VIS
Credit Rating Company Limited

RATING REPORT

PREMIUM TEXTILE MILLS LIMITED

Analyst:
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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A-	A2	A-	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	July 22, 2026		June 03, 2025	

Shareholding (5% or More)	Other Information
Trustees of Abdul Kadir Adam Beneficiary Trust – 45%	Incorporated in 1987
CDC – Trustee national Investment (Unit) Trust – 10%	Public Limited Company
Individuals & Others – 30%	Chief Executive: Mr. Abdul Kadir Adam
	External Auditor: Rahman Sarfaraz Rahim Iqbal Rafiq 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/docs/VISRatingScales.pdf

Rating Rationale

The assigned ratings incorporate PRET's strong operational performance, sustained capacity utilization, and continued expansion of its value-added socks segment. Business risk is supported by the Company's presence across both domestic and export markets. Although yarn continues to dominate the revenue mix, the increasing contribution from the higher-margin socks segment is enhancing revenue diversification and is expected to strengthen further with planned capacity expansions.

Liquidity and debt coverage metrics remain adequate, albeit constrained by elevated working capital requirements and the resultant reliance on short-term borrowings, which continues to exert pressure on finance costs. The capitalization profile remains leveraged, reflecting debt-funded expansionary capex aimed at enhancing diversification and operational efficiency. Going forward, management intends to finance capital expenditure from internal resources and focus on deleveraging the balance sheet. Accordingly, sustained improvement in capitalization metrics will remain an important rating consideration.

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Company Profile

Premium Textile Mills Limited ('PRET' or 'the Company') was incorporated on March 03, 1987 as a public limited company and is listed on PSX. The principal activity of the Company is manufacturing and sale of socks, cotton and polyester yarn. The registered office of the Company is situated in Karachi and manufacturing facilities are located at main super highway, Nooriabad.

The Company primarily produces coarse count mélange yarn, which is mainly used in the manufacturing of socks and denim. It also offers a range of specialty yarns, including recycled, injection, and marled yarns, which keeps company competitive in the local market.

Management and Governance

CHAIRMAN/CEO PROFILE

Mr. Muhammad Aslam Parekh is the Chairman of PRET and has been associated with the Company since 1990. He possesses extensive experience in the textile sector, particularly in spinning, weaving, and finishing operations. His strong leadership, strategic insight, and commitment to sound corporate governance have contributed significantly to the Company's growth and long-term development.

Mr. Abdul Kadir Adam is the Chief Executive Officer and founding director of the Company with over 35 years of experience in the textile and manufacturing sectors. He has played a pivotal role in the Company's sustained growth and brings extensive expertise across textile spinning, garments, ship breaking, sugar, and the automotive industry.

BOARD & SENIOR MANAGEMENT

The Board comprises of seven directors including two executives, three non-executives and two independent directors. During the period both of the independent directors have been replaced with appointment of Muhammad Sohail Tabba and Khizar Yusuf Sattar as independent directors. The board is supported by Audit and HR & Remuneration Committees.

The financial accounts of the Company are audited by Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants, who appear in 'A' category of SBP list. The auditor has issued an unqualified opinion on FY25 accounts.

Business Risk

INDUSTRY UPDATE

Pakistan's textile exports rose to USD 17.8bn in FY25, marking a 7.4% increase from FY24, with monthly peaks averaging around USD 1.6–1.7bn. FY26, while showing signs of stabilization, including a high of ~USD 1.74bn in January 2026, remain volatile, with recent months dipping to around USD 1.3bn. This uneven recovery reflects sensitivity to global demand, inventory adjustments in key markets, and pricing pressures. The challenges of 2025, particularly high energy costs, tight liquidity amid high interest rates, and currency volatility, forced widespread efficiency gains, including greater reliance on renewable energy, operational rationalization, and stricter working capital discipline, resulting in a leaner and more resilient industry structure. Structurally, the sector continues to shift toward higher value-added segments such as knitwear and garments, reducing reliance on low-margin yarn and grey cloth exports and improving margin profiles. Accordingly, PRET diversified into the hosiery segment, producing a range of socks primarily for export markets. In this segment, the Company faces regional competition from Bangladesh in the U.S. market and domestic competition from players such as Interloop. In the spinning segment, its key competitors include Sapphire Textile Mills Ltd. and Bhanero Textile Mills Ltd.

At the same time, sustainability has become a key competitive factor, with increased investment in renewable energy, water recycling, and traceability systems to meet stringent international buyer requirements. However, constraints persist in the form of high interest rates, energy cost pressures, reliance on imported cotton, and freight volatility. Overall, the industry outlook remains cautiously optimistic, supported by gradual demand recovery and strategic repositioning toward value-added and compliant exports, though growth is expected to remain measured rather than linear.

Operational Performance

The Company operates a spinning mill and socks knitting unit. Utilization levels remained strong across both segments during FY25, particularly in socks, where the Company continues to expand capacity with 84 new knitting machines installed during 9MFY26 and additional 7 machines in pipeline. The Company plans to add more knitting machines going forward.

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Capacity & Installation - Spinning	FY22	FY23	FY24	FY25
Spindles installed	91,782	91,455	93,471	93,471
Spindles worked	87,742	79,440	84,851	79,547
Production capacity, 20s conversion (kg)	42,257,781	34,590,153	36,060,227	36,921,351
Actual production, 20s conversion (kg)	39,968,903	30,537,955	33,565,980	31,455,421
Capacity utilization %	**94.60%**	**88.30%**	**93.10%**	**85.20%**

Capacity & Installation - Socks	FY22	FY23	FY24	FY25
Knitting machines installed	-	208	264	272
Knitting machines operated	-	208	264	272
Installed capacity (dozen pairs)	-	2,160,000	2,302,560	2,965,418
Actual production (dozen pairs)	-	719,221	1,863,088	2,586,707
Capacity utilization %	**-**	**33.30%**	**80.90%**	**87.20%**

Currently, around 15% of in-house spinning capacity is utilized for socks production; as the segment expands further, internal yarn consumption is expected to increase, strengthening vertical integration and improving economies of scale.

The Company also operates a 12 ton/day Margasa Recycling Plant, which converts textile waste into reusable fibers, supporting sustainability initiatives and enhancing competitiveness in export markets where ESG requirements are becoming increasingly stringent, particularly in European markets.

The Company is also participating in an organic cotton cultivation initiative with WWF Pakistan, spanning over 8000 acres of land, to promote sustainable agricultural practices. The project remains at an early stage with limited production to date.

To further improve cost efficiency and sustainability, the Company is expanding its renewable energy portfolio. It currently operates 20MW of solar capacity, while two 7.5MW wind turbines (15MW combined) are under installation, expected to be completed by Dec'2026. Upon completion, renewable sources are expected to meet around 70% of power requirements and reduce per-unit electricity costs by approximately 30%. The Company's energy mix is further supported by a connected load of 7.5MW from HESCO grid and a captive gas power plant, ensuring a reliable power supply.

PROFITABILITY

The Company reported a 7% YoY increase in revenue to PKR 29bn in FY25 (FY24: PKR 27bn), primarily driven by higher direct export sales of socks and growth in indirect export sales of yarn. Indirect exports, which comprise sales to local exporters and allows the benefits under the Export Facilitation Scheme (EFS), remained the largest revenue contributor at 74% of sales (FY24: 76%). Consequently, product concentration remained skewed towards yarn (88% of sales), although the contribution from the relatively new socks segment continued to increase, reaching 12% during FY25.

Sales Break up	FY22	FY23	FY24	FY25	9MFY26
Export vs Local					
Local	2%	3%	4%	3%	-
Export - Indirect	75%	78%	76%	74%	77%
Export - Direct	19%	19%	20%	23%	23%
Yarn vs Socks					
Yarn	97%	98%	93%	88%	83%
Socks	0%	2%	7%	12%	16%

During FY25 direct exports represented 23% of revenue and remained highly concentrated in the US market, which accounted for 93% of direct export sales (FY24: 86%) amounting to PKR 6.2bn. Within these exports, approximately 73% of US sales were generated from a single customer, Renfro, reflecting elevated client concentration. In comparison, the indirect export segment remained relatively diversified, with the top 10 customers contributing around 31% of indirect sales.

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Gross margin declined to 13.4% (FY24: 14.1%) due to lower profitability in the spinning segment and higher depreciation charges following recent capital expenditure. Consequently, operating margin also eased to 9.7% (FY24: 10.5%). However, lower finance costs, supported by the declining interest rate environment, improved net margin to 0.7% (FY24: -1.7%). Profitability continued to benefit from exchange-related gains, with other income contributing 186% of net profit in FY25 (FY24: -42%).

During 9MFY26, revenue stood at PKR 17.7bn. Sales concentration trends remained broadly unchanged, although the contribution of socks increased to 16% (FY25: 12%), while direct exports continued to account for 23% of the topline. Gross margin improved to 14.4% with reduction in energy cos. Further reduction in finance costs supported net margin, which rose to 1.7%. Support from other income contributed 55% to the bottom line. Management expects FY26 revenue to moderate to approximately PKR 26bn amid softer demand conditions, however, margins are projected to improve further, supported by inventory gains realized during the final quarter as a result of ongoing US-Iran conflict which has also resulted in higher orders, secured for till Dec'26.

During the ongoing year, the Company established a wholly owned marketing subsidiary in the UAE with a minimal capital investment of AED 1,000. The subsidiary will serve as the Company's export office to strengthen customer outreach and support export sales.

Financial Risk

CAPITAL STRUCTURE

The Company's capitalization profile remains leveraged, albeit showing modest improvement during FY25 and 9MFY26. Gearing and leverage improved to 2.13x and 2.65x, respectively, at end-FY25 (FY24: 2.31x and 2.94x), and further to 2.11x and 2.53x by end-9MFY26. Elevated debt levels primarily reflect ongoing capital expenditure for expansion of the socks segment and integration of renewable energy in spinning mill. During FY26, the Company plans capital expenditure of approximately PKR 2.8bn, mainly for the installation of wind turbines, to be funded through an estimated PKR 2.0bn in additional borrowings. Accordingly, capitalization metrics are expected to weaken by end-FY26.

	FY22	FY23	FY24	FY25	9MFY26
Capex (PKR Mn)	2,708	3,023	4,153	1,070	972

However, going forward management does not expect any further capex, with the focus shifting towards deleveraging through earnings retention and lower debt utilization, meanwhile also maintaining a consistent dividend payout. This is expected to support a gradual improvement in the Company's capitalization profile over the medium term.

DEBT COVERAGE & LIQUIDITY

The Company maintains an adequate liquidity profile, with the current ratio remaining above 1.0x. The cash conversion cycle is rangebound at around 150-200 days, remaining elevated due to extended receivable credit terms of 90–120 days, particularly for yarn sales. Consequently, the Company continues to rely on short-term borrowings to finance its working capital requirements. The Company benefits from low borrowing cost as a significant portion of its long-term debt comprises concessional loans, accordingly, finance cost pressures primarily stem from the utilization of short-term borrowings.

In FY25 Funds from Operations (FFO) increased to PKR 1.5bn (FY24: PKR 1.0bn), in line with improved profitability. Consequently, debt servicing capacity recovered, with DSCR improving to 1.06x (FY24: 0.98x), supported by higher cash generation and lower finance costs. FFO coverage metrics also improved, with FFO-to-long-term debt and total debt recording to 0.20x and 0.09x, respectively (FY24: 0.13x and 0.06x).

The Company's liquidity and debt coverage profile remained broadly stable during 9MFY26, supported by continued improvement in profitability and cash generation.

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FINANCIAL SUMMARY *(amounts in PKR millions)*

BALANCE SHEET	FY22 A	FY23 A	FY24 A	FY25 A	9MY26 M
Property, plant and equipment	10,011	12,170	14,996	14,559	14,298
Stock in trade	5,690	8,974	6,419	6,376	7,337
Trade debts	4,467	4,607	7,276	6,722	6,423
Cash and bank balance	286	712	464	190	79
Stores and spares	209	569	756	760	730
Total Assets	20,942	28,049	30,540	29,464	29,718
Trade and other payables	1,217	2,134	2,260	1,895	1,250
Long-term Debt (incl. current portion & lease)	5,315	6,640	8,225	7,629	7,982
Short-Term Borrowings	4,745	8,137	9,079	9,051	9,322
Total Debt	10,060	14,777	17,304	16,680	17,304
Total Liabilities	12,634	18,956	22,025	20,716	20,679
Paid up Capital	62	62	62	62	62
Unappropriated reserves	7,000	7,865	7,423	7,760	8,124
Surplus on revaluation of PPE	1,246	1,166	1,031	926	854
Total Equity	**8,308**	**9,093**	**8,515**	**8,748**	**9,039**

INCOME STATEMENT	FY22 A	FY23 A	FY24 A	FY25 A	9MY26 M
Net Sales	19,977	22,829	27,076	29,012	17,700
Gross Profit	5,582	3,939	3,822	3,881	2,543
Operating Profit	4,956	3,113	2,842	2,800	1,696
Finance Costs	876	2,238	3,071	2,437	1,168
Profit Before Tax	4,610	1,394	(103)	690	683
Profit After Tax	4,310	1,043	(452)	191	303

RATIO ANALYSIS	FY22 A	FY23 A	FY24 A	FY25 A	9MY26 M
Gross Margin	27.9%	17.3%	14.1%	13.4%	14.4%
Operating Margin	24.8%	13.6%	10.5%	9.7%	9.6%
Net Margin	21.6%	4.6%	-1.7%	0.7%	1.7%
Funds from Operation (FFO)*	5,306	2,314	1,087	1,541	2,008
FFO to Total Debt* (x)	0.53	0.16	0.06	0.09	0.12
FFO to Long Term Debt* (x)	1.00	0.35	0.13	0.20	0.25
Gearing (x)	1.42	1.86	2.31	2.13	2.11
Leverage (x)	1.79	2.39	2.94	2.65	2.53
Debt Servicing Coverage Ratio* (x)	4.14	1.33	0.98	1.06	1.36
Current Ratio (x)	1.60	1.36	1.19	1.15	1.24
(Stock in trade + trade debts) / STD (x)	2.14	1.67	1.51	1.45	1.48
Return on Average Assets*	20.6%	4.3%	-1.5%	0.6%	1.4%
Return on Average Equity*	82.6%	13.9%	-5.9%	2.5%	5.0%
Cash Conversion Cycle (days)*	195	206	163	150	209

*Annualized, if required

A - Actual Accounts

M - Management Accounts

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REGULATORY DISCLOSURES						**Appendix II**
Name of Rated Entity	**Premium Textile Mills Limited**					
Sector	**Textile**					
Type of Relationship	**Solicited**					
Purpose of Rating	**Entity Ratings**					
Rating History	**Rating Date**	**Medium to Long Term**	**Short Term**	**Outlook / Rating Watch**	**Rating Action**	
	RATING TYPE: ENTITY					
	22-Jul-2026	A-	A2	Stable	Reaffirmed	
	03-Jun-2025	A-	A2	Stable	Reaffirmed	
	05-Jun-2024	A-	A2	Stable	Reaffirmed	
	18-Aug-2023	A-	A2	Stable	Reaffirmed	
	18-Jul-2022	A-	A2	Stable	Reaffirmed	
	18-Jun-2021	A-	A2	Stable	Maintained	
	21-April-2020	A-	A2	RW-Negative	Maintained	
	24-Sept-2019	A-	A2	Stable	Upgrade	
	19-Jul-2018	BBB+	A2	Stable	Initial	
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	**S.No.**	**Name**	**Designation**	**Date**
	1.	**Mr. Ali Asghar Yousuf**	**Head of Finance**	**10-July-26**
	2.	**Ms. Shenila Parekh**	**CFO**	

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