

H.A FIBRES (PVT) LIMITED

Analyst:

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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A	A2	A	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Upgrade	
RATING DATE	February 26, 2026		December 10, 2024	

Shareholding (10% or More)

Mrs. Sabeena Husnain ~ 99.99%

Other Information

Incorporated in 2004

Private Limited Company

Chief Executive/Chairperson: Mrs. Sabeena Husnain

External Auditor: Arshad Raheem & 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 rating reflects H.A. Fibres (Private) Limited ('HAFL' or the 'Company') presence in the domestic spinning sector, supported by its expanded operational base following the merger with sister concern Husnain Textiles as H.A. Fibres (Private) Limited and the resulting improvement in scale, asset profile, and cost structure. The Company benefits from experienced ownership and management and ongoing investments in systems and energy efficiency, which strengthen operational controls and resilience. Business risk remains elevated due to structural challenges in the textile sector, including high energy costs, local raw material constraints, and intense competition; however, the Company's focus on efficiency and gradual modernization provides some mitigation. The financial risk is assessed as low supported by a low gearing ratio.

Company Profile

H.A. Fibres (Private) Limited ('HAFL' or the 'Company') was incorporated in 2006 in Pakistan as a private limited company under the Companies Ordinance, 1984. The Company is primarily engaged in the manufacturing and sale of yarn, operating within the textile value chain. Its registered office is located in DHA, Lahore, while the manufacturing facilities are situated at 6-Km Khanewal Road, Sujhan Pur, Multan and 3-Km Jhang Road, Muzaffargarh.

Sponsor Profile

HAFL is owned by Mrs. Sabeena Husnain, who holds 99.99% of the Company's shareholding and also serves as Chairperson and Chief Executive Officer.

Management and Governance

Merger

During the year, a Scheme of Arrangement (the Scheme) for merger/ amalgamation of HAFL with and into Husnain Textile Mills (private) Limited (the Company) ('HTML') was approved through resolutions passed by Board of Directors of both the companies in their meetings held on April 28, 2025. The Scheme was also approved by the members of both companies in their Extra Ordinary General Meetings held on June 13, 2025. The Scheme was sanctioned by the Honorable Lahore High Court (the Court) vide its order dated August 06, 2025.

The effective date of merger/ amalgamation is February 01, 2025 i.e., the date at which all assets and liabilities of HAFL were vested with the Company. Consequently, HAFL stands dissolved without winding up. HTML is a sister concern of HAFL, engaged in the business of producing and selling yarn. Post-merger HTML was renamed as H.A. Fiber (Private) Limited.

The merger was undertaken to achieve operational consolidation and cost efficiencies, with HAFL being the larger entity in terms of sales volume and production capacity. The amalgamation has simplified the corporate structure, resulting in improved tax efficiency, rationalization of regulatory and licensing costs, and reduction in administrative and procurement expenses. The transaction also enhanced the Company's asset base.

HAFL now operates five production units, comprising one unit in Multan and four units in Muzaffargarh. These units support both spinning and open-end operations. From a governance perspective, management has initiated system enhancements, including the installation of new enterprise software, aimed at streamlining administrative functions, improving cost controls, and strengthening internal processes.

Governance structure

Following the merger, there has been no change at the Board or senior management level of the Company to date. The post-acquisition transition is complete. Currently, there are two board members: Mrs. Bushra Ijaz and Mrs. Sabeena Husnain, who is also the CEO of the Company.

Auditor

The Company has retained M/s Arshad Raheem & Co., Chartered Accountants, as its external auditors which holds a satisfactory QCR rating from ICAP. The firm has provided an unqualified and unmodified opinion, affirming that the Company's financial statements comply with accounting standards and accurately portray the Company's financial position as of 30th June 2025.

Business Risk

INDUSTRY

The textile spinning sector's risk profile remains elevated, despite total textile exports for FY25 reaching USD 17.9bn (FY24: USD 16.7bn). This growth, driven by value-added exports, masks a widening profitability gap and intense pressure on upstream spinners in FY25-1QFY26.

Sectoral vulnerability is driven by three core factors: non-competitive energy, acute local raw material constraints and adverse tax policies. Pakistan's industrial electricity tariff (~12.3 cents/kWh) is nearly double that of its direct competitor, India (~6.3 cents/kWh). This cost disparity is the primary structural impediment, severely inflating conversion costs and eroding margins.

Domestic cotton output (~5.5mn bales) falls severely short of the annual demand (~12mn bales), necessitating heavy reliance on costlier imports. This shortage risk is compounded by a structural tax anomaly introduced in the FY25 budget. Previously, the Export Facilitation Scheme (EFS) allowed exporters to procure virtually zero-rated inputs for sales tax, preventing capital lock-up. The current budget, however, imposed 18% sales tax on imported cotton and yarn under the scheme. This immediate tax requirement forces firms to pay sales tax upfront, locking up capital with the FBR. The resulting dependence on the notoriously slow and inefficient sales tax refund mechanism severely elevates working capital risk, compels companies to secure more expensive financing to bridge the liquidity gap and ultimately increases the net cost of raw materials.

Market-related risks are compounding. Basic commodity cotton yarn exports suffered a severe contraction, declining by 28.8% to USD 680.7mn in FY25 (FY24: USD 955.5mn) as China utilized domestic cotton reserves. Concurrently, the entry of large, vertically integrated Chinese players under CPEC Phase II is expected to intensify domestic competition, placing local mills with older technology at a significant disadvantage. This challenging environment forces the sector to pivot entirely towards premium differentiation to compete with regional giants like Bangladesh.

Financial strain has intensified due to the historically high PKR/USD exchange rate and an elevated tax burden (~29% effective rate) following the transition from the Final Tax Regime (FTR) to the Normal Tax Regime (NTR) and Super Tax. Under the FTR, export profits were subject to nominal fixed rates, whereas the NTR applies the full corporate tax rate of 29%, with Super Tax further increasing the liability, thereby compressing net margins and exerting additional pressure on cashflows across the export-oriented textile sector. While monetary easing (policy rate cut to 10.5% in 2026) offers incremental relief, it remains insufficient to offset deep-seated structural cost weaknesses. Sustained viability hinges critically on urgent energy cost rationalization and continuous modernization.

OPERATIONAL UPDATE

Particulars	FY 2024	FY 2025
Number of Spindles Installed	77,700	140,316
Number of Rotors Installed	-	3,520
Installed Capacity at 20/S Count (Kgs)	28,548,036	38,374,188
Standard Production at Worked Spindles	22,964,501	22,500,895
Actual Production Converted into 20/S Count (Kgs)	21,766,731	21,119,675
Efficiency Percentage	94.79%	93.86%

Operational performance during FY25 reflected a transitional year for HAFL, following a significant expansion in installed capacity post-merger. Installed spindles increased to 140,316 in FY25 from 77,700 in FY24, alongside the addition of 3,520 rotors, raising installed capacity to 38.37mn kgs (FY24: 28.55mn kgs). However, standard production at worked spindles remained broadly stable at 22.50mn kgs (FY24: 22.96mn kgs).

Despite the capacity expansion, actual production converted into 20/S equivalent moderated to 21.12mn kgs in FY25 from 21.77mn kgs in FY24. Furthermore, operational efficiency remained a key strength, reported at 93.86% in FY25 (FY24: 94.79%), calculated against standard production at worked spindles. Energy cost optimization continues to be a core operational focus. The Company has installed a self-financed 6.5MW solar power plant, which currently meets up to ~25% (max) of its electricity requirements. A battery storage system is under consideration to further enhance solar energy availability and cost efficiency.

PROFITABILITY

Post-merger, total revenue was reported at PKR 21.2bn, reflecting a significant increase driven by consolidation. Despite the topline expansion, profitability remained under pressure, with gross margin declining to 8.1% (FY24: 10.4%) and operating margin narrowing to 6.2% (FY24: 7.8%), indicating continued cost pressures and integration-related inefficiencies. Finance costs stood at PKR 357.7mn, reflecting some moderation on account of balance sheet restructuring and scale benefits arising from the merger. Profit after tax improved to PKR 600m, translating into a net margin of 2.8% (FY24: 2.75).

In FY25, the Company exhibited a clear improvement in revenues and earnings following the merger, reflecting strengthened scale and recovery in profitability; however, margins remain below historical levels, indicating further room for operational efficiency gains.

Financial Risk

CAPITAL STRUCTURE

In FY25, the Company's capital structure underwent a material change following its merger into a sister concern. Equity increased to PKR 8,896m, supported by higher paid-up capital and reserves. Concurrently, total debt rose to PKR 5,078m, largely attributable to an increase in short-term borrowings to PKR 4,482m, long term debt have also increased by Rs. 596m, indicating a greater reliance on short-term funding.

As a result, gearing improved modestly to 0.57x in FY25 from 0.63x in FY24, while leverage eased to 0.76x from 0.82x, reflecting balance sheet strengthening post-merger. Debt servicing capacity improved, with coverage increasing to 1.97x, supported by lower finance costs and improved cash flows, albeit below the robust levels observed in FY22. Overall, the merger has positively supported capitalization and moderated leverage pressures.

DEBT COVERAGE & LIQUIDITY

In FY25, debt servicing capacity and liquidity both show improvement compared to the stress years, but remain moderate relative to earlier strength. The Debt Service Coverage Ratio (DSCR) rose to 1.97x, up from 1.57x in FY24 and 1.25x in FY23, reflecting stronger operating cash flows and lower finance costs.

On liquidity, the current ratio improved to 1.77x in FY25 from 1.41x in FY24, indicating a healthier buffer of current assets over current liabilities. The stock-in-trade plus trade debts to short-term debt ratio also strengthened to 2.13x, suggesting better coverage of short-term borrowings by working capital assets. Yet, the cash conversion cycle lengthened to 118 days, compared to 107 days in FY24 and 66 days in FY22, indicating a higher level of funds tied up in working capital, particularly receivables and inventory.

Overall, FY25 reflects a more stable liquidity position and stronger debt servicing ability compared to FY23–FY24, aided by the merger and reduced finance costs.

Financial Summary				
	FY22A	FY23A	FY24A	FY25A (Post Merger)
Balance Sheet (PKR Millions)				
Property, plant and equipment	3,196.30	3,456.47	3,764.78	4,612.33
Long-term Investments	924.60	938.83	920.41	0.00
Stock-in-trade	599.00	1,833.36	2,672.73	5,322.33
Trade debts	1,681.00	2,843.87	2,348.03	4,085.84
Short-term Investments	0.00	0.00	0.00	0.00
Cash & Bank Balances	92.00	247.44	90.91	635.20
Other Assets	762.20	464.60	321.31	989.52
Total Assets	7,255.10	9,784.57	10,118.17	15,645.22
Creditors	632.50	470.75	482.53	806.77
Long-term Debt (incl. current portion)	992.90	908.38	844.96	596.14
Short-Term Borrowings	714.60	2,235.09	2,659.62	4,481.98
Total Debt	1,707.50	3,143.47	3,504.58	5,078.12
Other Liabilities	80.30	664.23	566.91	864.62
Total Liabilities	2,420.30	4,278.45	4,554.02	6,749.51
Paid up Capital	454.85	454.85	454.85	684.44
Revenue Reserve	4,380.00	4,478.82	4,908.83	7,468.27
Sponsor Loan	0.00	572.48	200.48	743.00
Equity (excl. Revaluation Surplus)	4,834.85	5,506.15	5,564.16	8,895.71
Income Statement (PKR Millions)	FY22A	FY23A	FY24A	FY25A(Post Merger)
Net Sales	8,954.00	9,864.70	15,629.27	21,199.33
Gross Profit	1,688.00	836.64	1,624.08	1,720.89
Operating Profit	1,841.00	708.99	1,211.80	1,308.96
Finance Costs	265.00	433.86	703.21	357.73
Profit Before Tax	1,576.00	275.13	508.59	951.23
Profit After Tax	1,461.20	98.78	430.01	600.32
Ratio Analysis	FY22A	FY23A	FY24A	FY25A(Post Merger)
Gross Margin (%)	18.85%	8.48%	10.39%	8.12%
Operating Margin (%)	20.56%	7.19%	7.75%	6.17%
Net Margin (%)	16.32%	1.00%	2.75%	2.83%
Funds from Operation (FFO) (PKR Millions)	1,415.21	503.42	849.90	996.66
FFO to Total Debt* (%)	82.88%	16.01%	24.25%	19.63%
FFO to Long Term Debt* (%)	142.53%	55.42%	100.58%	167.19%
Gearing (x)	0.35	0.57	0.63	0.57
Leverage (x)	0.50	0.78	0.82	0.76
Debt Servicing Coverage Ratio* (x)	3.32	1.25	1.57	1.97
Current Ratio (x)	1.98	1.52	1.41	1.77
(Stock in trade + trade debts) / STD (x)	3.30	2.13	1.92	2.13
Return on Average Assets* (%)	24.50%	1.16%	4.32%	4.66%
Return on Average Equity* (%)	35.60%	1.91%	7.77%	8.30%
Cash Conversion Cycle (days)	65.85	110.58	106.92	118.22
*Annualized, if required				
A - Actual Accounts				
M - Management Accounts				

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	H.A Fibres (Pvt) Limited				
Sector	Textile				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	26/02/2026	A	A2	Stable	Reaffirmed
	10/12/2024	A	A2	Stable	Upgraded
	02/10/2023	A-	A2	Stable	Maintained
	23/06/2022	A-	A2	Positive	Reaffirmed
	07/06/2021	A-	A2	Positive	Maintained
	24/04/2020	A-	A2	Rating-Watch Developing	Maintained
03/04/2019	A-	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.				
Probability of Default	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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Due Diligence Meetings Conducted	Name	Designation		Date	
	Mr. Muhammad Ismail	Chief Financial Officer (CFO)		5 th January 2026	
	Mr. Muhammad Asif	Finance Manager			