

RATING REPORT

Bhimra Textile Mills (Pvt.) Limited

REPORT DATE:

February 18, 2025

RATING ANALYSTS:

Saeb Muhammad Jafri

saeb.jafri@vis.com.pk

RATING DETAILS				
Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	BBB+	A2	BBB	A2
Rating Outlook/ Watch	Stable		Stable	
Rating Action	Upgrade		Maintained	
Rating Date	February 18, 2025		December 15, 2023	

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria Methodology – Industrial Corporates

<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

RATING SCALE(S)

VIS Issue/Issuer Rating Scale:

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

COMPANY INFORMATION

Incorporated in 2004 Private Limited Company	External auditors: Ilyas Saeed & Co – Chartered Accountants
Key Shareholders (with stake 5% or more): Mr. Zahid Qadeer Alam – 40%	Chairman of the Board: Mr. Zahid Qadeer Alam
Mr. Afan Zahid – 60%	Chief Executive Officer: Mr. Zahid Qadeer Alam

Bhimra Textile Mills (Pvt.) Limited

OVERVIEW OF THE INSTITUTION

Bhimra Textile Mills (Pvt.) Limited was incorporated as a private limited company in 2004 under the Companies Ordinance 1984 (now repealed companies act 2017). Registered office of the company is situated in Lahore while plant is situated in Sheikhpura district.

RATING RATIONALE

Corporate Profile

Bhimra Textile Mills (Private) Limited (BTML' or 'the Company') was incorporated as a private limited company in 2004. The principal activity of the Company is manufacturing and selling yarn. The registered office of the Company is located in Lahore while the manufacturing facilities are located at Sheikhpura Road, Mouza Manawala, District Sheikhpura.

Operational Highlights:

The Company's capacity utilization increased to 65% in FY24 (FY23: 50%) at production capacity of 28/s, however, it touched 100% mark when capacity utilization is measured at 37/s, resulting from a shift in the customer base. During the period, the Company expanded its customer portfolio by reaching out to the local manufacturers based in Faisalabad as well, reflecting a shift in marketing strategy, which previously was focused on supplying yarn primarily to export-oriented clothing producers within the country.

<u>Production Capacity and Utilization</u>	FY23A	FY24A
Number of Spindles Installed	37,440.00	37,440.00
Number of Spindles Worked	27,616.00	37,440.00
Installed Capacity - yarn Mln KG. (28 Count)	9.093	9.093
Actual Production - yarn Mln KG (28 Count)	4.51	5.92
Utilization (%)	50%	65%

Key Rating Drivers

Business risk profile characterized by challenging local and global economic and geopolitical conditions, and intense competition on a global level as an export-oriented industry.

Assigned ratings incorporate the medium to high business risk profile of the textile sector in Pakistan, marked by high exposure to economic cyclicality and intense competition. The sector's performance is influenced by broader economic conditions, rendering it susceptible to demand fluctuations driven by economic factors. Furthermore, as a substantial contributor to total exports, the textile industry faces exposure to global economic cyclicality, geopolitical challenges, and liquidity constraints due to government delays in sales tax refunds.

Moreover, the industry is also sensitive to supply-side risks, including local cotton crop production which impacts margins, and reliance on imported raw materials, exposing the sector to significant exchange rate risk and government import restrictions.

Despite these challenges, textile companies have demonstrated resilience by maintaining operational efficiency, consistent product quality, strategic raw material procurement, and better supply chain control, achieving economies of scale and managing risks associated with the volatile business environment.

Toplines improve, net margins constrained by higher financial costs.

The Company's revenue increased by 34% in FY24, driven by a 31% rise in sales volume, as the Company focused on the domestic textile sector in the Faisalabad market, securing additional orders. Gross margin remained stable at 14.5% (FY23: 14.6%) in FY24 despite rising energy costs, supported by effective procurement cost management. Operating margin improved to 12.25% (FY23: 11.88%) in FY24 due to controlled operating expenses. However, net margin declined to 0.45% (FY23: 2.23%) in FY24 due to higher finance costs resulting from increased interest rates and higher taxation following deferred tax adjustments. Going forward, profitability is expected to stabilize, supported by a downward trend in local policy rates and easing international cotton prices.

Improvement in the capitalization and liquidity profile.

The Company reduced its reliance on short-term lines during FY24, meeting a significant portion of its working capital needs through internal cash generation and an increase in sponsor loans classified as equity. Gearing and leverage ratios improved to 0.92x (FY23: 1.88x) and 1.44x (FY23: 2.44x), respectively. The shift in the capitalization profile also strengthened liquidity, with the sponsor loan addressing balance sheet mismatches. The current ratio improved to 1.06x (FY23: 0.98x), and the reduction in short-term debt enhanced the short-term debt coverage ratio to 1.59x (FY23: 0.92x).

Adequate coverage profile.

Debt coverage of BTML remained satisfactory during FY24. Although, FFO generation was lower by 22% (Y/Y) due to higher interest expense, FFO to Long term debt improved to 0.21x (FY23: 0.14x) at the end of FY24 with timely redemption of the long-term loans. Though the debt service coverage ratio (DSCR) reduced to 1.12x (FY23: 1.35x) in FY24 due to lower FFO generation, it remains at an adequate level.

Bhimra Textile Mills (Pvt.) Limited
Appendix I

Financial Summary			
Balance Sheet (PKR Millions)	FY22A	FY23A	FY24A
Property, plant and equipment	1,350.62	1,317.63	1,331.27
Long-term Investments	0.00	0.00	0.00
Stock-in-trade	592.25	986.19	899.73
Trade debts	14.79	19.73	14.66
Cash & Bank Balances	5.71	15.49	53.33
Other Assets	729.80	863.97	545.57
Total Assets	2,693.17	3,203.01	2,844.56
Creditors	244.30	44.66	102.97
Long-term Debt (incl. current portion)	560.93	468.59	268.21
Short-Term Borrowings	673.11	1,122.59	590.37
Total Debt	1,234.04	1,591.18	858.58
Other Liabilities	127.81	426.54	657.98
Total Liabilities	1,606.15	2,062.38	1,619.53
Paid up Capital	191.00	191.00	191.00
Revenue Reserve	415.85	497.52	514.10
Other Equity (excl. Revaluation Surplus)	188.69	157.13	224.94
Equity (excl. Revaluation Surplus)	795.54	845.65	930.04

Income Statement (PKR Millions)	FY22A	FY23A	FY24A
Net Sales	4,551.01	3,582.91	4,816.20
Gross Profit	490.73	522.93	698.95
Operating Profit	401.75	425.57	589.79
Finance Costs	111.55	300.86	483.53
Profit Before Tax	290.20	124.71	106.26
Profit After Tax	231.17	79.87	21.44

Ratio Analysis	FY22A	FY23A	FY24A
Gross Margin (%)	10.78%	14.60%	14.51%
Operating Margin (%)	8.83%	11.88%	12.25%
Net Margin (%)	5.08%	2.23%	0.45%
Funds from Operation (FFO) (PKR Millions)	221.96	230.60	180.23
FFO to Total Debt* (%)	17.99%	14.49%	20.99%
FFO to Long Term Debt* (%)	39.57%	49.21%	67.20%
Gearing (x)	1.55	1.88	0.92
Leverage (x)	2.02	2.44	1.74
Debt Servicing Coverage Ratio* (x)	1.65	1.35	1.12
Current Ratio (x)	0.96	0.98	1.06
(Stock in trade + trade debts) / STD (x)	0.94	0.92	1.59
Return on Average Assets* (%)	11.26%	2.71%	0.71%
Return on Average Equity* (%)	36.29%	9.73%	2.41%
Cash Conversion Cycle (days)	23.84	82.01	80.72

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES		Appendix II			
Name of Rated Entity	Bhimra Textile Mills (Pvt.) Limited				
Sector	Textiles				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
	<u>RATING TYPE: ENTITY</u>				
	18/02/2025	BBB+	A2	Stable	Upgrade
	15/12/2023	BBB	A2	Stable	Maintained
	29/12/2022	BBB	A2	Negative	Maintained
31/12/2021	BBB	A2	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.				
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Due Diligence Meetings Conducted	Name	Designation	Date		
	Mr. Muhammad Shuaib	CFO	17/10/2024		