIO ANALYSIS	**30-Jun-23**	**30-Jun-24**
Gross Margin (%)	9.1	9.5
Net Margin (%)	1.6	2.0
Current Ratio (x)	1.47	1.58
FFO to Total Debt (x)	0.22	0.25
FFO to Long Term Debt (x)	1.02	1.45
Debt Service Coverage Ratio (x)	1.75	2.19
ROAA (%)	2.6	2.9
ROAE (%)	4.9	6.5
Gearing (x)	0.49	0.44
Debt Leverage (x)	0.88	0.79
Stock+ Trade debts/ Short-term Borrowings (x)	2.58	2.68
Cash Conversion Cycle (days)	70	75

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	Bismillah Textiles 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				
	08-09-2022	BBB+	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 2022. 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. Atiq-ur-Rehman	DM Finance	14-July-2022	
	2	Mr. Abdul Adham sheikh	Director	19-July-2022	