

# Press Release

---

## VIS Reaffirms Entity Ratings of Faisal Spinning Mills Limited

Karachi, Aug 11, 2022: VIS Credit Rating Company Limited (VIS) has reaffirmed the entity ratings of Faisal Spinning Mills Limited (FSML) at 'A/A-1' (Single A/A-One). Outlook on the assigned ratings is 'Stable'. Previous rating action was announced on May 27, 2021.

Assigned ratings are underpinned by established operating history of over 37 years in the composite textile sector and strong sponsor strength. Ratings also take into account the qualified management team, well-equipped IT infrastructure in relation to the scale of operations, and long-standing client relationships, which help secure repeat orders. Furthermore, ratings highlight the addition of a finishing/home textile division (trial operations began in September 2020, and the unit is reportedly operating at full capacity). Assessment of financial risk profile in the review period indicates improvement given strong growth trend in revenues, profit margins, cash flow generation with sizeable debt servicing coverage and improved capital structure supported by profit retention. Leverage indicators have also improved over time, yet remain elevated due to significant increase in long-term debt mobilized to fund recently established home textile segment. Going forward, the country's ongoing energy crisis, rising production costs due to inflation, and expected demand slowdown due to looming global recession and monetary tightening in major world economies are key business risk factors, posing an industry challenge to margin sustainability and future growth.

Sizeable revenue growth is mainly attributable to addition of finishing segment sales (dyed fabric and made-up articles), volumetric increase in yarn exports and domestic fabric sales along with higher average prices. Akin to industry, sizeable inventory gains and efficient cotton procurement management significantly increased profitability margins. As per management, given that cotton procurement is covered till April '23, margins are expected to sustain in the current fiscal year. At present, spinning segment generates ~45% of sales revenues, followed by weaving at ~40% and finishing at ~15%. Within finishing segment, major growth was driven by institutional sales given post pandemic demand surge in hospitality sector. Sales mix, in terms of exports and local sales, has hovered at around 80:20 while major growth over the review period emanated from exports (primarily yarn and made up articles). China, Portugal, Italy, Bangladesh, Japan, Belgium and Germany are currently among the major export destinations. Client-wise sale concentration risk has remained elevated over time.

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](mailto:info@vis.com.pk).

Sara Ahmed  
Director

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

---

Information herein was obtained from sources believed to be accurate and reliable; however, VIS Credit Rating Company Limited (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, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the rating(s)/ ranking(s) mentioned in this report. VIS is paid a fee for most rating assignments. This rating/ ranking is an opinion and is not a recommendation to buy or sell any securities. Copyright 2022 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.