# VIS
Credit Rating Company Limited

RATING REPORT

# BLESSED TEXTILES LIMITED

**Analyst:**
M. Amin Hamdani
amin.hamdani@vis.com.pk

| RATING DETAILS | | | | |
|---|---|---|---|---|
| RATINGS CATEGORY | Latest Rating | | Previous Rating | |
| | Long-term | Short-term | Long-term | Short-term |
| ENTITY | A | A1 | A | A1 |
| OUTLOOK/RATING WATCH | Stable | | Stable | |
| RATING ACTION | Reaffirmed | | Reaffirmed | |
| RATING DATE | May 20, 2026 | | February 06, 2025 | |

| Shareholding (5% or More) | Other Information |
|---|---|
| Faisal Spinning Mills Ltd - ~18.5% | Incorporated in 1987 |
| Mr. Muhammad Qasim - ~6.3% | Public Limited Company |
| Ms. Samia Bilal – ~8.3% | Chief Executive: Mr. Muhammad Amin |
| Mrs. Fatima Amin – ~6.1% | External Auditor: M/s Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants |
| State Life Insurance Corporation of Pakistan - ~6.1% | |

## Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

## Rating Scale

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

## Rating Rationale

The assigned ratings reflect the well-established operating presence of BTL in the textile spinning and weaving segment, while remaining a part of Umer Group of Companies. The credit profile is characterized by stabilizing performance following FY24 losses, however, profitability continues to remain thin and exposed to demand and cost-side pressures in a commoditized industry with limited pricing flexibility.

Leverage has continued to increase due to reliance on short-term borrowings to meet working capital requirements, though this is considered manageable in view of adequate liquidity levels. Debt coverage indicators remain weak but have shown relative stability, supported in part by lower financing costs and improved profitability compared to the prior year.

Going forward, the ratings remain sensitive to sustained pressure on margins and cashflows, further build-up in leverage and adverse movements in interest rates or demand conditions.

## Company Profile

Blessed Textiles Limited ('BTL' or 'the Company'), listed on the Pakistan Stock Exchange, was incorporated in 1987 as a public limited company and is one of the three textile companies of the Umer Group. The Company is principally engaged in the manufacture and sale of yarn and woven fabric, along with the generation of electricity for self-consumption. The registered office is located in Karachi, while its operational footprint comprises three spinning units and one weaving unit situated in Sheikhupura.

## Management and Governance

The composition of the Board is in compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019. The Company's governance is overseen by ten members, comprising the Chairman, Mr. Muhammad Salim; CEO, Mr. Muhammad Amin; two executive directors, three non-executive directors and three independent directors. The Board convenes quarterly, with full attendance observed in three and minutes duly maintained. The Board has two committees namely, Audit and the HR & Remuneration, appropriately represented by Board members. The management is spearheaded by Mr. Muhammad Amin, a seasoned professional, supported by a management team of experienced professionals ensuring effective strategic execution and operational oversight.

The Company operates a fully integrated Oracle-based IT infrastructure, implemented since 2011 and regularly updated to the latest version. The system supports real-time production data and covers key functional areas including exports, storage, inventory management and finance, while HR functions are managed separately.

## Business Risk

### INDUSTRY UPDATE

By early 2026, Pakistan's textile spinning sector has undergone a structural contraction, with over 100 units ceasing operations in the preceding five years. The contraction reflects a combination of competitive, structural and cost-related pressures. Policy distortions under the Export Facilitation Scheme, which allowed duty-free imports, exposed local spinners to intense foreign competition and incentivized reliance on imported yarn. In addition, the Finance Act 2024 withdrew the long-standing export-oriented Final Tax Regime (FTR), under which exporters paid a fixed tax of ~1% on export proceeds and were largely exempt from sales tax adjustments and complex documentation requirements. The shift to the Normal Tax Regime (NTR) subjected textile exporters to the standard corporate tax framework while also bringing them fully into the 18% sales tax regime on inputs and outputs. Although an 18% sales tax is now applied uniformly to both local and imported inputs, the change has altered the sector's liquidity dynamics. Under the NTR, exporters must first pay sales tax on inputs and subsequently claim refunds, resulting in capital being tied up within the refund cycle for ~6-10 months. For a standard 50,000 spindle unit, this necessitates additional commercial financing, increasing working capital interest costs by ~10-15% and placing pressure on debt servicing.

Rising energy and fuel costs have further strained production economics. Industrial electricity tariffs, which averaged 9 cents/kWh under previous policies according to the All Pakistan Textile Mills Association (APTMA), peaked at 18-20 cents/kWh in late 2025 before moderating to ~12 cents/kWh in early 2026, still well above regional peers such as India (~6.3 cents/kWh) and Vietnam (~7.2 cents/kWh). Vertically integrated units and those that adopted more efficient and lower-cost energy solutions, including renewable sources, have retained operational viability, while units that did not modernize their energy infrastructure have faced comparatively greater operational and margin pressures.

Domestic cotton availability has also declined sharply, with production estimated at ~5.0 million bales in 2025/26 according to the United States Department of Agriculture (USDA), representing a 53% decline from the historical peak of 10.6 million bales in 2014/15 due to climate volatility and structural shift toward alternative crops. Meeting the total industry requirement of 10.6 million bales now requires importing 5.5-6.0 million bales annually, exposing mills to price volatility and supply-side risks. This exposure is further exacerbated by ongoing geopolitical tensions, contributing to shipment delays and supply chain disruptions in cotton imports. The domestic market has also been disrupted by low-cost yarn imports from China, which reached record monthly volumes in 2025 and undercut local producers by nearly ~20% according to reporting by Dawn News, forcing even efficient mills to sell at a loss to maintain market share. Outdated machinery and limited technology adaptability have further compounded the sector's challenges, intensified competitive pressures and contributed to the contraction in spinning units and the erosion of profitability margins among surviving operators.

The weaving segment presents a mixed structural profile, comprising modern mill-based weaving units alongside a large base of conventional power looms. While integrated textile mills have increasingly adopted air-jet and rapier loom technologies to improve productivity and fabric quality, a substantial portion of the estimated loom base continues to consist of older shuttle looms operating with lower efficiency. Nonetheless, export demand for woven fabrics and cotton cloth has remained relatively stable, supported by Pakistan's established position in global textile supply chains.

## OPERATIONAL PERFORMANCE

| Installed Capacity | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|---|---|---|---|---|---|---|
| **Spinning** | | | | | | |
| No. of Spindles Installed | 68,640 | 72,240 | 73,440 | 86,496 | 86,496 | 87,888 |
| Plant capacity based on utilization converted into 20s count (Million Kgs) | 23 | 28 | 30 | 35 | 35 | 36 |
| Actual Production of Yarn (Million Kgs) | 25 | 27 | 29 | 26 | 30 | 34 |
| **Capacity Utilization** | **108.3%** | **96.6%** | **96.6%** | **75.0%** | **85.2%** | **94.0%** |
| **Weaving** | | | | | | |
| No. of Looms Installed | 140 | 150 | 150 | 150 | 150 | 150 |
| Plant capacity based on utilization converted into 50 picks (Million Kgs) | 29 | 31 | 31 | 28 | 28 | 28 |
| Actual Production of Fabric (Million Meters) | 24 | 24 | 25 | 25 | 28 | 21 |
| **Capacity Utilization** | **80.8%** | **77.2%** | **81.0%** | **90.0%** | **100.3%** | **76.7%** |

In the last five years, the company has conducted expansion in the spinning division in FY23 and has gradually achieved high capacity utilization in that segment. Capacity utilization in the weaving segment varies from year to year. During FY25, the spinning division recorded a marginal improvement in capacity utilization, supported by a shift towards finer yarn counts. The management highlighted that the actual machine utilization remains high, and the reported utilization primarily reflects changes in product mix. The variation in production of weaving division is due to changes in product mix.

The Company has undertaken energy initiatives as part of its cost-optimization strategy, including the commissioning of ~4.17 MW of solar energy capacity across its Punjab based units which became operational in April 2026. In addition, a ~5.91 MW project, with an estimated cost of PKR 425 million, is under implementation and expected to be completed during 1QFY27.

## PROFITABILITY

In FY25, revenue declined modestly to PKR 30.4 billion (FY24: PKR 31.8 billion), reflecting subdued global demand for cotton yarn amid ongoing geopolitical uncertainties. Local sales contributed 54% (FY24: 39%), while direct exports accounted for 20% (FY24: 23%). Following the withdrawal of the export-oriented tax regime under the Finance Act 2024, sales previously routed through local exporters and treated as indirect exports were reclassified as local sales (FY24: 37%). In terms of product mix, yarn remained the dominant revenue contributor at 80% (FY24: 82%) with fabric accounting for 20% (FY24: 18%). Overall performance was impacted by lower yarn prices and marginal volumetric pressure, while relatively fabric pricing provided some support to revenues. Despite the contraction in topline, margins exhibited improvement, with gross margin rising to 7.2% (FY24: 3.8%), primarily on account of lower raw material costs. Consequently, operating margin strengthened to 5.0% (FY24: 1.8%).

Financial charges significantly increased in FY24 to PKR 2.0 billion (FY23: PKR 997 million) with increase in short term borrowings to finance working capital needs amid falling margins leading to a significant loss. In FY25, the company benefitted from improvement in margins as well as fall in interest rates which led to lower burden of financial charges. Consequently, they were able to contain the net loss at PKR 97 million (FY24: PKR 1.7 billion loss).

During 1HFY26, revenue registered lower sales amounting to PKR 15.0 billion on an annualized basis, with relatively stable margins. With slight increase in financial charges, the Company posted a net loss of PKR 129 million.

Going forward, while management anticipates improvement in cotton and yarn prices, the Company's profitability remains vulnerable to demand-side uncertainties and cost pressures. Sustained improvement in margins and a return to consistent profitability will be critical from a ratings perspective.

## Financial Risk

### CAPITAL STRUCTURE

Leverage and gearing have been steadily rising since FY23 by the combined impact of reduced cashflows and increased borrowing needs. Equity declined to PKR 7.9 billion at end-FY25 (FY24: PKR 8.1 billion), driven by another loss-making year, albeit of a lower magnitude. Total debt increased to PKR 13.1 billion (FY24: PKR 11.3 billion), primarily on account of higher short-term borrowings required to fund working capital, while long-term debt declined to PKR 3.9 billion (FY24: PKR 4.3 billion) due to scheduled repayments. Resultantly, gearing and leverage increased to 1.64x and 2.17x at end-FY25 (FY24: 1.40x and 1.85x), respectively.

In absence of significant CAPEX, borrowing profile is tilted towards working capital lines. Within long-term debt, the mix remained broadly stable, with concessional and floating-rate borrowings accounting for 57% and 43%, respectively (FY24: 61% and 39%).

At end-1HFY26, total debt increased further, driven by higher short-term borrowings to PKR 9.8 billion, despite partial deployment into short-term investments of PKR 608 million. Long-term borrowings continued to decline to PKR 3.8 billion. Equity declined slightly to PKR 7.8 billion due to continued losses. Consequently, gearing and leverage increased to 1.74x and 2.27x, respectively, indicating continued pressure on the Company's capital structure.

Going forward, the capital structure is expected to remain leveraged, with continued reliance on short-term borrowings unless internal cash generation improves.

### DEBT COVERAGE & LIQUIDITY

Current ratio has been maintained at above 1.0x, indicating adequate matching of sources and uses of funds. The net operating cycle elongated to 131 days at end-FY25, driven by higher inventory and receivables. In 1HFY26, the operating cycle improved slightly to 125 days.

Debt Service Coverage Ratio (DSCR) remains weak at 0.90x in FY25 and 0.93x in 1HFY26 (FY24: 0.30x). FFO coverage to total debt has remained below 0.1x since FY23.

| FINANCIAL SUMMARY | | | | | (Amounts in PKR Million) |
|---|---|---|---|---|---|
| BALANCE SHEET | FY22A | FY23A | FY24A | FY25A | 1HFY26M |
| Property, Plant, & Equipment | 6,104 | 8,314 | 7,905 | 7,825 | 7,747 |
| Stock-in-Trade | 5,538 | 13,817 | 8,897 | 10,074 | 9,373 |
| Trade Debts | 1,759 | 2,344 | 2,951 | 3,568 | 3,997 |
| Cash & Bank Balances | 2,578 | 482 | 946 | 848 | 1,088 |
| Total Assets | 17,722 | 27,639 | 23,033 | 25,271 | 25,618 |
| Trade and Other Payables | 1,934 | 2,721 | 2,567 | 3,239 | 3,585 |
| Long Term Debt (Inc. Current Maturity) | 3,407 | 4,803 | 4,308 | 3,853 | 3,763 |
| Short Term Debt | 2,559 | 9,243 | 6,968 | 9,222 | 9,835 |
| Total Debt | 5,966 | 14,046 | 11,277 | 13,076 | 13,598 |
| Total Liabilities | 8,604 | 17,725 | 14,950 | 17,311 | 17,787 |
| Paid Up Capital | 64 | 64 | 64 | 64 | 64 |
| Total Equity | 9,118 | 9,914 | 8,083 | 7,960 | 7,831 |
| | | | | | |
| INCOME STATEMENT | | | | | |
| Net Sales | 22,031 | 24,157 | 31,822 | 30,443 | 14,966 |
| Gross Profit | 5,055 | 2,572 | 1,222 | 2,204 | 1,085 |
| Operating Profit | 4,011 | 2,082 | 565 | 1,525 | 744 |
| Profit Before Tax | 3,790 | 1,085 | (1,423) | 276 | 50 |
| Profit After Tax | 3,207 | 921 | (1,706) | (97) | (129) |
| | | | | | |
| RATIO ANALYSIS | | | | | |
| Gross Margin (%) | 22.9% | 10.6% | 3.8% | 7.2% | 7.3% |
| Operating Margin (%) | 18.2% | 8.6% | 1.8% | 5.0% | 5.0% |
| Net Margin (%) | 14.6% | 3.8% | -5.4% | -0.3% | -0.9% |
| Net Working Capital | 6,420 | 6,304 | 4,178 | 3,616 | 3,312 |
| Trade debts/Sales | 8.0% | 9.7% | 9.3% | 11.7% | 13.4% |
| FFO | 3,953 | 1,261 | (939) | 415 | (59) |
| FFO to Total Debt (%) * | 0.66 | 0.09 | (0.08) | 0.03 | (0.01) |
| FFO to Long Term Debt (%) * | 1.16 | 0.26 | (0.22) | 0.11 | (0.03) |
| Debt Servicing Coverage Ratio (x) * | 7.18 | 1.34 | 0.34 | 0.90 | 0.93 |
| Current Ratio (x) | 2.25 | 1.49 | 1.38 | 1.26 | 1.23 |
| Stock + Trade Debts/STD | 2.85 | 1.75 | 1.70 | 1.48 | 1.36 |
| Gearing (x) | 0.65 | 1.42 | 1.40 | 1.64 | 1.74 |
| Leverage (x) | 0.94 | 1.79 | 1.85 | 2.17 | 2.27 |
| ROAA (%) * | 23.1% | 4.1% | -6.7% | -0.4% | -1.0% |
| ROAE (%) * | 42.4% | 9.7% | -19.0% | -1.2% | -3.3% |
| Net Operating Cycle * | 107 | 223 | 109 | 131 | 125 |

*Annualized, if required
A - Audited Accounts
M - Management Accounts
P - Projected Accounts

## REGULATORY DISCLOSURES — Appendix II

| | |
|---|---|
| **Name of Rated Entity** | Blessed Textiles Limited |
| **Sector** | Textile Composite |
| **Type of Relationship** | Solicited |
| **Purpose of Rating** | Entity Ratings |
| **Rating History** | see table below |
| **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** | see table below |

**Rating History**

| Rating Date | Medium to Long Term | Short Term | Outlook/Rating Watch | Rating Action |
|---|---|---|---|---|
| RATING TYPE: ENTITY | | | | |
| 05/20/2026 | A | A1 | Stable | Reaffirmed |
| 02/06/2025 | A | A1 | Stable | Reaffirmed |
| 09/26/2023 | A | A1 | Stable | Reaffirmed |
| 08/11/2022 | A | A1 | Stable | Upgrade |
| 05/27/2021 | A- | A1 | Stable | Maintained |

**Due Diligence Meetings Conducted**

| Name | Designation | Date |
|---|---|---|
| Mr. Mohammad Salim | Executive Director | April 06, 2026 |