The Pakistan Credit Rating Agency Limited

Rating Report

Be Be Jan Pakistan Limited

Report Contents

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
22-Nov-2024	BBB	A2	Stable	Maintain	-
23-Nov-2023	BBB	A2	Stable	Maintain	-
09-Dec-2022	BBB	A2	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The assigned rating of Be Be Jan Pakistan Limited (“BBJPL” or “the Company”) reflects its adequate business profile within the competitive landscape of Pakistan’s textile industry. The Company operates across two segments: weaving and garment manufacturing. Its business strategy is anchored in delivering quality products and ensuring seamless project execution. The sponsor assumes an execution role, supported by an experienced management team. BBJPL capitalized on the growing demand and favorable pricing matrix for value-added products in the international market, having carved out its niche in the home textile segment. The client base comprises stable entities; however, the Company is susceptible to customer concentration risk, as the majority of business are derived from top-tier customers. Revenue grew by ~23% to PKR 7,055mln in FY24 (FY23: PKR 5,751mln), primarily driven by volumetric growth in home textile exports, supported by the recovery of international markets from a recessionary phase. Additionally, weaving and home textiles exhibited pricing improvements, indicating a progressively effective price transferability matrix. During FY24, gross margins were diluted due to an escalation in energy costs driven by increased electricity and gas tariffs, elevated labor expenses necessitated by inflationary pressures, and the higher cost of opening stock in finished goods. Concurrently, the surge in finance costs, stemming from higher short-term borrowings to support working capital requirements, resulted in a net loss after tax of PKR 282.02mln (FY23: profit after tax of PKR 18.53mln). The management of the Company is mindful of aligning its financial performance with projections. The Company is considering the installation of two gas engines to manage energy cost risks. Moreover, the gradual positive impact of declining policy rates will supplement the Company's profitability matrix and provide a cushion for cash flow management in the upcoming quarters. The industry's intensive working capital requirements, along with supply-side risks related to the availability of local cotton, may increase reliance on imported cotton and elevate the cost base. The financial risk profile is deemed adequate, with an aptly managed working capital cycle, while the credit quality metric shows an imperative for improvement. Textile exports of the country reached USD 16.7bln in FY24, a slight increase from USD 16.5bln in the previous year, reflecting a growth of 0.93% YoY. The highest contribution came from the composite and garments segment at USD 9.1bln, followed by the weaving segment at USD 6.5bln, and the spinning segment at USD 1.0bln. In FY25, the transition from the final tax regime to the normal tax regime is set to impact the profitability of export-oriented units, with a 29% tax on profits and an additional super tax of up to 10%.

The ratings depend on the company's ability to improve its profitability matrix while expanding business volumes. The augmentation of coverages and the stable generation of cash flows remain critical. Adherence to the debt matrix at an adequate level is a prerequisite for the assigned ratings.

Disclosure

Name of Rated Entity	Be Be Jan Pakistan Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology | Rating Modifiers(Apr-24),Methodology | Corporate Rating(Jul-24),Methodology | Correlation Between Long-term & Short-term Rating Scales(Jul-24)
Related Research	Sector Study | Composite and Garments(Dec-23)
Rating Analysts	Muhammad Harris Ghaffar | harris.ghaffar@pacra.com | +92-42-35869504

Profile

Legal Structure Be Be Jan Pakistan Limited ("BBJPL" or "the Company") is an unlisted public company.

Background Be Be Jan Pakistan Limited, originally incorporated as a private limited Company on November 19, 1978, under the Companies Ordinance, 1984 (now the Companies Act, 2017), was converted into a public unlisted Company on November 8, 2001. The Company, which began operations as a commercial business entity in Pakistan, has evolved into a manufacturing enterprise specializing in home textiles.

Operations The Company operates across weaving and garment manufacturing in the textile value chain. The weaving division specializes in greige fabric production, while the garments division focuses on home textile production. The installed capacity comprises 140 looms, 405 stitching machines, two warping machines, and one sizing machine. The Company owns two manufacturing facilities in Faisalabad, with a total energy requirement estimated at 3 megawatts(MW).

Ownership

Ownership Structure The Company is a family-owned business, and the shareholding structure is distributed among family members, with Mr. Usman Ehsan Elahi as the principal shareholder holding a 49% ownership stake, followed by Mrs. Aisha Saqib (~34%), Mr. Faisal Ehsan Elahi (~8.6%), Ms. Marriam Saqib (~2.3%), and Mrs. Fareeha Faisal (~2.3%). The remaining ~3.8% stake is held by Be Be Jan Protein Farms (Pvt.) Ltd.

Stability BBJPL's ownership structure is considered stable, with no significant changes anticipated in the foreseeable future. However, the establishment of a family constitution would further enhance stability in ownership.

Business Acumen The sponsoring family has been associated with the textile business for over forty years. The Company benefits from the guidance of the first generation, which is complemented by the capable leadership of the new generation. Mr. Usman Elahi is considered the man of the last mile.

Financial Strength The Company, as the sponsor family’s primary business venture, exhibits adequate financial strength supported by its position as the core revenue-generating entity within the family’s business portfolio.

Governance

Board Structure The Company's board structure reflects familial control, comprising three members, including the CEO. The current governance framework is considered adequate, meeting the minimum statutory requirement for the number of directors under corporate governance regulations. The inclusion of independent oversight would further enhance the Company’s overall governance profile.

Members’ Profile The Board consists of members with significant expertise in the textile industry. Mrs. Aisha Saqib, as CEO and Director, has been integral to the Company’s strategic leadership in an advisory capacity. Mr. Usman Ehsan Elahi, Executive Director, holds a UK-based master’s degree and brings over a decade of industry-specific experience. Ms. Marriam Saqib serves as a Non-Executive Director.

Board Effectiveness The Company has two board committees: (i) HR & Remuneration Committee, and (ii) Audit Committee. The minutes of these meetings are documented.

Financial Transparency M/s. Yousuf Adil, Chartered Accountants, is the company's external auditor. The auditor has expressed an unqualified opinion on the financial reports for the year ending 30th June 2024. The auditors fall under the category' A' of SBP’s panel of auditors.

Management

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

Management Team The management team consists of individuals with extensive experience and a long-standing association with the Company. Mr. Usman Ehsan Elahi oversees the financial, marketing, and procurement functions and is actively involved in the Company's daily operations. He is supported by an experienced management team, including Mr. Imran Ahmed, a qualified chartered accountant with three decades of experience. He serves as Deputy General Manager of Finance and Company Secretary.

Effectiveness The Company has no formal management committees. The management convenes to discuss relevant matters. The sponsors assume an execution role, which depicts an adequate delegation of authority matrix.

MIS The Company has built an in-house ERP to enhance operational efficiency, improve decision-making, and streamline processes. The senior management monitors the business performance through certain key MIS reports.

Control Environment Production is completely order-driven, with a strong emphasis on delivering quality products supported by thorough quality checks conducted by the quality control (QC) department. The Company has achieved several certifications, including ISO 9001, ISO 14001, SAI, GOTS, GRS, Sedex, OEKO-TEX, BCI, IRQAO, and the Higg Index, underscoring its commitment to quality and sustainability.

Business Risk

Industry Dynamics Textile exports of the country reached USD 16.7bln in FY24, a slight increase from USD 16.5bln in the previous year, reflecting a growth of 0.93% YoY. The highest contribution came from the composite and garments segment at USD 9.1bln, followed by the weaving segment at USD 6.5bln, and the spinning segment at USD 1.0bln. In FY25, the transition from the final tax regime to the normal tax regime is set to impact the profitability of export-oriented units, with a 29% tax on profits and an additional super tax of up to 10%.

Relative Position The Company operates in a highly fragmented market and holds a minimal market share relative to its installed capacity and business volumes.

Revenues Revenue grew by ~23% to PKR 7,055mlm in FY24 (FY23: PKR 5,751mln), primarily driven by volumetric growth in home textile exports, supported by the recovery of international markets from a recessionary phase. Additionally, weaving and home textiles exhibited pricing improvements, indicating a progressively effective price transferability matrix. The home textile segment mainly caters to the export market, with key export destinations including China and Europe, while the weaving segment serves the domestic demand. Segment-wise, home textiles contribute 52% of total revenue, and the remaining is attributed to the weaving segment.

Margins In FY24, the Company reported a decline in gross profit to PKR 544mln (FY23: PKR 711mln), despite a reduction in the raw material consumed-to-sales ratio. The increase in energy costs, along with higher costs for finished goods opening stock and salary & wages expenses, led to a dilution of the gross profit margin to 7.7% (FY23: 12.4%). Furthermore, the surge in finance costs to PKR 356.82mln (FY23: PKR 243.6mln) and elevated operating expenses resulted in a net loss of PKR 282mln (FY23: profit after tax of PKR 19mln), with a net margin of -4% (FY23: 0.3%).

Sustainability To mitigate energy cost risks, the Company is considering the installation of two gas engines to improve profitability. The Company's strategy is to recover from current losses before pursuing business expansion, having deferred capital expenditure for the installation of 35 looms. The management of the Company is anticipated to generate profitability in upcoming quarters along with the improvement in macroeconomic indicators.

Financial Risk

Working Capital The Company's net working capital days improved to 71 days (FY23: 94 days), primarily due to a reduction in inventory days as it rationalized its inventory levels. Furthermore, the Company finances its working capital requirements through short-term borrowings. The Company's short-term trade leverage stood at 14.7%, which depicts adequate room to borrow.

Coverages In FY24, the Company's free cash flow from operations (FCFO) decreased to PKR 160mln (FY23: PKR 392mln), primarily due to a reduction in EBITDA driven by a loss before tax of PKR 235mln (FY23: profit before tax of PKR 83mln). Consequently, the coverage ratios declined, with the interest coverage ratio decreasing to 0.5x (FY23: 1.8x).

Capitalization The Company maintained a moderately leveraged capital structure, with a leverage ratio of 45% in FY24. Borrowings increased to PKR 2,213mln (FY23: PKR 2,077mln), while the equity base declined to PKR 2,856mln (FY23: PKR 3,175mln), primarily due to a decrease in unappropriated profit to PKR 605mln (FY23: PKR 883mln). The sustainability of equity base over total debt shall remain significant.

The Pakistan Credit Rating Agency Limited

Be Be Jan Pakistan Limited Composite & Garments	Jun-24 12M	Jun-23 12M	Jun-22 12M
A BALANCE SHEET			
1 Non-Current Assets	3,352	3,372	2,890
2 Investments	-	-	-
3 Related Party Exposure	5	5	5
4 Current Assets	2,857	2,887	2,695
a Inventories	*1,248*	*1,313*	*1,121*
b Trade Receivables	*616*	*655*	*692*
5 Total Assets	6,213	6,264	5,591
6 Current Liabilities	1,017	884	579
a Trade Payables	*614*	*489*	*323*
7 Borrowings	2,213	2,077	1,693
8 Related Party Exposure	128	128	128
9 Non-Current Liabilities	0	-	23
10 Net Assets	2,855	3,175	3,168
11 Shareholders' Equity	2,856	3,175	3,168
B INCOME STATEMENT			
1 Sales	7,055	5,751	6,053
a Cost of Good Sold	*(6,511)*	*(5,039)*	*(5,263)*
2 Gross Profit	544	711	790
a Operating Expenses	(441)	(330)	(377)
3 Operating Profit	103	381	413
a Non Operating Income or (Expense)	*15*	*(63)*	*(28)*
4 Profit or (Loss) before Interest and Tax	119	318	385
a Total Finance Cost	*(354)*	*(235)*	*(111)*
b Taxation	*(47)*	*(65)*	*(63)*
6 Net Income Or (Loss)	(282)	19	211
C CASH FLOW STATEMENT			
a Free Cash Flows from Operations (FCFO)	*160*	*392*	*386*
b Net Cash from Operating Activities before Working Capital (	*(203)*	*199*	*275*
c Changes in Working Capital	*138*	*82*	*(318)*
1 Net Cash provided by Operating Activities	(64)	281	(43)
2 Net Cash (Used in) or Available From Investing Activities	(102)	(645)	(409)
3 Net Cash (Used in) or Available From Financing Activities	130	370	473
4 Net Cash generated or (Used) during the period	(37)	6	21
D RATIO ANALYSIS			
1 Performance			
a Sales Growth (for the period)	22.7%	-5.0%	48.6%
b Gross Profit Margin	7.7%	12.4%	13.1%
c Net Profit Margin	-4.0%	0.3%	3.5%
d Cash Conversion Efficiency (FCFO adjusted for Working Ca	4.2%	8.2%	1.1%
*e Return on Equity [Net Profit Margin * Asset Turnover * (To*	-9.4%	0.6%	6.9%
2 Working Capital Management			
a Gross Working Capital (Average Days)	99	120	95
b Net Working Capital (Average Days)	71	94	77
c Current Ratio (Current Assets / Current Liabilities)	2.8	3.3	4.7
3 Coverages			
a EBITDA / Finance Cost	0.7	2.3	5.3
b FCFO / Finance Cost+CMLTB+Excess STB	0.3	1.4	2.8
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Fin	-5.5	5.9	2.1
4 Capital Structure			
a Total Borrowings / (Total Borrowings+Shareholders' Equity	45.0%	41.0%	36.5%
b Interest or Markup Payable (Days)	57.0	95.7	28.3
c Entity Average Borrowing Rate	15.0%	10.9%	5.7%

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
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ 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.
A+ 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.
BBB+ 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.
BB+ BB 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.
B+ 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.
CCC CC C	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.
D	Obligations are currently in default.

Scale	Short-Term Rating
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.

Rating Modifiers | Rating Actions

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. Rating actions may include "maintain", "upgrade", or "downgrade".

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

a) Broker Entity Rating
b) Corporate Rating
c) Debt Instrument Rating
d) Financial Institution Rating
e) Holding Company Rating
f) Independent Power Producer Rating
g) Microfinance Institution Rating
h) Non-Banking Finance Company

Rating Team Statements
(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

Restrictions
(3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
(4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
(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)

Conduct of Business
(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).
(8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
(9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
(11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest
(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)
(14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
(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)
(17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review
(18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
(19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(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 | 17-(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 | 17-(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 | 14-3(f)(vii)
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