VIS
Credit Rating Company Limited

RATING REPORT

CRESCENT BAHUMAN LIMITED

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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	A-	A2	A-	A2
RATING OUTLOOK/WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Maintained	
RATING DATE	09-Jul-2026		27-Jun-2025	

Shareholding (5% or More)	Other Information
Shoaib Shafi – 14.74%	Established in 1995
Rizwan Shafi – 14.74%	Public Unlisted Company
The Crescent Textile Mills Limited – 13.94%	Chief Executive Officer: Rizwan Shafi
Aurangzeb Shafi – 12.28%	External Auditor: Muniff Ziauddin & Co., Chartered Accountants
Jahanzeb Shafi – 10.56%	
International Finance Corporation – 9.07%	

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

Rating Scale

https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

The assigned ratings reflect Crescent Bahuman Limited's established presence in the denim fabric and garments segment and vertically integrated textile operations. Ratings draw support from the Company's export-oriented sales profile, with garments remaining the key revenue contributor, along with healthy utilization levels in core value-added operations. The Company's power arrangements are considered adequate, with further enhancement in solar capacity anticipated for supporting cost-efficiencies.

While topline increased in FY25 due to steady demand of garments, profitability was under pressure on account of elevated energy costs and input cost pressures. Improvement was noted during 9MFY26, with recovery in gross, operating and net margins, supported by lower cotton prices, rationalization in power cost and operational efficiencies in the apparel segment. Financial risk profile remained manageable, with moderate gearing and adequate liquidity. Debt coverage weakened during FY25 due to lower FFO; however, improvement was witnessed during 9MFY26 on the back of higher cash flow generation.

Going forward, ratings will remain dependent on sustained growth profitability along with prudent execution of planned FY27 capacity expansion without material deterioration in the financial risk profile.

Company Profile

Crescent Bahuman Limited ("CBL" or "the Company") is a vertically integrated textile manufacturer principally engaged in the production of denim fabric and garments. The Company's operations span spinning, dyeing, weaving, washing, stitching and finishing, enabling control over key stages of the value chain. CBL primarily caters to export markets, with garments forming the major revenue contributor. The Company's manufacturing facilities are located at Pindi Bhattian, with head office in Lahore. CBL is also setting up another facility at the Quaid-e-Azam Business Park (QABP), near Lahore, at a leased premises.

Management and Governance

Management is primarily vested with the sponsoring family having longstanding experience in the textile sector. The Board comprises three members, including Mr. Rizwan Shafi, Mr. Nasir Shafi and Mr. Jahanzeb Shafi. Mr. Rizwan Shafi serves as Chief Executive Officer of the Company. During FY25, Mr. Chaudary Ahmed Raza joined as Chief Financial Officer, while a new head of apparel operations was inducted during FY26 to strengthen operational controls and support efficiency improvement. External audit is conducted by M/s Muniff Ziauddin & Co., Chartered Accountants, an audit firm appearing in Category 'A' of SBP's Auditors' List.

Business Risk

INDUSTRY

Pakistan's cotton sector remained under pressure in FY25, with area under cultivation declining by 15% YoY to 2.0 mln hectares and yield falling to 0.6 MT/ha (FY24: 0.7 MT/ha), resulting in a 30.7% YoY drop in production. Cotton arrivals stood at ~7.1 mln bales, well below the target of 10.8m bales, largely due to adverse weather conditions, alongside pest infestations. Additionally, the imposition of 18% sales tax on local cotton, compared to duty-free imported cotton, dampened early-season demand for domestic output. For FY26, while the production target is set at 10.2m bales, actual output is estimated at only 6.85m bales, as cultivation reached just 2.0mn hectares, about 11.5% below the target. The shortfall in domestic supply has been offset by a sharp increase in cotton imports, which rose ~234% YoY to meet industry demand.

During FY25, Pakistan's textile exports grew by 7.4% YoY to USD 17.9bn, driven mainly by higher demand from North America and Europe for value-added products such as knitwear, bedwear, garments, and towels. In volumes, knitwear, bedwear, and garments posted mid-single-digit growth, while exports of traditional segments, yarn and cotton cloth, declined sharply due to higher domestic energy and manufacturing costs relative to regional peers. Textile imports surged by about 54% YoY to USD 4.2bn in FY25, primarily on account of a sharp rise in raw cotton imports amid a significant drop in domestic cotton production. However, during 5MFY26, export growth moderated to ~2.7% YoY, while imports rose modestly by ~5.0%, with raw cotton imports declining as local arrivals partially recovered.

OPERATIONAL UPDATE

Capacity utilization remained strong across the Company's core value-added operations, supported by recovery in export-oriented garment business in FY25. Utilization improved across finishing, weaving, cutting, stitching and garment wet processing in FY25, in line with growth in sales and better order execution. During 9MFY26, utilization remained healthy; however, some moderation was noted in weaving, cutting and garment wet processing, mainly reflecting changes in production scheduling and product mix. Stitching utilization remained relatively strong given continued focus on garments, while open-end spinning remained low as the Company continues to rely mainly on externally procured yarn. The details on the current production capacity and utilization rates are as under:

All Figures in Thousand						
	Yarn (bs)	Fabric (meters)		Garments (no. of garments)		
	Open End Spinning	Finishing	Weaving	Cutting	Stitching	Garment Wet Processing
9MFY26						
Production Capacity	8,050	14,175	14,040	10,884	10,274	10,884
Actual Production	562	13,761	12,534	9,270	9,258	9,633
Capacity Utilization	**7%**	**97%**	**89%**	**85%**	**90%**	**89%**
FY25						
Production Capacity	8,050	16,500	18,720	12,480	12,480	12,480
Actual Production	882	15,676	18,262	11,591	11,612	11,856
Capacity Utilization	**11%**	**95%**	**98%**	**93%**	**93%**	**95%**
FY24						
Production Capacity	8,050	16,500	17,688	12,480	12,480	12,480
Actual Production	523	13,136	15,072	10,249	10,071	9,817
Capacity Utilization	**6%**	**80%**	**85%**	**82%**	**81%**	**79%**

Power arrangements are considered adequate, with available capacity comfortably exceeding the Company's annual requirement. The power mix comprises in-house generation, WAPDA and solar, providing operational flexibility and reducing reliance on a single source. Moreover, availability of HFO (heavy fuel oil) stock at rationalized rates and addition of solar capacity supported cost efficiencies during 9MFY26. Going forward, CBL plans to add battery backup to further improve power management.

Going forward, the Company plans to undertake capacity expansion in FY27 through a 30-year leased facility in Quaid-e-Azam Business Park (QABP), near Lahore, which is expected to enhance stitching capacity by around 15-20% and support in-house washing capability. Garment production from the facility is projected to increase from around 1.0m garments in the first year of operations to around 1.75m garments by 2032 (year 5). The leased model is expected to support faster project execution and provide operational flexibility, while the facility was obtained through competitive bidding conducted by Punjab Industrial Estates Development and Management Company (PIEDMC). The benefit of the lease model is that it provides a front up saving of approximately PKR 650m in investment in land, civil works and utilities, as well as an implementation time saving of 12-18 months. Annual lease cost will be around PKR 50m per annum.

SALES & PROFITABILITY

Net sales increased to PKR 34.6b in FY25 (FY24: PKR 28.6b), primarily supported by growth in export sales. Sales mix remained highly export-oriented, with garments continuing to be the core revenue driver, while contribution from local sales remained limited. During 9MFY26, net sales stood at PKR 27.7b, reflecting sustained order execution in the export segment. Management expects net sales to increase by 7-8% compared to FY25 levels.

Customer concentration remains high, with the top 10 customers contributing around 90% of annual revenue. Notably, 55% of total revenue is derived from Levi Strauss & Co. However, the concentration risk is partially mitigated by the strong profile of these customers and the Company's long-standing, stable relationships with them. Other major customers include well-reputed names such as ITX Trading S.A. (affiliated with Inditex group), Danish fashion company Bestseller A/S and Varner Supply AB.

Profitability remained under pressure as gross margin declined to 11.9% (FY24: 14.9%) in FY25 on account of higher energy costs and input cost pressures. Net margin reduced to 1.0% (FY24: 1.9%) in FY25, reflecting lower gross profit and elevated finance costs. During 9MFY26, profitability improved notably, with gross margin increasing to 17.3%, supported by lower cotton prices, availability of HFO inventory at favorable rates, reduction in per unit power cost after shift in energy mix and operational improvements in the apparel segment. Resultantly, operating and net margins improved to 10.0% and 4.8%, respectively.

Going forward, management's efforts to support profitability through improved product mix and operating efficiencies remain critical, while the planned FY27 expansion is expected to support incremental sales growth from PKR 2.51b to PKR 5.76b over five years, with gross and net margins projected to improve to 17.4% and 8.0%, respectively.

Financial Risk

CAPITAL STRUCTURE

The company has maintained a consistent capitalization profile over the past 4 years, supported by profit retention and moderate gearing levels. Tier 1 Equity increased to PKR 8.1b in FY25 (FY24: PKR 7.7b) and further to PKR 9.4b by 9MFY26, on account of profit retention. Total debt increased to PKR 5.1b in FY25 (FY24: PKR 3.8b), primarily due to higher short-term borrowings for working capital requirements, while the Company continued to repay long-term debt. CAPEX outlay expected is around PKR 700m for machinery and PKR 1.0b including generator/civil works, as shared by the management.

Gearing increased slightly to 0.63x (FY24: 0.50x) in FY25 and improved to 0.53x by 9MFY26, supported by reduction in total debt. Taking into account impact of higher liquid assets, net gearing strengthened to 0.14x (FY25: 0.27x, FY24: 0.23x). Leverage stood at 1.32x in 9MFY26 (FY25: 1.47x, FY24: 1.30x). Going forward, capitalization indicators are expected to remain manageable despite impact of planned CAPEX and working capital funding requirements on debt levels.

DEBT COVERAGE & LIQUIDITY

Debt coverage weakened significantly during FY25, with FFO declining significantly to PKR 123.9m (FY24: PKR 1.1b) due to pressure on profitability. Resultantly, FFO to total debt and DSCR declined to 2.4% and 1.05x, respectively. However, coverage indicators improved notably during 9MFY26, with FFO increasing to PKR 1.5b, supported by recovery in profitability. DSCR also strengthened to 2.74x, while FFO to total debt improved to 40.0%. This behavior is in line with the cyclical nature of the industry.

Liquidity profile remained strong, with current ratio maintained at 1.41x in 9MFY26 (FY25: 1.37x, FY24: 1.41x). Sizeable cash balances and ST investments supported liquidity; however, impact on current ratio was partly offset by higher creditors and short-term borrowings. Receivable ageing remained satisfactory, with 92.7% receivables falling within three months and only 1.8% above six months. Cash conversion cycle reached 15 days in 9MFY26 after improving to 28 days (FY24: 43 days) in FY25.

REGULATORY DISCLOSURES	Appendix I
Name of Rated Entity	Crescent Bahuman Limited
Sector	Textile
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
Rating History	see table below
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.
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Due Diligence Meetings Conducted	see table below

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
RATING TYPE: ENTITY				
09-Jul-26	A-	A2	Stable	Reaffirmed
27-Jun-25	A-	A2	Stable	Maintained
24-Jun-24	A-	A2	Positive	Maintained
09-May-23	A-	A2	Stable	Reaffirmed
13-May-22	A-	A2	Stable	Reaffirmed
11-Jun-21	A-	A2	Stable	Maintained
22-Apr-20	A-	A2	Rating Watch - Developing	Maintained
20-Dec-19	A-	A2	Stable	Initial

Due Diligence Meetings Conducted

Name	Designation	Date
Ahmed Raza	CFO	22-Jun-26
Ouj-e-Tahir	Financial Analyst	