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APPLICABLE METHODOLOGY(IES):
VIS Entity Rating Criteria Methodology – Corporates
(https://docs.vis.com.pk/docs/CorporateMethodology.pdf)

Rating Scale:
(https://docs.vis.com.pk/docs/VISRatingScales.pdf)

PKR. MILLION	FY23	FY24	FY25M
Net Sales	9,855.7	9,679.1	13,322.9
PBT	551.1	287.3	365.9
PAT	468.0	54.6	226.2
Paid up capital	3,600.0	3,600.0	3,600.0
Equity (incl. surplus on PPE)	4,252.0	4,363.4	4,664.8
Total Debt	1,585.5	1,518.9	1,816.2
Debt Leverage	1.15	1.27	1.22
Gearing	0.37	0.35	0.39
FFO	700.0	348.2	490.3
FFO/Total Debt (x)*	0.44	0.23	0.27
NP Margin (%)	4.7%	0.6%	1.7%

M: management accounts

BISMILLAH TEXTILES (PRIVATE) LIMITED

Chief Executive Officer: Abual Adham Sheikh

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**		Upgrade	
RATING DATE	**17 October 2025**		28 October 2024	

RATING RATIONALE

Pakistan's textile sector risk is elevated on account of increasing dependence on imported cotton, a trend exacerbated by a decline in domestic cotton production, high-cost structure, and persistent quality issues. Despite these challenges, Bismillah Textiles (Private) Limited's ('BTL' or 'the Company') has shown resilience as net sales for FY25 increased, on the back of enhanced sales of higher-margin products. However, gross margin contracted, primarily due to higher fuel and power reflecting inability of the Company to pass on full cost to customers. Net profitability improved in FY25, a result of reduced financial charges and a lower income tax. The Company's debt servicing coverage ratios also strengthened, and it has effectively managed its working capital requirements using internal resources, bolstering its liquidity and maintaining a largely conservative capital structure.

The management projects that further integration of solar energy into its power mix will mitigate cost pressures. Improvements in profit margins, debt coverage metrics, and liquidity ratios, while preserving a conservative capitalization profile, will be important from a ratings perspective.

COMPANY PROFILE

BTL is a family-run business with over 30 years of experience in exporting value-added fabrics and home textiles with product range including a variety of fabrics and made-up items such as jacquards, embroidered pieces, bed linen, kitchen accessories, bedcovers, curtains, quilt covers, table covers, napkins, chair pads, and more. The Company operates across various segments, including yarn dyeing, weaving, processing, and stitching, employing more than 1,500 workers. Established as public limited company in 1989, it was converted into a private limited company on November 22, 2023. The registered office and manufacturing units are situated at Jaranwala Road, Khurrianwala, Faisalabad. Ownership of the Company is entirely held among the family members, while two family members, serving as executive directors, are also actively engaged in managing the business. BTL holds ISO and other international standard certifications and maintains an in-house quality control department for continuous improvement in products quality. The Company's average energy requirement of 5MW is met through diverse sources, including the national grid, coal and gas-powered generators. The contribution of solar energy, presently at 1.5MW, is expected to increased to 4MW in the coming years, mainly to mitigate rising fuel and power costs.

INDUSTRY PROFILE & BUSINESS RISK

Pakistan's textile sector continues to face structural pressures amid declining domestic cotton availability and elevated cost structures. Cotton production fell sharply to 5.5 million bales in FY25 (FY24: 8.4 million bales), driven by climate shocks, water shortages, and rising input costs, thereby increasing reliance on imports, which currently provide both cost and quality advantages.

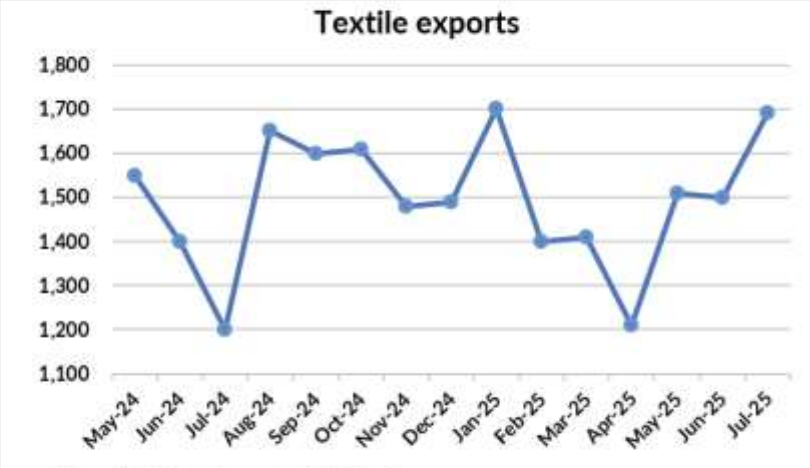

Figure: MoM textile exports (USD in m)
Source: PBS

Textile exports, however, grew 7.9% YoY to USD 17.9 billion in FY25, supported by value-added segments, though profitability remained constrained by high energy tariffs and rising minimum wages. The recent reduction in US tariffs on Pakistani textiles offers some relief. The imposition of an 18% sales tax on imported cotton and yarn under the Export Facilitation Scheme is aimed at strengthening the local spinning industry. Nevertheless, refund delays under the scheme continue to strain exporter liquidity. Export momentum carried into FY26, with textile shipments in July 2025 rising 32.1% YoY to USD 1.68 billion, driven by strong demand in the US retail market, carryover orders from June, and tariff disadvantages for competing suppliers. On the supply side, cotton production for FY26 is projected at 4.8 million bales, down 4% YoY, reflecting reduced cultivated area, weaker yields in Sindh, and significant flood-related damage in Punjab. Cotton consumption is expected to ease to 10.5 million bales, with rising cost pressures, while imports are projected at 5.6

million bales to bridge the supply gap. Looking ahead, the government's approval of hybrid seed imports is expected to support yield recovery over the medium term, offering partial mitigation against recurring structural challenges.

Product Profile and Capacity

BTL's headquarters and production facilities (Units I & II) are located at the Jaranwala Road, Khurrianwala, District Faisalabad. Unit I houses yarn dyeing and weaving facilities, while Unit II is dedicated to processing and stitching operations. Storage and warehouse facilities are also housed within the same premises. Production remained steady throughout the FY24 and FY25, with stable demand driving the output. The table below shows operating performance over the last three years:

Operating metrics	FY23	FY24	FY25
Weaving (in millions)			
Installed Capacity – Sq Meter	47.9	47.9	47.9
Actual Production – Sq Meter	22.4	23.6	23.9
Capacity utilization	***47%***	***49%***	***50%***
Processing (in millions)			
Installed Capacity – Meter	41.1	41.1	41.1
Actual Production – Meter	26.0	25.2	24.9
Capacity utilization	***63%***	***61%***	***60%***

FINANCIAL RISK

Capital Structure

Despite increase in short-term debt in FY25, BTL held a conservative capital structure as compared to its industry peers. From FY23 to FY25, BTL's gearing ratio has averaged at 0.37x, while its debt leverage has been 1.21x.

Furthermore, the Company's financial risk was mitigated to some extent by modest decline in net gearing ratio (end-FY25: 0.18x, end-FY24: 0.22x, end-FY23: 0.27x) as a result of healthy profit generation. Further deleveraging of balance sheet is a key trigger, from ratings perspective.

Profitability

The Company is mostly engaged in exporting made-ups and home textiles mainly to European markets. Net sales decreased from FY23 to FY24, due to economic slowdown in Europe. However, there was notable growth in net sales during FY25, driven by a shift in sales mix towards high-end products and rebound in demand.

Exports sales (in terms of PKR terms) surged 46%, contributing 92% (FY24: 87%) to net sales in FY25. Major clients include well-established Top ten clients contributed a significant 87% (FY24: 84%) of net sales in FY25. The Company focused on meeting the increasing orders on higher end products. Though concentration risk exists, the same is alleviated by sustained demand and established relations with the customers.

Gross margin contracted to 9.8% (FY24: 11.3%) in FY25 due to elevated fuel and power costs which the Company could not fully transfer onto pricing. Operating expenses increased by 47.0% in FY25, leading to a lower operating margin of 4.6% (FY24: 6.4%).

Net profit increased in FY25 on the back of declining finance costs and lower income tax incidence, resulting in marginal uptick in net margin to 1.7% (FY24: 0.6%) in FY25. The Company expects net sales to increased by 11% in FY26 while profit margins are likely sustain in the ongoing year.

Debt Coverage & Liquidity

Supported by significant decrease in income tax payment and absence of gratuity payments, FFO (Funds from Operations) increased to PKR 490.3m (FY24: PKR 348.2m) in FY25. This growth in FFO improved debt servicing coverage ratio (DSCR) to 2.73x (FY24: 1.56x) in FY25 while FFO to total debt coverage also recovered to 2.20x (FY24: 0.99x). Debt servicing metrics are expected to remain stable in the ongoing year, amid declining finance costs.

Liquidity position remained adequate with stable current ratio of 1.46x (end-FY24: 1.40x) at end-FY25 while cash conversion cycle shortened to 40 days (FY24: 51) on account of acceleration in receivables recovery and inventory turnover. Furthermore, liquidity profile was supported by strong short-term debt coverage (end-FY25: 3.03x, end-FY24: 4.14x).

FINANCIAL SUMMARY						
BALANCE SHEET *(PKR in millions)*	**FY22A**	**FY23A**	**FY24A**	**FY25M**	**FY26P**	**FY27P**
Property, plant and equipment	3,799.7	3,606.1	3,537.1	3,295.1	3,075.6	2,876.0
Investments property	427.9	427.9	1,046.0	1,046.0	1,046.0	1,046.0
Stock-in-Trade	2,566.8	2,692.9	3,528.7	3,222.1	3,485.4	4,007.3
Trade Debts	1,966.3	1,628.1	1,301.6	1,544.3	1,822.3	1,931.6
Cash & Bank Balances	332.2	437.5	552.3	983.4	934.2	887.5
Total Assets	**11,150.0**	**10,983.1**	**11,432.2**	**11,815.6**	**12,082.4**	**12,514.1**
Trade and Other Payables	2,792.2	3,010.8	3,433.7	3,252.4	3,280.2	3,477.1
Long Term Debt	626.5	440.9	351.0	242.7	151.8	60.9
Short Term Debt	1,731.1	1,144.6	1,167.9	1,573.5	1,604.9	1,637.0
Total Debt	**2,357.6**	**1,585.5**	**1,518.9**	**1,816.2**	**1,756.7**	**1,697.9**
Total Liabilities	**5,442.1**	**4,872.8**	**5,554.1**	**5,674.5**	**5,654.0**	**5,799.6**
Paid Up Capital	800.0	3,600.0	3,600.0	3,600.0	3,600.0	3,600.0
Unappropriated Profit	2,835.6	595.0	706.3	1,007.8	1,322.4	1,630.9
Tier-1 Equity	**3,758.7**	**4,252.0**	**4,363.4**	**4,664.8**	**4,979.5**	**5,287.9**
INCOME STATEMENT *(PKR in millions)*	**FY22A**	**FY23A**	**FY24A**	**FY25M**	**FY26P**	**FY27P**
Net Sales	10,881.2	9,855.7	9,679.1	13,322.9	14,700.7	15,486.9
Gross Profit	927.5	1,273.6	1,093.5	1,308.7	1,409.6	1,465.9
Operating Profit	519.6	882.6	615.7	606.4	681.8	705.8
Finance Costs	198.2	325.2	339.3	223.7	246.8	260.0
Profit Before Tax	350.4	551.1	287.3	365.9	440.8	447.5
Profit After Tax	**197.6**	**468.0**	**54.6**	**226.2**	**287.0**	**286.0**
RATIO ANALYSIS	**FY22A**	**FY23A**	**FY24A**	**FY25M**	**FY26P**	**FY27P**
Gross Margin	8.5%	12.9%	11.3%	9.8%	9.6%	9.5%
Net Margin	1.8%	4.7%	0.6%	1.7%	2.0%	1.8%
FFO (PKR in millions)	493.1	700.0	348.2	490.3	526.5	568.7
FFO to Total Debt (x)	0.21	0.44	0.23	0.27	0.30	0.33
FFO to Long Term Debt (x)	0.79	1.59	0.99	2.02	3.47	9.35
Debt Servicing Coverage Ratio (x)	1.73	2.35	1.56	2.73	3.57	2.48
Net Working Capital *(PKR in millions)*	1,384.2	1,856.9	1,926.8	2,353.9	2,769.6	3,194.6
Trade debts/Sales	18.1%	16.5%	13.4%	11.6%	12.4%	12.5%
Current Ratio (x)	1.28	1.42	1.40	1.46	1.54	1.60
Short-term Debt Coverage (x)	2.62	3.78	4.14	3.03	3.31	3.63
Cash Conversion Cycle (days)	56	55	51	40	51	54
Gearing (x)	0.63	0.37	0.35	0.39	0.35	0.32
Net Gearing (x)	0.54	0.27	0.22	0.18	0.17	0.15
Leverage (x)	1.45	1.15	1.27	1.22	1.14	1.10
ROAA	1.9%	4.2%	0.5%	1.9%	2.4%	2.3%
ROAE	5.5%	11.7%	1.3%	5.0%	5.8%	5.6%

A: Audited accounts
M: Management accounts
P: Projected accounts

<table>
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<tr><td>Name of Rated Entity</td><td>Bismillah Textiles (Private) Limited</td></tr>
<tr><td>Sector</td><td>Textile</td></tr>
<tr><td>Type of Relationship</td><td>Solicited</td></tr>
<tr><td>Purpose of Rating</td><td>Entity Ratings</td></tr>
<tr><td>Rating History</td><td>
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<tr><th colspan="5">Rating Type: Entity</th></tr>
<tr><th>Rating Date</th><th>Medium to Long Term</th><th>Short Term</th><th>Rating Outlook/Watch</th><th>Rating Action</th></tr>
<tr><td>17-Oct-25</td><td>A-</td><td>A2</td><td>Stable</td><td>Reaffirmed</td></tr>
<tr><td>28-Oct-24</td><td>A-</td><td>A2</td><td>Stable</td><td>Upgrade</td></tr>
<tr><td>22-Aug-23</td><td>BBB+</td><td>A2</td><td>Stable</td><td>Reaffirmed</td></tr>
<tr><td>8-Sep-22</td><td>BBB+</td><td>A2</td><td>Stable</td><td>Initial</td></tr>
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<tr><td>Due Diligence Meetings Conducted</td><td>
<table>
<tr><th>S.No.</th><th>Name</th><th>Designation</th><th>Date</th></tr>
<tr><td>1</td><td>Atiq-ur-Rehman</td><td>Deputy Manager Finance</td><td>11-Sep-25</td></tr>
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