

Press Release

VIS Reaffirms Entity Ratings of Thal Limited

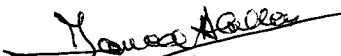
Karachi, December 21, 2021: VIS Credit Rating Company Limited (VIS) has reaffirmed entity ratings of Thal Limited (THAL) at 'AA/A-1+' (Double AA /A-One Plus). Long term entity rating of 'AA' signifies high credit quality and strong protection factors. Risk is modest but may vary slightly from time to time because of economic conditions. Short Term Rating of 'A-1+' signifies 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. Outlook on the ratings is 'Stable'. Previous rating action was announced on December 29, 2020.

The assigned ratings incorporate diversified business risk profile, consistently strong operating performance, robust financial profile and sound corporate governance framework. Ratings also draw strength from strong financial profile and diversified presence of the Company's sponsor, House of Habib (HOH Group). In addition, THAL has established market position and track record in auto parts industry along with technical collaborations with leading international players.

Business risk profile incorporates cyclical nature of the automobile industry as around two-third of the revenue of the Company emanates from auto parts segment and remaining from Jute, Papersack, and Laminates division. Business risk of the HOH Group is further supported by investments in Real Estate, Energy, Insurance, Automobiles, Chemicals and mega retail stores. Profitability metrics of the Company during FY21 and Q1'FY22 witnessed significant recovery post ease in COVID-19 supported by accommodative auto-financing policy, increase in demand for jute packaging in tandem with increase in agricultural activity and upbeat cement demand supporting Papersack division's sales. Going forward, the industry remains exposed to changes in the economic environment; risks manifesting from developments including Pakistani Rupee devaluation, global freight issues and ongoing monetary tightening cycle. The auto vendor industry and packaging sector is expected to stay stable in the medium term given stable demand emanating from end-clients. Nevertheless, rising input cost and supply chain issues are likely to impact margins.

Assessment of financial risk profile incorporates healthy capitalization indicators. The quantum of debt of the Company has increased to meet CAPEX requirements majorly in Papersack division. Nevertheless, the leverage indicators stand at acutely low levels given sizable equity base. Liquidity profile remains sound on the back of healthy cash flows and liquid assets carried on the balance sheet. The ratings remain dependent on maintaining prudent financial policies while materialization of dividend income from investments in the energy sector will further enhance financial profile of the Company.

For further information on this rating announcement, please contact the undersigned (Ext: 204) or Ms. Sara Ahmed (Ext: 207, at 021-35311861-71 or fax to 021-35311872-3).



Javed Callea
Advisor

Applicable Rating Criteria: Industrial 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 credit rating(s) mentioned in this report. VIS is not an NRSRO and its ratings are not NRSRO credit ratings. VIS is paid a fee for most rating assignments. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. Copyright 2021 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.