INDUS DYEING & MANUFACTURING CO. LIMITED

Analysts:
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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A+	A1	A+	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	December 26, 2025		October 25, 2024	

Shareholding (5% or More)	Other Information
CEO, Directors & Family - ~64.0%	Incorporated in 1957
Others - ~36.0%	Public Limited Company (Listed)
	Chief Executive: Mr. Shahzad Ahmed
	External Auditor: Yousuf Adil Chartered Accountants

Applicable Rating Methodology

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

Rating Scale

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

Rating Rationale

The assigned ratings are underpinned by IDMC's position as the flagship and holding company of the Indus Group, anchoring the Group's operations while providing strategic oversight across its subsidiaries. The Company has a long-standing presence in textile spinning with multiple manufacturing bases, benefiting from established customer relationships and a well-recognized market profile. Revenue in FY25 remained largely stable relative to FY24 despite market headwinds in exports, while margins were supported by lower finance costs, favorable taxation under the group taxation arrangement and dividend income from a subsidiary. Capital structure remains moderately leveraged, with gearing continuing below 1.0x, while liquidity is supported by sizeable short-term investments. Although operating cashflows were under pressure in FY25, early 1QFY26 results indicate partial recovery.

Going forward, stable leverage and routine capital expenditure are expected to sustain the Company's financial profile, with gross margins expected to remain largely unchanged.

Disclosure of Material Information

The Company initiated an internal investigation into suspected financial irregularities, which revealed that two employees had misappropriated Company funds amounting to PKR 961 million. The matter was immediately reported to law-enforcement authorities, leading to the arrest of the individuals and the initiation of legal proceedings. Authorities have since traced and frozen assets held by the former employees and their benamidars, estimated at approximately PKR 522 million. While the Company continues to determine the full scale of the misappropriation and pursue recovery through the attached assets, the current estimated financial impact is approximately PKR 439 million, for which an appropriate provision has been recognized.

Company Profile

Indus Dyeing & Manufacturing Company Limited ('IDMC' or 'the Company') was incorporated in 1957 as a public limited company under the repealed Companies Act, 1913 (now Companies Act, 2017). The Company is engaged in the manufacture and sale of yarn, which is primarily exported; mainly to China and operates through three manufacturing units located in Hyderabad, Karachi and Muzaffargarh. The Company's registered office is situated in Civil Lines, Karachi. IDMC is the flagship and holding company of the Indus Group.

Group Profile

The Indus Group is a well-established diversified industrial group with over five decades of operating history. IDMC operates three wholly owned subsidiaries including Indus Lyallpur Limited engaged in yarn manufacturing; Indus Home Limited involved in the production and export of greige and finished terry products along with its US based marketing arm, Indus Home USA Inc. and Indus Wind Energy Limited with a 50 MW capacity supplying electricity to the national grid. IDMC also holds a 0.99% shareholding in Sunrays Textile Mills Limited, which is a listed company and part of the Indus Group and considered an associate due to common directorship.

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 Chairperson, Mr. Naveed Ahmed; CEO, Mr. Shahzad Ahmed along with three executive directors, four non-executive directors and three independent directors, Mr. Faisal Hanif, Mr. Amir Amin and Ms. Azra Yaqub Vawda; reflecting a balance between management control and independent oversight.

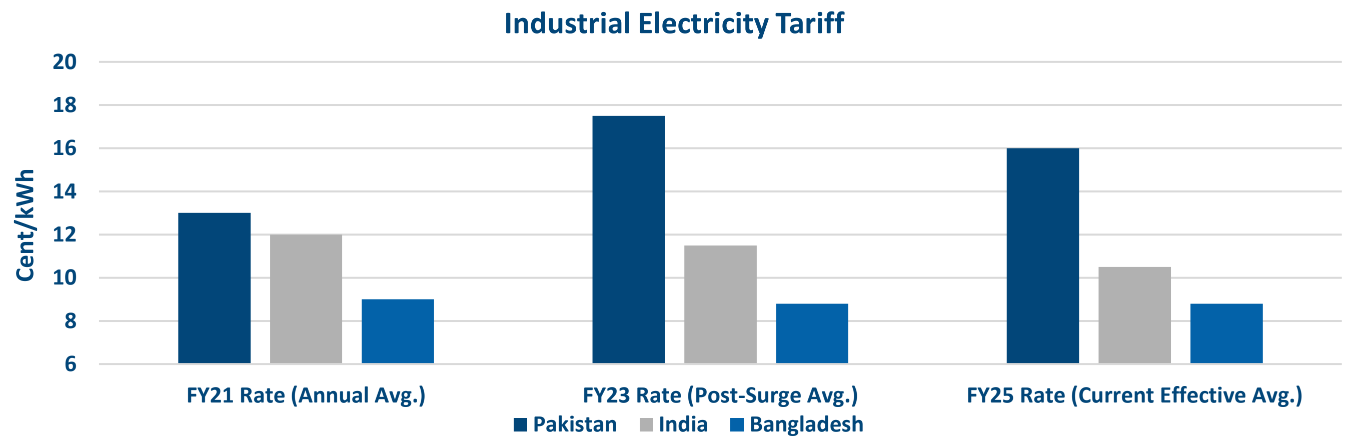
The Board has three committees comprising of Audit, Human Resource and Remuneration Committees, to ensure effective oversight of financial reporting, risk governance and human capital management. The committees are appropriately represented by the executive and independent board members. The management is spearheaded by Mr. Shahzad Ahmed, a seasoned professional along with experienced professionals in the management team ensuring operational oversight and strategic execution.

Business Risk

INDUSTRY UPDATE

The textile spinning sector's risk profile remains elevated, despite total textile exports for FY25 reaching USD 17.9 billion (FY24: USD 16.7 billion). This growth, driven by value-added exports, masks a widening profitability gap and intense pressure on upstream spinners in FY25-1QFY26.

Sectoral vulnerability is driven by three core factors: non-competitive energy, acute raw material constraints and adverse tax policies. Pakistan's industrial electricity tariff (~12.3 cents/kWh) is nearly double that of its direct competitor, India (~6.3 cents/kWh). This cost disparity is the primary structural impediment, severely inflating conversion costs and eroding margins.



Source: IEA Electricity 2025; MEPRA State of Industry Report; Synthesis of APTMA Press Statements and Industry

Domestic cotton output (~5.5 million bales) falls severely short of the annual demand (~12 million bales), necessitating heavy reliance on costlier imports. This shortage risk is compounded by a structural tax anomaly introduced in the FY25 budget. Previously, the Export Facilitation Scheme (EFS) allowed exporters to procure virtually zero-rated inputs for sales tax, preventing capital lock-up. The current budget, however, imposed 18% sales tax on imported cotton and yarn under the scheme. This immediate tax requirement forces firms to pay sales tax upfront, locking up capital with the FBR. The resulting dependence on the notoriously slow and inefficient sales tax refund mechanism severely elevates working capital risk, compels companies to secure more expensive financing to bridge the liquidity gap and ultimately increases the net cost of raw materials.

Market-related risks are compounding. Basic commodity cotton yarn exports suffered a severe contraction, declining by 28.8% to USD 680.7 million in FY25 (FY24: USD 955.5 million) as China utilized domestic cotton reserves. Concurrently, the entry of large, vertically integrated Chinese players under CPEC Phase II is expected to intensify domestic competition, placing local mills with older technology at a significant disadvantage. This challenging environment forces the sector to pivot entirely towards premium differentiation to compete with regional giants like Bangladesh.

Financial strain has intensified due to the historically high PKR/USD exchange rate and an elevated tax burden (~29% effective rate) following the transition from the Final Tax Regime (FTR) to the Normal Tax Regime (NTR) and Super Tax. Under the FTR, export profits were subject to nominal fixed rates, whereas the NTR applies the full corporate tax rate of 29%, with Super Tax further increasing the liability, thereby compressing net margins and exerting additional pressure on cashflows across the export-oriented textile sector. While monetary easing (policy rate cut to 11% in 2025) offers incremental relief, it remains insufficient to offset deep-seated structural cost weaknesses. Sustained viability hinges critically on urgent energy cost rationalization and continuous modernization.

OPERATIONAL UPDATE

Spinning Unit	FY23	FY24	FY25
Total no. of spindles installed	193,493	208,684	216,225
Total no. of spindles worked p.a. (avg.)	166,333	197,878	204,516
No. of shifts per day	3	3	3
Installed capacity (Yarn converted into 20 counts on 365 days) (Million Lbs.)	132	150	146
Actual production (Million Lbs.)	106	138	138
Capacity Utilization	**80%**	**92%**	**95%**

The Company has not undertaken any major capacity expansion in recent years, with changes in spindle count mainly reflecting ongoing BMR and rationalization of older frames. Installed capacity was reported lower at 146 million lbs. (FY24: 150 million lbs.), not due to a reduction in technical capacity, but as a result of higher idle spindles during the year. Actual production remained stable at 138 million lbs., leading to an improvement in capacity utilization to 95% (FY24: 92%) because of lower effective installed capacity. Going forward, the Company does not anticipate any significant expansion beyond routine BMR, with focus continuing on optimizing existing operations.

Indus Group's total installed power capacity stands at 65.9 MW, diversified across electricity, gas and solar energy sources. IDMC's operations account for 20.3 MW of this capacity, with electricity from the national grid constituting the largest share (85%), supported by solar (9%) and gas usage (6%).

PROFITABILITY

In FY25, revenue stood at PKR 66.2 billion (FY24: PKR 67.7 billion), reflecting a marginal decline. Export revenues fell due to lower average selling prices and volumes, driven by softer demand from China. However, this was partially offset by growth in local sales, where both volumes and average selling prices improved YoY. The sales mix shifted to 26:74 between export and local sales in FY25 (FY24: 38:35:27 for export, local and indirect exports), primarily due to the withdrawal of the export-oriented tax regime under the Finance Act 2024. As a result, indirect export sales amounting to PKR 18.4 billion in FY24 were reclassified as local sales following the removal of related fiscal incentives. Geographically, China remained the largest export destination, contributing 20% (FY24: 33%) of total sales, while overall customer concentration declined, with the top ten customers accounting for 20% (FY24: 30%) of total sales.

Gross margins have steadily fallen in the past five years, at 5.5% (FY24: 6.0%), in line with the stress seen across the spinning industry. In FY25, it was primarily driven by higher power, fuel and labor costs, partly offset by lower raw material costs per unit. Operating margin stood at 3.6% (FY24: 4.4%), impacted by a one-off provision of PKR 439 million against a financial embezzlement case; legal action and asset recovery are ongoing. Dividend income from Indus Wind Limited of PKR 247 million supported profitability and the management expect recurring significant cashflows from its investment. Despite lower operating profits, net profit improved to PKR 475 million, up from PKR 73 million in FY24 mainly due to lower finance costs as interest rates fell in the economy. and a reduced effective tax rate following the adoption of the group taxation arrangement.

During 1QFY26, the Company reported revenue of PKR 17.1 billion, a 4.0% increase over 1QFY25 (PKR 16.5 billion), primarily driven by volumetric growth. Consequently, gross margin improved to 4.7% from 2.7% in the same period last year (SPLY), supported further by lower power expenses following the gradual shift to solar. Operating margin increased to 7.0% (1QFY25: 1.4%) primarily due to unrealized gain on securities. IDMC reported a net profit of PKR 541 million in 1QFY26, compared to a net loss of PKR 593 million during the SPLY, with net margin improving to 3.2% (1FY25: -3.6%). The turnaround in bottom line profitability was supported by higher gross profit as well as enhanced other income and lower taxation.

Looking ahead in FY26, margins are expected to remain largely stable at the current low levels as there is limited power to pass on the increased costs through yarn prices. However, by the removal of the export-oriented tax for listed companies under the Finance Act 2024 and ongoing efficiency improvements in power and fuel consumption through solar adoption may lead to a minor uptick in margins.

Financial Risk

CAPITAL STRUCTURE

The Company's capital structure remains moderately leveraged, underpinned by a healthy equity base. At end-1QFY26, equity stood at PKR 24.9 billion (FY25: PKR 24.3 billion; FY24: PKR 23.8 billion), while total debt increased to PKR 23.5 billion (FY25: PKR 18.8 billion; FY24: PKR 14.5 billion). The increase in debt primarily came from higher short-term borrowings reaching PKR 18.1 billion at end-1QFY26 (FY25: PKR 13.2 billion; FY24: PKR 8.1 billion) to support working capital requirements while long term debt declined to PKR 5.4 billion (FY25: 5.6 billion (FY24: PKR 6.4 billion) with ongoing maturities. Around 63% of long-term facilities are subsidized financings including LTFF, TERF, and Renewable Energy carrying mark-up rates between 1.75% and 6.0% per annum whereas, conventional term finances were at 3M KIBOR plus 0.5% to 1.25%. Gearing and leverage rose to 0.94x (FY25: 0.77x; FY24: 0.61x) and 1.21x (FY25: 1.02x; FY24: 0.84x). which weakened materially in FY25 before showing partial improvement in 1QFY26 relative to SPLY.

Going forward, the Company plans to continue undertaking routine BMR activities, with no significant new capital expenditure envisaged. Working capital management will remain a challenge if costs continue to rise with limited ability to pass on the increase to customers.

DEBT COVERAGE & LIQUIDITY

The Company's liquidity remained adequate at end-FY25, supported by a current ratio of 1.50x (FY24: 1.74x) and short-term investments of PKR 620 million (FY24: 32 million), largely in listed equity instruments. The net operating cycle lengthened to 125 days (FY24: 101 days) due to higher inventory and receivable levels. In 1QFY26, the current ratio stood at 1.40x (FY25: 1.50x), while short-term investments increased sharply to PKR 3.1 billion (FY25: PKR 620 million). The net operating cycle extended further to 133 days (1QFY25: 103 days).

Funds from Operations (FFO) improved in FY25 on account of lower finance costs, resulting in a modest increase in Debt Servicing Capacity Ratio (DSCR) to 1.00x (FY24: 0.91x). In 1QFY26, annualized FFO turned negative at PKR 683 million (1QFY25: PKR 2.3 billion), despite the quarter reporting net profit, as cash generated from operations before working capital changes was insufficient to cover taxes and finance costs. Consequently, the DSCR fell to 0.35x (1QFY25: 1.97x). While the quarterly decline warrants monitoring, the Company's liquidity remains supported by IDMC's sizeable short-term investment portfolio.

Financial Summary — Amounts in PKR Million

BALANCE SHEET	FY22A	FY23A	FY24A	FY25A	1QFY26M
Property, Plant, & Equipment	9,921	12,777	12,953	12,510	12,367
Long-term Investments	6,400	6,400	6,400	6,400	6,400
Stock-in-Trade	11,160	14,180	11,164	13,041	14,526
Trade Debts	9,348	10,239	10,529	13,098	14,531
Cash & Bank Balances	310	288	165	87	90
Short-term Investments	77	39	32	620	3,080
Total Assets	38,358	45,462	43,860	49,160	54,960
Trade and Other Payables	3,558	2,932	3,496	3,900	4,531
Long Term Debt (Inc. Current Maturity)	5,223	6,756	6,436	5,602	5,370
Short Term Debt	4,914	9,823	8,055	13,241	18,116
Total Debt	10,137	16,579	14,491	18,843	23,486
Total Liabilities	15,097	21,629	20,011	24,845	30,105
Paid Up Capital	542	542	542	542	542
Total Equity	23,262	23,832	23,849	24,315	24,855
INCOME STATEMENT					
Net Sales	49,461	49,319	67,708	66,236	17,138
Gross Profit	10,360	3,679	4,077	3,611	800
Other Income	278	341	168	487	761
Operating Profit	9,046	2,757	3,003	2,365	1,207
Profit Before Tax	8,165	1,189	439	665	743
Profit After Tax	7,687	708	73	475	541
RATIO ANALYSIS					
Gross Margin (%)	20.9%	7.5%	6.0%	5.5%	4.7%
Operating Margin (%)	18.3%	5.6%	4.4%	3.6%	7.0%
Net Margin (%)	15.5%	1.4%	0.1%	0.7%	3.2%
Net Working Capital	12,420	11,523	10,305	9,753	10,116
Trade debts/Sales (%) *	18.9%	20.8%	15.6%	19.8%	21.2%
FFO	8,832	1,123	861	1,352	(171)
FFO (Annualized) *	8,832	1,123	861	1,352	(683)
FFO to Total Debt (x)	0.87	0.07	0.06	0.07	(0.03)
FFO to Long Term Debt (x)	1.69	0.17	0.13	0.24	(0.13)
Debt Servicing Coverage Ratio (x) *	6.82	1.01	0.91	1.00	0.35
Current Ratio (x)	2.29	1.78	1.74	1.50	1.40
Stock + Trade Debts/STD	4.17	2.49	2.69	1.97	1.60
Gearing (x)	0.44	0.70	0.61	0.77	0.94
Leverage (x)	0.65	0.91	0.84	1.02	1.21
ROAA (%) *	23.7%	1.7%	0.2%	1.0%	4.2%
ROAE (%) *	39.3%	3.0%	0.3%	2.0%	8.8%
Net Operating Cycle *	140	166	101	125	133

Annualized, if required
A - Actual Accounts
M - Management Accounts
P - Projected Accounts

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Indus Dyeing & Manufacturing Company Limited
Sector	Textile Spinning
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
12/26/2025	A+	A1	Stable	Reaffirmed
10/25/2024	A+	A1	Stable	Reaffirmed
09/28/2023	A+	A1	Stable	Reaffirmed
08/04/2022	A+	A1	Stable	Reaffirmed
06/10/2021	A+	A1	Stable	Maintained
04/29/2020	A+	A1	Rating Watch - Developing	Maintained
05/09/2019	A+	A1	Stable	Reaffirmed
07/31/2018	A+	A1	Stable	Reaffirmed
01/26/2017	A+	A1	Stable	Reaffirmed
05/04/2015	A+	A1	Stable	Reaffirmed
12/31/2013	A+	A1	Stable	Reaffirmed
02/10/2012	A	A2	Stable	Reaffirmed
12/08/2010	A	A2	Stable	Reaffirmed

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
Mr. Sheikh Shafqat Masood	Director	12^{th} November 2025
Mr. Yasir Anwar	Group CFO	