



The Pakistan Credit Rating Agency Limited

Rating Report

Be Be Jan Pakistan Limited

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Rating History					
Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
09-Dec-2022	BBB	A2	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Be Be Jan Pakistan Limited is enjoying the position as one of Pakistan’s icons of the textile industry with huge capacity in vertically integrated manufacturing facilities. The Company is covering all textile operations necessary to produce high-quality hospitality, healthcare, and home textile products. The Company is also a manufacturer and exporter of high-quality workwear for companies, organizations, and institutions, with a diverse product line. The Company has sound internal control and IT framework; Room for improvement exists in the governance structure given the absence of independent oversight on the board. The family management control good. The ratings incorporate the progressive growth of the Company over the years. While crossing the PKR 6bln of topline in FY22 (FY21: PKR 4.1bln). The increase in topline is primarily driven by an increase in fabric prices, while volumetric growth remained nominal. Expansion in volumetric growth is essential. Sales mix represents a major contribution from the export market (FY22: 80% of total revenue (FY21: 77%). Overall concentration risk remains elevated. Profitability margins (on both gross and net basis), following a decline in FY22, fell further in the ongoing year due to of an increasing trend in yarn prices and a significant uptick in power & energy cost. The liquidity profile is underpinned by adequate cash flow coverages in relation to outstanding obligations. The Company continues to maintain a moderately leveraged capital structure.

During FY22, Pakistan's textile exports surged to \$19.3bln (recording a growth of 26%). Exports grew owing to increased volumetric growth of (16% YoY) in the value-added segment, a steep rise in global demand, and record-high cotton prices. In July to August 2022, the cumulative exports of knitwear increased by 15.4% to \$1.32 billion; cotton cloth by 4.2% to \$580.5 million, and readymade garments by 5.9% to \$911.5 million over their exports in the same period of last year. However, bed wear exports were down 2.9% to \$780 million, towels 1.7% to \$237.3 million, and cotton yarn sales declined by 18%. However, a slowdown is expected in textile demand amid burgeoning inflationary pressures in the exporting destinations, especially in the US and European countries.

The ratings are dependent on the management’s ability to uphold the entity’s growing performance trend. Meanwhile, maintaining strong margins and coverages to fulfill financial obligations will remain critical.

Disclosure	
Name of Rated Entity	Be Be Jan Pakistan Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Corporate Rating(Jun-22),Methodology Correlation Between Long-term & Short-term Rating Scales(Jun-22),Methodology Rating Modifiers(Jun-22)
Related Research	Sector Study Composite and Garments(Dec-21)
Rating Analysts	Iram Shahzadi iram.shahzadi@pacra.com +92-42-35869504

Profile

Legal Structure Be Be Jan Pakistan Limited ('Be Be Jan' or 'The Company') is a Public (unlisted) Limited Company. It was incorporated in Punjab, Pakistan on November 19, 1978. The Company has two production facilities is located in Faisalabad.

Background Be Be Jan Pakistan Limited ('Be Be Jan' or 'The Company') was incorporated in Punjab, Pakistan as a Private Limited Company on November 19, 1978 under the Companies Ordinance, 1984 (Now the Companies Act, 2017) and was converted into a Public (unlisted) Limited Company with effect from November 08, 2001.

Operations The principal business of the Company is the manufacturing and export of fabric and made-ups. The Company has two units. One unit is for Fabric; weaving unit with 140 looms. The Company has also two wrapping machines and one sizing machine. While the other unit is for home textile and apparel division with 405 stitching machines.

Ownership

Ownership Structure The ownership of the Company rests with the family of Mr. Usman including his mother, brother, and sisters. The major shareholding of the Company is owned by Mr. Usman Ehsan Elahi (58%), Mrs. Aisha Saqib (23%), Mr. Faisal Ehsan Elahi (09%), Ms. Marriam Saqib (2%), Mrs. Sonia Umer (2%) & Mrs. Fareeha Faisal (2%). While the rest is with Be Be Jan Protein Farms (Pvt.) Ltd.

Stability The Company was set up to engage and transfer over the technical and business skills of the first generation to the second generation of the Elahi family. The Company encompasses the advice and expertise of first-generation the and leadership of the new generation. Although, no official succession plan has been announced to date.

Business Acumen The sponsors have vast experience and knowledge of various aspects of textile value-chain.

Financial Strength The sponsoring family has been involved in multiple businesses for more than 20 years. The sponsoring family has another textile company; Be Be Jan Textile Mills Limited. The sponsoring family has also two farming companies. This indicates sponsors' ability to provide support if the need arises.

Governance

Board Structure The Company has three-member board with the presence of sponsors and their families. The position of CEO is vested with Mrs. Aisha Saqib.

Members' Profile The members of the Board have relevant stature and extensive experience of around two decades of the textile industry. Currently, there are no independent directors on the board.

Board Effectiveness BoD meetings are held regularly in which discussion on various aspect are recorded in minutes and decision or action is referred to the CEO, Mrs. Aisha Saqib.

Financial Transparency M/s. Yousaf Adil, Chartered Accountants, is the external auditor of the Company. The auditor has expressed an unqualified opinion on the financial reports for the year ending 30th June 2022. The auditors fall under category 'A' of SBP's panel of auditors.

Management

Organizational Structure The organizational structure of the Company is divided into three main departments namely, i) Procurement, ii) Administration and IT, (iii) Marketing and iv) Technical. All department reports to the executive director.

Management Team Mrs. Aisha Saqib- CEO- holds a bachelor's degree and is in the Textile business for the last four decades. She is the Director of the Company since its incorporation in 1978. She actively takes part in and supervises all affairs of the Company.

Effectiveness The Company has no management committees. Sponsor's close involvement in day to day affairs of the business bodes well with the effectiveness of the Company.

MIS The Company has built an in-house ERP to cater to its business needs. The senior management monitors the business performance through certain Key MIS reports.

Control Environment Production is completely order driven, there is a rigorous quality check done on the end product by the QC department. The Company has obtained ISO 9001, ISO 14001, SAI, GOTS, GRS, Sedex, OEKO-TEX, BCI, IRQAO & Higg Index certification.

Business Risk

Industry Dynamics During FY22, Pakistan's textile exports surged to \$19.3bln (recording a growth of 26%). Exports grew owing to increased volumetric growth of (16% YoY) in the value-added segment, a steep rise in global demand, and record-high cotton prices. Under the value-added category, the knitwear segment remained the top performer by posting 34% YoY growth in exports to \$5.1 billion in FY22 due to a sharp rise in global demand, especially in the US and European countries. Other valueadded segments such as ready-made garments, bed wear, and towel posted YoY growth of 29%, 19%, and 19% to \$3.9 billion, \$3.3 billion, and \$1.1 billion respectively. In July to August 2022, the cumulative exports of knitwear increased by 15.4% to \$1.32 billion; cotton cloth by 4.2% to \$580.5 million, and readymade garments by 5.9% to \$911.5 million over their exports in the same period of last year. However, bed wear exports were down 2.9% to \$780 million, towels 1.7% to \$237.3 million, and cotton yarn sales declined by 18%. However, a slowdown is expected in textile demand amid burgeoning inflationary pressures in the exporting destinations, especially in the US and European countries.

Relative Position With 140 operational looms, Be Be Jan Pakistan Limited's standalone position in Pakistan's looms capacity is considered small.

Revenues During FY22, the Company's revenue grew by 51% to stand at PKR 6,053mln; (FY21: PKR 4,073mln) primarily driven by an increase in fabric prices. The cost of sales of the company is inclined due to the increase in the prices of fuel and energy. Same with the case for the Company's operating expenses, as they also inclined by 48% and stood at PKR 377mln (FY21: PKR 255mln). This scenario ultimately translated into an operating profit of PKR 413mln (FY21: PKR 286mln). Finance costs also increased driven by the increase in the key policy rate. After the incorporation of finance costs, the net profit for FY22 stood at PKR 211mln (FY21: 181mln).

Margins During FY22, the Company's cost of goods sold increased by 49% to PKR 5,263mln (FY21: PKR 3,531mln). Consequently, the gross profit margin showed a slightly decline to 13.1% (FY21: 13.3%) and the operating profit margin to 6.8% (FY21: 7%).

Sustainability In line with improving business environment, the Company is planning to start a BMR, which will add 35 looms to existing capacity. The total cost of CAPEX is estimated to be PKR 376mln. BMR is expected to bring in efficiency gains, lowering cost per loom and will consequently improve margins.

Financial Risk

Working Capital During FY22, the Company's net working capital days slightly decreased to 77 days (FY21: 87 days) due to decrease in inventory (FY22: PKR 63mln, FY21: PKR 81mln). On the other hand, the Company's short term trade leverage increased and stood at 28.7% in FY22 (FY21: 27.6%). In FY22, current ratio of the Company is 4.7x (FY21: 5.1x).

Coverages FCFO of the Company during FY22 increased to PKR 386mln (FY21: PKR 314mln) due to an increase in EBITDA. Higher finance costs weakened the interest coverage ratio to 4.3x in FY22 (FY21: 6.7x).

Capitalization During FY22, the Company's leveraging deteriorates to 36.5% (FY21: 30.7%). Short-term borrowings makeup up 73% of the total borrowings, increased to PKR 1,333mln in FY22 (FY21: 1,127mln) and the overall borrowings of the Company also showed an upward trend and closed at PKR 1,821mln at the end of FY22 (FY21: 1,321mln).



The Pakistan Credit Rating Agency Limited

Financial Summary

PKR mln

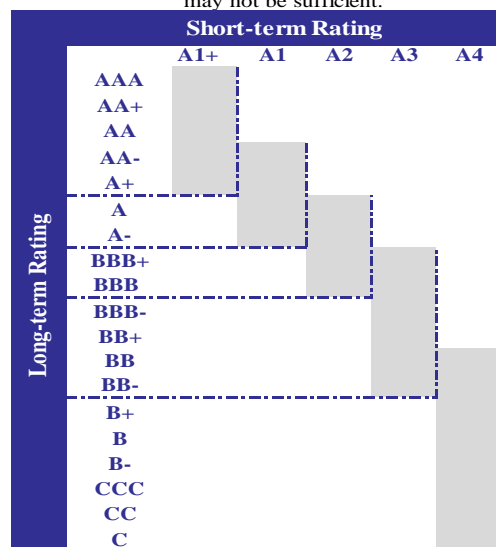
Be Be Jan Pakistan Limited Composite & Garments	Jun-22 12M	Jun-21 12M	Jun-20 12M
A BALANCE SHEET			
1 Non-Current Assets	2,890	2,561	2,320
2 Investments	-	-	-
3 Related Party Exposure	5	5	5
4 Current Assets	2,695	2,203	1,856
<i>a Inventories</i>	1,121	975	838
<i>b Trade Receivables</i>	692	361	210
5 Total Assets	5,591	4,769	4,180
6 Current Liabilities	579	433	302
<i>a Trade Payables</i>	323	267	183
7 Borrowings	1,821	1,321	1,025
8 Related Party Exposure	-	-	-
9 Non-Current Liabilities	23	37	45
10 Net Assets	3,168	2,979	2,809
11 Shareholders' Equity	3,168	2,979	2,809
B INCOME STATEMENT			
1 Sales	6,053	4,073	3,482
<i>a Cost of Good Sold</i>	(5,263)	(3,531)	(3,033)
2 Gross Profit	790	541	449
<i>a Operating Expenses</i>	(377)	(255)	(265)
3 Operating Profit	413	286	183
<i>a Non Operating Income or (Expense)</i>	(28)	(2)	60
4 Profit or (Loss) before Interest and Tax	385	284	243
<i>a Total Finance Cost</i>	(111)	(59)	(80)
<i>b Taxation</i>	(63)	(44)	(36)
6 Net Income Or (Loss)	211	181	127
C CASH FLOW STATEMENT			
<i>a Free Cash Flows from Operations (FCFO)</i>	386	314	226
<i>b Net Cash from Operating Activities before Working Capital Changes</i>	275	258	142
<i>c Changes in Working Capital</i>	(318)	(264)	132
1 Net Cash provided by Operating Activities	(43)	(5)	274
2 Net Cash (Used in) or Available From Investing Activities	(409)	(314)	(45)
3 Net Cash (Used in) or Available From Financing Activities	473	279	(199)
4 Net Cash generated or (Used) during the period	21	(41)	31
D RATIO ANALYSIS			
1 Performance			
<i>a Sales Growth (for the period)</i>	48.6%	17.0%	--
<i>b Gross Profit Margin</i>	13.1%	13.3%	12.9%
<i>c Net Profit Margin</i>	3.5%	4.5%	3.7%
<i>d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)</i>	1.1%	1.2%	10.3%
<i>e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Shareholders' Equity)]</i>	6.9%	6.3%	4.5%
2 Working Capital Management			
<i>a Gross Working Capital (Average Days)</i>	95	107	110
<i>b Net Working Capital (Average Days)</i>	77	87	91
<i>c Current Ratio (Current Assets / Current Liabilities)</i>	4.7	5.1	6.2
3 Coverages			
<i>a EBITDA / Finance Cost</i>	5.3	7.9	4.2
<i>b FCFO / Finance Cost+CMLTB+Excess STB</i>	2.8	3.8	3.1
<i>c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)</i>	1.6	0.7	0.2
4 Capital Structure			
<i>a Total Borrowings / (Total Borrowings+Shareholders' Equity)</i>	36.5%	30.7%	26.7%
<i>b Interest or Markup Payable (Days)</i>	28.3	56.2	26.0
<i>c Entity Average Borrowing Rate</i>	5.7%	4.0%	6.2%

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-term Rating Definition
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
AA-	
A+	
A	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
A-	
BBB+	
BBB	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BBB-	
BB+	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
BB	
BB-	
B+	
B	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
B-	
CCC	
CC	Very high credit risk. Substantial credit risk “CCC” Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. “CC” Rating indicates that default of some kind appears probable. “C” Ratings signal imminent default.
C	
D	Obligations are currently in default.

Scale	Short-term Rating Definition
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



**The correlation shown is indicative and, in certain cases, may not hold.*

Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.

Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s):

<p>Entities</p> <ul style="list-style-type: none"> a) Broker Entity Rating b) Corporate Rating c) Financial Institution Rating d) Holding Company Rating e) Independent Power Producer Rating f) Microfinance Institution Rating g) Non-Banking Finance Companies (NBFCs) Rating 	<p>Instruments</p> <ul style="list-style-type: none"> a) Basel III Compliant Debt Instrument Rating b) Debt Instrument Rating c) Sukuk Rating
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(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

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- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
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- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
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- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
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- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
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Monitoring and review

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- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(F-VII)

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