

## BHIMRA TEXTILE MILLS (PVT) LIMITED

### Analyst:

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### RATING DETAILS

RATINGS 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	Reaffirmed		Upgrade	
RATING DATE	February 19, 2026		February 18, 2025	

### Shareholding (5% or More)

Mr. Afan Zahid - ~60%  
Mr. Zahid Qadeer Alam - ~40%

### Other Information

Incorporated in 2004  
Private Limited Company  
Chief Executive: Mr. Zahid Qadeer Alam  
External Auditor: Ilyas Saeed & Co. Chartered Accountants

### 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 the Company's established operational profile, supported by a manufacturing setup that enables efficient fulfilment of varying yarn count orders and a stable cash based revenue. Despite elevated production costs, profitability recovered in FY25, supported by lower finance costs and effective tax management. However, 1HFY26 margins remained thin and continue to reflect pressure from elevated input costs and competitive pricing dynamics, constraining overall profitability. Management expects margin support in 2HFY26 from cotton procured at competitive prices. Additionally, the ongoing installation of a 2.175 MW solar power system (expected by March 2026) is projected to yield annual net cash savings of ~PKR 63 million.

Liquidity pressures persisted in FY25 due to elevated working capital requirements and an elongated operating cycle, necessitating continued reliance on short-term borrowings, despite a largely cash based sales mix (~90% of revenue). Consequently, the Company's capital structure remained leveraged, while debt coverage metrics continued to draw support from the prevailing low interest rate environment. Coverage indicators exhibited weakening during 1HFY26 due to low cashflow generation, resulting in a coverage gap; however, management expects the shortfall to recover in 2HFY26 in line with anticipated improvement in cashflows.

Going forward, the ratings remain sensitive to the Company's ability to contain working capital pressures and improve its cash conversion cycle, while sustaining debt coverage metrics, particularly considering the interim weakening recorded in 1HFY26. Liquidity pressures are expected to persist through FY26, accordingly, continued strain on debt servicing may exert negative pressure on the ratings. Management has also indicated plans to expand the solar power system by an additional 2.5 MW in 2027.

## Company Profile

Bhimra Textile Mills (Pvt) Limited ('BTML' or 'the Company') was incorporated in 2004 as a private limited company. As a family-owned business, the Company is engaged in the manufacture and sale of yarn locally, with its production facility located in Sheikhpura, while the registered office is in Lahore.

## Management and Governance

BTML is a privately owned company, with ownership shared between father and son, Mr. Zahid and Mr. Afan. Mr. Zahid holds a 40% stake and does not actively participate in operational activities. Mr. Afan, son of Mr. Zahid, who holds a Master's degree in Management and oversees the Company's operations. The family also owns a café business in Lahore, namely Freddy's Café where Mr. Afan serves as Chief Executive. He is also associated with an educational institution; however the entity has no financial linkage with BTML.

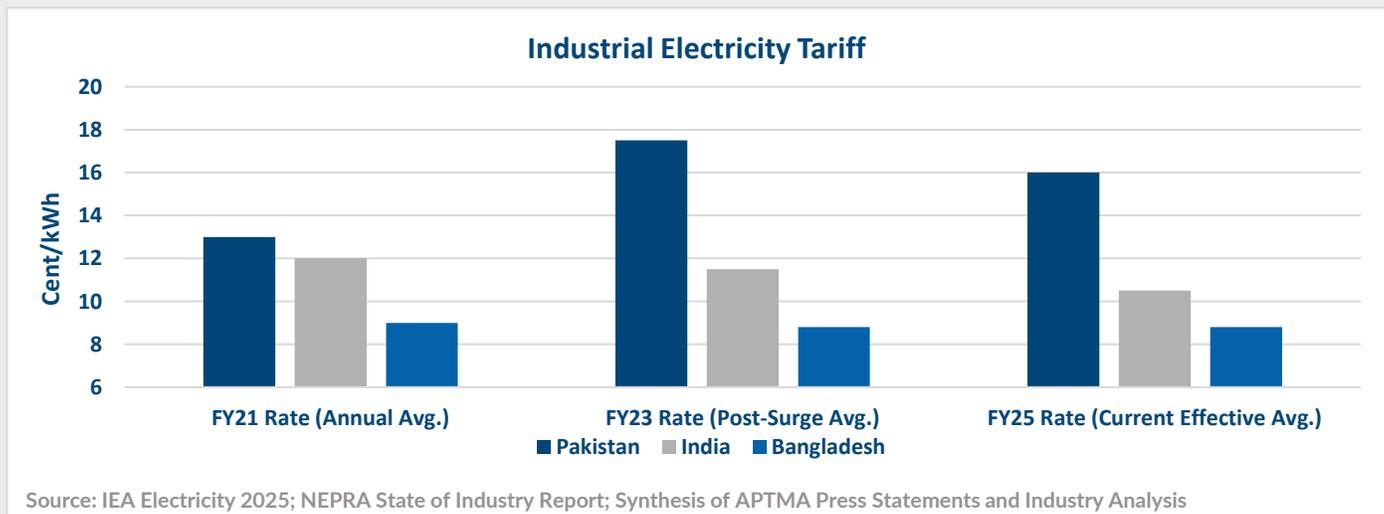
Governance oversight is provided by an executive leadership team, comprising of four executive directors and one non-executive director. The Company does not have anyboard committees.

## Business Risk

### INDUSTRY UPDATE

By early 2026, Pakistan's spinning sector has undergone a structural contraction, with over 100 units ceasing operations in the preceding five years. The contraction reflects a combination of competitive, structural, and cost-related pressures. Policy distortions under the Export Facilitation Scheme, which allowed duty-free imports, exposed local spinners to intense foreign competition and incentivized reliance on imported yarn. Although an 18% sales tax is now applied uniformly to both local and imported inputs, standalone operations continue to face challenges. The transition from the Final Tax Regime (1% fixed tax on export proceeds) to the Normal Tax Regime, coupled with the 18% sales tax, created liquidity absorption, with capital trapped in the refund cycle for six to ten months. For a standard 50,000-spindle unit, this necessitated additional commercial financing, increasing working capital interest costs by 10-15% and placing pressure on debt servicing.

Rising energy and fuel costs have further strained production economics. Industrial electricity tariffs, which averaged 9 cents/kWh under previous policies as per All Pakistan Textile Mills Association (APTMA), peaked at 18-20 cents/kWh in late 2025 before moderating to ~12 cents/kWh in early 2026, still well above regional peers such as India (~6.3 cents/kWh) and Vietnam (~7.2 cents/kWh). Vertically integrated units and those that adopted efficient, lower-cost energy solutions, including renewable sources, have retained operational viability, while those that did not modernize their energy infrastructure have faced comparatively greater operational and margin pressures.



Domestic cotton availability has also fallen sharply, with production estimated at ~5.0 million bales in 2025/26 as per U.S. Department of Agriculture, a 53% decline from the historical peak of 10.6 million bales in 2014/15, due to climate volatility and a structural shift to alternative crops. Meeting the total industry requirement of 10.6 million bales now requires importing 5.5–6.0 million bales annually, exposing mills to global price volatility and logistics risks. The domestic market has also been disrupted by low-cost yarn imports from China, which reached record monthly volumes in 2025 and undercut local producers by nearly ~20% as per Dawn news, forcing even efficient mills to sell at a loss to maintain market share. Outdated machinery and limited technological adaptability have further compounded the sector's challenges. Collectively, these factors have intensified competitive pressures and contributed to the contraction of the spinning units and profitability margins of the survived spinners.

## OPERATIONAL PERFORMANCE

Spinning	FY23	FY24	FY25
Number of Spindles Installed	37,440	37,440	37,440
Number of Spindles Worked	27,616	37,440	37,440
Installed Capacity of Yarn 28/s (Million Kgs)	9.1	9.1	9.1
Installed Capacity of Yarn 37/s (Million Kgs)	5.9	5.9	5.9
Actual Production of Yarn (Million Kgs)	4.5	5.9	5.5
Capacity Utilization of optimum production of 28/s yarn	49.6%	65.1%	60.7%
Capacity Utilization of actual production of 37.2/s yarn	N/A	N/A	100.0%

Capacity utilization declined to 60.7% (FY24: 65.1%) at coarser yarn counts (28/s). The decline reflects a higher share of finer yarn counts (37.2/s) in FY25 orders, which produce lower volumetric output per spindle, while actual capacity utilization remained close to full levels.

The Company's power requirements are adequately managed with a sanctioned load of 4.2 MW compared to a required load of 3.9 MW, providing sufficient operational headroom. Power sourcing currently comprises WAPDA supply and gas-based captive generation. Looking ahead, a change in the energy cost is anticipated in 2HFY26 onwards once the process of installing a 2.1 MW solar power system is complete.

## PROFITABILITY

In FY25, the Company's topline remained largely intact at PKR 4.7 billion (FY24: PKR 4.8 billion) despite a challenging operational environment. Revenue was supported by higher average selling prices, reflecting a shift toward higher-count yarn orders. Customer concentration remained moderate, with top ten customers accounting for 43.3% of total revenue (FY24: 45.5%).

Gross margins declined to 12.6% (FY24: 14.5%) as the mill operated at full capacity to fulfill orders of varying counts, resulting in higher production costs for premium counts. Operating margin moderated to 9.6% (FY24: 12.2%), while net margin recovered to 4.5% (FY24: 0.4%) on account of lower finance costs amid a reduced interest rate environment and lower effective taxation.

During 1HFY26, topline remained flat at PKR 2.3 billion relative to the same period last year (SPLY). Gross margins declined to 10.2% (1HFY25: 12.1%) mainly due to higher wage costs. Elevated administrative expenses further weighed on profitability, resulting in a decline in operating margin to 7.3% (1HFY25: 9.9%) and net margin to 1.7% (1HFY25: 6.7%).

Going forward, amid slower demand, elevated costs and pricing competition with imported yarn, profitability challenges are expected to persist during the rating horizon, although modest cost savings from the newly installed solar power system plus expected demand increase in 4QFY26 are likely to provide some support to profitability.

## Financial Risk

### CAPITAL STRUCTURE

As at FY25, tier 1 equity increased to PKR 977 million (FY24: PKR 888 million) amid improved profitability. However, this strengthening was offset by a notable expansion in the debt profile, resulting in increased capitalization metrics.

Total debt increased to PKR 1.4 billion (FY24: PKR 1.0 billion), driven by a notable rise in short-term debt, which reached PKR 1.1 billion as at FY25 (FY24: PKR 590 million), primarily to fund working capital requirements. Long-term debt continued to decline amid scheduled repayments, leading to a skewed debt mix toward short-tenor facilities. Consequently, gearing weakened to 1.46x (FY24: 1.14x) and leverage to 2.09x (FY24: 1.87x).

At end 1HFY26, the Company continued to rely primarily on short-term borrowings to meet working capital requirements, with total debt increasing to PKR 1.9 billion (FY25: PKR 1.4 billion), while Tier 1 equity remained largely unchanged. Consequently, gearing further weakened to 1.90x (FY25: 1.46x) and leverage at 2.40x (FY25: 2.09x). Going forward, maintenance of capitalization structure will remain an important rating trigger.

### DEBT COVERAGE & LIQUIDITY

Liquidity indicators weakened in FY25 amid elevated working capital requirements, with the net operating cycle lengthening to 88 days (FY24: 46 days), primarily due to higher inventory days. While the Company's sales are largely conducted on a cash basis thereby, limiting sales receivables risk, liquidity pressures intensified as a greater portion of funds remained tied up in inventory. This resulted in tighter cashflows and increased reliance on short-term borrowings despite an adequate current ratio of 1.00x (FY24: 1.06x), while short-term debt coverage declined to 1.29x (FY24: 1.55x).

The pressure on liquidity persisted into 1HFY26, as the net operating cycle extended further to 106 days and short-term debt coverage moderated to 1.07x, while the current ratio remained unchanged. Going forward, easing liquidity pressures will depend on the management's ability to improve internal cashflow generation and effectively manage the net operating cycle through optimizing inventory levels.

Debt coverage metrics improved during FY25, supported by higher Funds from Operations (FFO) of PKR 258 million (FY24: PKR 180 million) and lower finance costs, despite higher short-term borrowings due to easing interest rate environment. Consequently, the Debt Service Coverage Ratio (DSCR) strengthened to 1.56x (FY24: 1.15x). During 1HFY26, the annualized DSCR declined to 0.88x, below 1.00x, due to weaker cash flow generation from lower profitability.

As per management, the coverage gap is planned to be addressed in 2HFY26 supported by higher margins from cotton purchased at ~PKR 15,200/maund versus current market rates of Rs. 15,800–16,000/maund and anticipated refund of funds blocked with the Government/FBR as Advance Sales Tax. Finance costs are also expected to remain moderate amid a low-interest rate environment. However, VIS considers the Company's ability to ensure timely inventory turnover and sustain adequate cash generation from sales as critical to alleviating pressure on working capital and maintaining liquidity metrics. Nevertheless, VIS expects liquidity pressures to persist in FY26, and any delay in meeting the Company's financial obligations could exert negative pressure on the ratings.

FINANCIAL SUMMARY		(Amounts in PKR Million)				
<u>BALANCE SHEET</u>	FY22A	FY23A	FY24A	FY25A	1HFY26M	
Property, Plant, & Equipment	1,351	1,318	1,331	1,379	1,590	
Stock-in-Trade	592	986	900	1,376	1,543	
Trade Debts	15	20	15	18	26	
Cash & Bank Balances	6	15	53	7	7	
Total Assets	2,693	3,203	2,845	3,342	3,700	
Trade and Other Payables	244	275	390	407	344	
Long Term Debt (Inc. Current Maturity)	572	502	425	344	421	
Short Term Debt	673	1,123	590	1,081	1,466	
Total Debt	1,245	1,625	1,016	1,426	1,887	
Total Liabilities	1,658	2,105	1,662	2,041	2,382	
Paid Up Capital	191	191	191	191	191	
Tier 1 Equity	743	803	888	977	993	
Total Equity	1,035	1,098	1,183	1,302	1,318	
<b><u>INCOME STATEMENT</u></b>						
Net Sales	4,551	3,583	4,816	4,701	2,338	
Gross Profit	491	523	699	593	239	
Operating Profit	405	426	590	453	170	
Profit Before Tax	293	125	106	229	70	
Profit After Tax	234	80	21	213	41	
<b><u>RATIO ANALYSIS</u></b>						
Gross Margin (%)	10.8%	14.6%	14.5%	12.6%	10.2%	
Operating Margin (%)	8.9%	11.9%	12.2%	9.6%	7.3%	
Net Margin (%)	5.2%	2.2%	0.4%	4.5%	1.7%	
Net Working Capital	(47)	(25)	69	8	43	
Trade debts/Sales *	0.3%	0.6%	0.3%	0.4%	0.6%	
FFO	303	231	180	258	58	
FFO to Total Debt (%) *	0.24	0.14	0.18	0.18	0.06	
FFO to Long Term Debt (%) *	0.53	0.46	0.42	0.75	0.28	
Debt Servicing Coverage Ratio (x) *	1.83	1.20	1.15	1.56	0.88	
Current Ratio (x)	0.96	0.98	1.06	1.00	1.02	
Stock + Trade Debts/STD	0.90	0.90	1.55	1.29	1.07	
Gearing (x)	1.67	2.02	1.14	1.46	1.90	
Leverage (x)	2.23	2.62	1.87	2.09	2.40	
ROAA (%) *	11.4%	2.7%	0.7%	6.9%	2.4%	
ROAE (%) *	38.4%	10.3%	2.5%	22.8%	8.6%	
Net Operating Cycle *	32	87	46	88	106	
*Annualized, if required A - Audited Accounts M - Management Accounts P - Projected Accounts						

## REGULATORY DISCLOSURES

## Appendix II

<b>Name of Rated Entity</b>	Bhimra Textile Mills (Pvt.) Limited				
<b>Sector</b>	Textiles				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Entity Ratings				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: ENTITY</b>				
	19/02/2026	BBB+	A2	Stable	Reaffirmed
	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
<b>Instrument Structure</b>	N/A				
<b>Statement by the Rating Team</b>	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.				
<b>Probability of Default</b>	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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<b>Due Diligence Meetings Conducted</b>	<b>Name</b>	<b>Designation</b>	<b>Date</b>		
	Mr. Muhammad Shuaib	CFO	February 03, 2026		