

FORM-25

Ref: ILP/PSX/27/2023

Date: 17/05/2023

The General Manager
Pakistan Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi.

Subject: VIS Reaffirms Entity Ratings of Interloop Limited

Dear Sir,

In accordance with Section 96 of the Securities Act, 2015 and Clause 5.6.1(a) of PSX Regulations, we hereby convey the following information:


We are pleased to inform you that the VIS Credit Rating Company Ltd. (VIS), a 'Full Service' rating agency providing independent rating services in Pakistan in its Press Release of May 10, 2023 has reaffirmed the entity ratings of 'A+/A-1' (Single A plus/Single A-One) assigned to Interloop Limited (ILP). The copy of the above mentioned Press Release is attached. Please click on below link to see complete report.

https://docs.vis.com.pk/RatingReports/OP_01053101003_00010531.pdf

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours Sincerely,

For **INTERLOOP LIMITED**


(Rana Ali Raza)
Company Secretary



Cc: Executive Director / HOD
Offsite-II Department, Supervision Department
Securities & Exchange Commission of Pakistan
63, NIC Building, Jinnah Avenue, Blue Area,
Islamabad

-for information

Press Release

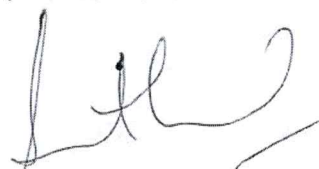
VIS Reaffirms Entity Ratings of Interloop Limited

Karachi, May 10, 2023: VIS Credit Rating Company Ltd. (VIS) has reaffirmed the entity ratings of Interloop Limited (ILP) at 'A+/A-1' (Single A plus/Single A-One). Outlook on the assigned ratings is 'Stable'. Long-term rating of 'A+' signifies good credit quality; protection factors are adequate. Risk factors may vary with possible changes in the economy. Short Term Rating of 'A-1' indicates high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor. Previous rating action was announced on June 03, 2022.

The ratings reflect ILP's dominant market position as a leading textile exporter, particularly in hosiery, as well as its presence in apparel, seamless active wear, and yarn sales. In FY22, ILP ranked third amongst the top ten exporters in the country and has been recognized by numerous reputable organizations and publications as a major global supplier of socks. Additionally, ratings consider extensive operating history of nearly three decades, vertically-integrated structure, renowned global brands and retailers as major customers, global marketing presence, and commitment to environmentally-friendly and sustainable manufacturing practices. Ratings reaffirmation reflects robust topline growth along with uptrend in profitability margins leading to build up of strong capitalization buffers and improved cash flow coverage over the past two fiscal years. However, owing to higher debt utilization for expansion, leverage indicators have remained on the higher side vis-à-vis similarly rated peers. Business risk profile takes into account industry wide growth in exports over the last year; however, recent floods across the country, high interest rate situation, inflationary pressures, higher electricity costs and demand slow down pose risks on the sector over the medium term. Ratings are constrained by current weak macroeconomic environment globally and locally.

More than 90% of the revenue comes from export sales, while local sales contribute the remainder. Segment-wise, hosiery exports generate about three-quarters of revenue, and the remaining is shared by spinning, denim, apparels and others. Local sales mainly comprise of yarn and wastage. Product-wise, majority of revenue is generated from the sale of socks, followed by denim trousers, yarn, dyed yarn, garments, boxers, and active wear. Geographic sales mix depict concentration as nearly half of exports are directed towards US, with the remaining spread out across diverse regions such as Germany, Netherlands, Ireland, Sweden, and others. Client concentration risk is elevated, with top 10 clients consistently generating more than two-third of the total sales on a timeline; albeit long-standing relationships with respected international brands and high customer satisfaction underpinned by focus on quality provide sustainability and comfort. ILP has recently completed expansion in hosiery division, and is currently in the process of establishing a new fully integrated garment manufacturing complex (ILP Apparel Park) in Faisalabad. Following this expansion, the apparel division is expected to become the second-largest segment of the company. Furthermore, ILP has plans to expand the capacity of all its divisions in the future.

For further information on this rating announcement, please contact Mr. Muhammad Tabish (Ext: 206) or the undersigned (Ext: 207) at (021) 35311861-4 or email at info@vis.com.pk



Sara Ahmed
Director



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

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