

BEST FIBRES (PVT) LIMITED

Analyst:

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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		Positive	
RATING ACTION	Maintained		Reaffirmed	
RATING DATE	25-May-26		06-May-25	

Shareholding (5% or More)

Mediha Asif - 94.7%

Other Information

Incorporated in 2017
Private Limited Company
Chairman and Chief Executive Officer: Sheikh Zulfiqar Ali
External Auditor: RSM Avais Hyder Liaquat Nauman

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

Best Fibres (Private) Limited ('BFPL' or 'the Company'), incorporated in 2017, is engaged in the manufacturing and sale of yarn and viscose fibre. The Company's registered office and production facility are located in Faisalabad. The Company has been able to maintain its capacity utilization levels. The Company has been able to increase its sales on the back of higher raw material volumes. Profitability is being hampered by lower gross margins and higher tax burden. A partial recovery in gross margins was witnessed in 1HFY26, supported by cost efficiencies from installation of solar power. Meanwhile, deleveraging efforts have kept debt servicing on an improving trend. Moreover, liquidity has remained adequate. Outlook on the assigned rating has been revised in view of pressure on margins due to volatile product pricing in a highly challenging operating environment. Going forward, the Company's ability to improve margins and profitability while maintaining low gearing and sound coverages would remain important from ratings perspective.

Company Profile

Best Fibres (Private) Limited ('BFPL' or 'the Company') was incorporated as a private limited company in Pakistan in 2017. The principal objective of the Company is manufacture and sale of yarn made from viscose, staple, fiber, cotton and / or man made fiber. The registered office and spinning unit of the Company are situated in District Faisalabad, Punjab.

Management and Governance

The Company is led by a team with significant experience in textile sector. The Company is led by Sheikh Zulfiqar Ali, who serves as both Chairman and CEO. The Company is predominantly owned by Ms. Mediha Asif (94.77%) and Chaudhary Hamza Asif (4.67%). The Company avails the service of RSM Avais Hyder Liaquat Nauman, an 'A' category SBP audit firm.

Business Risk

INDUSTRY

The textile spinning sector's risk profile remains elevated, despite total textile exports for FY25 reaching USD 17.9b (FY24: USD 16.7b). 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 non-competitive energy and acute local raw material constraints. 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. 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 dependence on sales tax refunds elevates working capital risk, compelling 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 680.7m in FY25 (FY24: USD 955.5m) 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. Monetary pressure (policy rate uptick to 11.5% in April) combined with cost weaknesses may further put pressure on companies' profitability.

PRODUCTION PROFILE

Total power requirement of 11MW is met through a mix of grid power from FESCO (Faisalabad Electric Supply Company Limited), gas generators and 5.6MW solar power, which became operational in July 2025, aiming to reduce pressure from high utility costs. Spindles count remained unchanged in FY25, while the Company maintained its annual capacity utilization at around 86%.

Operating metrics			
	FY24	FY25	1HFY26
Number of spindles installed	108,816	108,816	108,816
Number of spindles worked	108,816	108,816	108,816
Number of shifts per day	3	3	3
Installed capacity (after conversion into 20/s count KGs)	40,535,394	40,535,394	40,535,394
Actual production (after conversion into 20/s count KGs)	35,125,142	35,047,678	17,448,720
Annualized capacity utilization	87%	86%	86%

The management expects to utilize existing land reserves for vertical integration with the financing to be met from internal resources.

SALES & PROFITABILITY

Yarn is sold mainly to export-based companies. Top 10 clients represent over 60% of revenue base, presenting a high concentration risk. Between FY23 and FY25, net sales increased at a 10.7% CAGR, driven by price appreciation in FY24 and higher volumes in FY25. In 1HFY26 net sales increased by 12.4% YoY, attributable to 10.9% increase in yarn volumes.

Lower prices amid rising input costs exerted pressure on gross margins, which decreased to 4.74% in FY25 (FY24: 5.39%; FY23: 7.57%). Despite lower operating profit on account of decrease in gross margins and higher operating expenses, profit before tax increased on the back of lower financial charges. However, net profit decreased due to higher incidence of taxation with net

margins decreasing to 2.04% (FY24: 2.28%; FY23: 2.73%). A partial recovery in gross margins was witnessed in 1HFY26 (1HFY26: 4.98%; 1HFY25: 4.51%), supported by cost efficiencies from solar power integration. However, net margins moderated slightly to 1.74% (1HFY25: 2.10%), due to higher financial charges and a higher tax incidence.

Going forward, the Company's ability to maintain revenue growth and improve profitability remain important ratings considerations in the face of pricing pressures and uptick in interest rates.

Financial Risk

CAPITAL STRUCTURE

By end-1HFY26, BFPL's Tier-1 equity strengthened to Rs. 3.1b (FY25: Rs. 3.0b, end-FY24: Rs. 2.7b), driven by profit retention. The Company's capitalization profile experienced marked improvement with repayment of long-term debt in FY25; notably, the strategic use of customer advances to fund working capital allowed for a significant reduction in short-term borrowings in 1HFY26, lowering the gearing ratio to 0.13x (end-FY25: 0.63x; end-FY24: 0.91x). Leverage remained stable albeit remained elevated at 1.78x (end-FY25: 1.88x) at end-1HFY26. Maintenance of low level of gearing would remain an important rating factor.

DEBT COVERAGE & LIQUIDITY

FFO (funds from operations) decreased to Rs. 375m (FY24: Rs. 445m, FY23: Rs. 472m) owing to an uptick in finance costs paid. DSCR (debt servicing coverage ratio) improved notably to 30.01x (FY24: 3.22x, FY23: 3.14x) on account of debt repayment. Additionally, FFO to total debt also improved (FY25: 29.0%, FY24: 22.8%, FY23: 45.0%). Debt coverage ratios remained sound in 1HFY26.

The Company's liquidity position is characterized by improvement in short-term debt coverage, which increased to 2.40x by end-FY25 from 1.41x (FY23: 2.13x) at end-FY24. Current ratio improved slightly to 1.13x (end-FY24: 0.99x) due to higher stock-in-trade and cash balances, and remained intact at 1.11x at end-1HFY26.

Liquidity faces pressure from shift in EFS framework as slower inventory turnover pushed the cash conversion cycle to 112 days (FY25: 99 days, FY24: 78 days) in 1HFY26. To manage the extended cycle in recent years, the Company has employed a strategy of financing working capital through customer advances, which surged to Rs. 3.6b at end-1HFY26 (end-FY25: Rs. 2.1b). This has also helped in reducing its reliance on external debt.

FINANCIAL SUMMARY				
Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	1HFY26M
Property, plant and equipment	2,468	2,860	2,742	2,670
Stock-in-trade	2,312	3,237	4,485	4,287
Trade debts	56	67	42	380
Cash & Bank Balances	114	253	361	659
Other Assets	436	694	1,003	694
Total Assets	5,386	7,112	8,633	8,690
Creditors	66	303	463	460
Long-term Debt (incl. current portion)	150	90	0	0
Short-Term Borrowings	1,137	2,381	1,889	407
Total Debt	1,287	2,471	1,889	407
Other Liabilities	1,610	1,616	3,282	4,701
Total Liabilities	2,964	4,389	5,635	5,568
Paid up Capital	536	536	536	536
Revenue Reserve	1,886	2,187	2,463	2,586
Equity (excl. Revaluation Surplus)	2,422	2,722	2,999	3,122
Income Statement (PKR Millions)	FY23A	FY24A	FY25A	1HFY26M
Net Sales	11,092	13,077	13,605	7,079
Gross Profit	840	705	645	352
Operating Profit	711	577	525	283
Finance Costs	194	113	27	31
Profit Before Tax	516	464	498	252
Profit After Tax	303	299	278	123
Ratio Analysis	FY23A	FY24A	FY25A	1HFY26M
Gross Margin	7.57%	5.39%	4.74%	4.98%
Operating Margin	6.41%	4.41%	3.86%	3.99%
Net Margin	2.73%	2.28%	2.04%	1.74%
Funds from Operation (FFO) (PKR Millions)	472	445	375	209
FFO to Total Debt*	36.68%	18.01%	19.83%	103.01%
FFO to Long Term Debt*	386.49%	625.11%	-	-
Gearing (x)	0.53	0.91	0.63	0.13
Leverage (x)	1.22	1.61	1.88	1.78
Debt Servicing Coverage Ratio* (x)	3.14	3.22	30.01	11.35
Current Ratio (x)	1.07	0.99	1.13	1.11
(Stock in trade + trade debts) / STD (x)	2.13	1.41	2.40	11.56
Return on Average Assets*	5.9%	4.8%	3.5%	2.9%
Return on Average Equity*	13.4%	11.6%	9.7%	8.1%
Cash Conversion Cycle (days)*	58	78	99	112

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Best 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/Watch	Rating Action
	RATING TYPE: ENTITY				
	25-May-2026	A-	A2	Stable	Maintained
	06-May-2025	A-	A2	Positive	Reaffirmed
	14-May-2024	A-	A2	Positive	Maintained
	27-Apr-2023	A-	A2	Stable	Reaffirmed
	13-May-2022	A-	A2	Stable	Reaffirmed
05-Apr-2021	A-	A2	Stable	Maintained	
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		
	Mansoor Zafar	CFO	May 7, 2026		