

BISMILLAH TEXTILES (PRIVATE) LIMITED

Analysts:

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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		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	October 12, 2026		October 17, 2025	

Shareholding (5% or More)

M. Ibrahim Qasim Sheikh – 29.49%

M. Abdul Hameed Sheikh – 26.28%

M. Abual Adham Sheikh – 22.11%

Aamina Hameem Sheikh – 11.06%

Fathima Hamim Sheikh – 11.06%

Other Information

Incorporated in 1989

Private Limited Company

Chief Executive Officer: M. Abual Adham Sheikh

External Auditor: RSM Avais Hyder Liaquat Nauman Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings

<https://docs.vis.com.pk/Methodologies-2026/Corporate-Rating-2026.pdf>

Rating Scale

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

Rating Rationale

The reaffirmation of ratings reflects the Company's sustained growth in exports, modest gearing levels, adequate cash flow coverage and improvement in working capital indicators. Despite elevated business risk faced by textile exporters due to regional geopolitical issues and other challenges, net sales continued to increase throughout FY25-FY26, supported by higher orders from longstanding international customers in the EU, US and Australian markets. The ratings draw support from the Company's established presence in the home textile segment, integrated manufacturing operations and recurring business from reputed international retailers. The assigned ratings incorporate improvement in net profitability, capitalization and debt-servicing metrics. While gross margins remained constrained by pricing pressure and elevated input costs, lower finance costs supported stronger net profitability and internal cash generation during FY26. Sustained growth in retained earnings has strengthened the equity base, while moderate gearing and timely redemption of long-term borrowings supported the overall capitalization profile.

Operational capabilities are expected to be supported by the ongoing BMR initiative, expansion into new export markets, and cost efficiencies arising from energy optimization and procurement improvements. However, the ratings remain sensitive to intense pricing pressures, volatility in raw material and energy costs, significant working capital requirements, and the continued reliance on short-term borrowings. Going forward, Company's

ability to sustain improved business volumes and profitability, successfully diversify its customer base, and maintain leverage and debt coverage metrics within manageable levels will be important for the ratings.

Company Profile

Bismillah Textiles (Private) Limited ('BTL' or 'the Company') was incorporated in 1989. The Company was initially incorporated as a public limited company and was later converted into a private limited company with effect from November 22, 2023. Its principal business activity comprises the manufacturing and export of value-added fabrics and textile made-ups. The Company's weaving, processing and stitching facilities are located at Khurrianwala, Faisalabad, as also its registered office is situated at the same location.

The Company's product portfolio primarily includes home textile made-ups such as duvet covers and sets, bed sheets, fitted sheets, pillow cases, quilts, comforters, blankets, shower curtains, table linen and baby bedding products.

Management and Governance

BTL is a family-owned and managed business, with strategic oversight and key decision-making remaining concentrated within the sponsoring family. Mr. Adham Sheikh serves as the Chief Executive Officer and is supported by family members and an experienced professional management team in overseeing the Company's operations. During FY26, the management structure was strengthened through the appointment of a General Manager and a new marketing team, primarily tasked with expanding the customer base, diversifying client concentration through scaling the Company's presence across existing and new export markets. The Company's external auditors are RSM Avais Hyder Liaquat Nauman Chartered Accountants, appearing in category 'A' of SBP's Auditors List. The auditors have expressed an unqualified opinion, confirming that the financial statements present a true and fair view of the Company's financial position at the end of FY25.

Business Risk

INDUSTRY

Pakistan's textile sector continued to face structural pressures from weak domestic cotton availability, elevated production costs and liquidity constraints. Cotton arrivals reached 5.61m bales in FY26 (FY25: 5.52m), reflecting modest growth of 1.5% but remaining around 45% below the official target. Textile exports remained broadly stagnant at USD 17.93b in FY26 (FY25: USD 17.89b), increasing by only 0.26%, as growth in readymade garments and cotton yarn was offset by lower exports of cotton cloth, knitwear and towels. Policy support included a PKR 4.04/unit reduction in industrial electricity tariffs and a reduction in the export refinance rate to 4.5%; nevertheless, energy, financing and taxation costs continue to constrain competitiveness. Raw cotton, cotton yarn and grey cloth remain excluded from the Export Facilitation Scheme and subject to 18% sales tax at the import stage, while pending tax refunds and rebates continue to strain exporters' liquidity. Export momentum improved at the outset of FY27, with textile shipments rising by 9.0% YoY to USD 1.83b in July 2026 (July 2025: USD 1.68b). The U.S. trade regime has also shifted, with a 10% additional Section 301 tariff directed on Pakistani goods in July 2026, although the effective impact on textile exports will depend on applicable product exemptions and base duties. On the supply side, USDA's August 2026 outlook projects Pakistan's 2026/27 cotton production at 5.1m 480-pound bales, against domestic consumption of 10.2m bales and imports of 5.0m bales, underscoring continued reliance on imported fiber.

OPERATIONAL UPDATE

The Company operates integrated weaving, processing and stitching facilities for value-added home textile products. During FY25, weaving utilization moderated due to lower demand, while processing utilization also declined in line with reduced fabric output and demand constraints. However, during FY26 the capacity slightly improved as compared to FY25.

Detailed capacity and utilization information is presented in the table below:

Particulars	FY23	FY24	FY25	FY26
Weaving (in millions)				
Installed Capacity – Sq. Meter	47.96	36.02	36.02	36.67
Actual Production – Sq. Meter	22.35	23.64	22.22	23.29
Capacity Utilization	46.60%	65.60%	61.70%	63.51%
Processing (in millions)				
Installed Capacity – Meter	41.06	41.06	41.06	41.06
Actual Production – Meter	26.01	25.21	24.42	25.27
Capacity Utilization	63.30%	61.40%	59.50%	61.54%

Management continued to focus on efficiency improvements through BMR initiatives involving replacement of looms, boiler, compressor and addition of automated CMT machinery. The diversification into denim is placed on hold due to limited demand development and marketing capabilities. During FY26, the Company added a 2.4 MW solar power project, increasing total installed solar capacity to 4.0 MW (previously: 1.6 MW). The project was funded through internally generated resources and commissioned during FY26.

Going forward, operational performance is expected to benefit from stable demand, ongoing BMR initiatives and cost efficiencies from energy and procurement. However, further improvement in utilization will remain dependent on successful customer diversification and stronger order generation across existing and new markets.

SALES & PROFITABILITY

Net sales increased by 38.9% to PKR 13.4b in FY25 (FY24: PKR 9.7b), primarily driven by higher export sales, whose contribution rose to 92.5% (FY24: 87.1%). Sales growth continued during FY26, with the topline increasing further by 26.1% to PKR 17.0b, while exports remained the key revenue driver with 93.0% contribution. Customer concentration remained elevated, with the top ten customers accounting for 80.7% of FY26 sales, with two major customers, collectively contributing 48.2%. The strong market reputation and the Company's longstanding relationship with these customers mitigate concentration risk to some extent.

Gross margin declined to 9.6% in FY25 (FY24: 11.3%) amid pricing pressure and elevated input costs, resulting in operating margin moderating to 4.9% (FY24: 6.5%); however, lower finance costs supported improvement in net margin to 1.8% (FY24: 0.6%). During FY26, gross margin recovered to 10.1%, while operating margin

remained broadly stable at 5.0%. Net margin improved further to 2.7% (FY25: 1.8%), supported by lower finance costs.

Going forward, sales growth is expected to be supported by a number of factors and initiatives taken by management. New customer additions are in pipeline and for this purpose, the Company hired a senior marketing executive along with his respective team to enhance the Company's client base in European and Middle Eastern markets. Profitability is expected to benefit from procurement efficiencies, energy cost optimization and operational improvements. However, pricing pressure, input-cost volatility and high customer concentration will remain key rating sensitivities.

Financial Risk

CAPITAL STRUCTURE

The ratings reflect the Company's ability to maintain moderate debt leverage and modest gearing relative to peers, despite an increase in short-term borrowings between FY23 and FY26.

Tier-1 equity increased to PKR 4.7b at end-FY25 (FY24: PKR 4.4b), supported by profit retention. Total debt rose to PKR 1.9b (FY24: PKR 1.5b), primarily due to higher short-term borrowings, while long-term debt continued to decline. By end-FY26, equity strengthened further to PKR 5.1b, while total debt increased marginally to PKR 1.95b (FY25: PKR 1.86b).

Gearing remained intact at 0.38x (FY25: 0.40x, FY24: 0.35x) and leverage improved to 1.27x in FY26 from 1.46x in FY25 (FY24: 1.27x).

Going forward, continued deleveraging through sustained equity growth and prudent working-capital management, remains a key ratings consideration.

DEBT COVERAGE & LIQUIDITY

Assigned ratings consider improved debt coverage ratios compared to peers. FFO (Funds from operations) increased to PKR 388.1m in FY25 (FY24: PKR 348.2m), while DSCR improved to 1.94x (FY24: 1.56x). FFO-to-total debt remained largely stable at 20.9% (FY24: 22.9%). During FY26, stronger profitability and lower finance costs supported improvement in FFO to PKR 574.1m, with FFO-to-total debt and DSCR strengthened to 29.5% and 3.55x, respectively.

Liquidity remained adequate, with the current ratio reported at 1.33x at end-FY25 (FY24: 1.40x), subsequently increasing to 1.43x at end-FY26. The cash conversion cycle shortened to 36 days in FY26 from 47 days in FY25 (FY24: 72 days), mainly reflecting higher creditors, in line with the increased turnover.

Aging profile of trade debts was sound as 95% (FY25: 87%) were deemed not past due in FY26.

Going forward, debt coverage is expected to remain supported by improved internal cash generation and continued repayment of long-term borrowings. However, elevated working-capital requirements, sizeable inventory holdings and continued reliance on short-term financing remain key liquidity considerations.

<u>Financial Summary</u>					
<u>Balance Sheet (PKR Millions)</u>	FY23A	FY24A	FY25A	FY26M	FY27P
Property, plant and equipment	3,606.09	3,537.11	3,485.95	3,249.85	2,875.99
Stock-in-trade	2,692.93	3,528.66	3,582.87	4,122.45	4,118.82
Trade debts	1,628.13	1,301.63	2,291.92	1,761.25	1,931.62
Cash & Bank Balances	437.52	552.34	595.04	843.64	887.98
Other Assets	2,618.43	2,512.51	2,949.22	3,119.29	2,811.68
Total Assets	10,983.10	11,432.25	12,905.00	13,096.48	12,626.09
Creditors	2,504.18	2,908.35	4,315.56	3,961.21	3,477.05
Long-term Debt (incl. current portion)	440.91	351.02	246.17	106.3	60.85
Short-Term Borrowings	1,144.57	1,167.87	1,612.27	1,840.07	1,637.04
Total Debt	1,585.48	1,518.89	1,858.44	1,946.37	1,697.89
Other Liabilities	783.11	1,126.81	1,938.29	626.3	647.03
Total Liabilities	4,872.77	5,554.05	6,804.03	6,533.88	5,821.97
Paid up Capital	3,600.00	3,600.00	3,600.00	3,600.00	3,600.00
Revenue Reserve	594.98	706.29	994.9	1,481.01	1,726.07
Sponsor Loan	57.07	57.07	57.07	57.07	57.07
Equity (excl. Revaluation Surplus)	4,252.05	4,363.36	4,651.97	5,138.08	5,383.14
<u>Income Statement (PKR Millions)</u>	FY23A	FY24A	FY25A	FY26M	FY27P
Net Sales	9,855.71	9,679.13	13,444.45	16,987.72	17,498.11
Gross Profit	1,273.64	1,093.49	1,291.68	1,706.65	1,689.29
Operating Profit	876.32	626.51	658.06	846.48	832.75
Finance Costs	325.22	339.25	262.1	185.76	293.75
Profit Before Tax	551.1	287.26	395.96	660.72	539
Profit After Tax	467.97	54.57	238.41	461.64	350.35
<u>Ratio Analysis</u>	FY23A	FY24A	FY25A	FY26M	FY27P
Gross Margin (%)	12.92%	11.30%	9.61%	10.05%	9.65%
Operating Margin (%)	8.89%	6.47%	4.89%	4.98%	4.76%
Net Margin (%)	4.75%	0.56%	1.77%	2.72%	2.00%
Funds from Operation (FFO) (PKR Millions)	700.04	348.2	388.09	574.06	653.58
FFO to Total Debt* (%)	44.15%	22.92%	20.88%	29.49%	38.49%
FFO to Long Term Debt* (%)	158.77%	99.20%	157.65%	540.04%	1074.08%
Gearing (x)	0.37	0.35	0.4	0.38	0.32
Leverage (x)	1.15	1.27	1.46	1.27	1.08
Debt Servicing Coverage Ratio* (x)	2.35	1.56	1.94	3.55	2.81
Current Ratio (x)	1.42	1.4	1.33	1.43	1.61
(Stock in trade + trade debts) / STD (x)	4.07	4.45	3.82	3.34	3.89
Return on Average Assets* (%)	4.23%	0.49%	1.96%	3.55%	5.55%
Return on Average Equity* (%)	11.68%	1.27%	5.29%	9.43%	13.02%
Cash Conversion Cycle (days)	66	72	47	37	27

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES

Appendix I

Name of Rated Entity	Bismillah Textiles (Private) 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				
	12-Oct-26	A-	A2	Stable	Reaffirmed
	17-Oct-25	A-	A2	Stable	Reaffirmed
	28-Oct-24	A-	A2	Stable	Upgrade
	22-Aug-23	BBB+	A2	Stable	Reaffirmed
	08-Sep-22	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.				
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	
		Farhan Khan	Manager Accounts	13-Aug-26	
		Atiq ur Rahman	Deputy Manager Finance		