

SHADAB TEXTILE MILLS LIMITED

Analysts:
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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		Maintained	
RATING DATE	January 20, 2026		December 27, 2024	

Shareholding (5% or More)	Other Information
Mr. Farrukh Naseem - 6.33%	Incorporated in 1979
Mr. Saad Naseem - 5.75%	Public Limited Company
Mr. Ahmad Naseem - 6.02%	Chairman: Mr. Saad Naseem
Mr. Aamir Naseem - 17.04%	Chief Executive Officer: Mian Aamir Naseem
Mr. Hamza Naseem - 5.75%	External Auditor: M/s. Fazal Mehmood & Company 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 reflect the Company's long-standing presence in the polyester yarn market, supported by an established customer base that underpins relatively higher capacity utilization. While demand challenges and cost pressures persist, the Company has continued to demonstrate resilience through sustained topline growth. Ongoing investments in renewable energy are expected to alleviate energy-related cost pressures, thereby supporting margin enhancement over the medium term. The financial risk profile remains contained, characterized by manageable gearing and leverage levels. Going forward, enhancement in profitability profile while maintaining coverage and capitalization metrics will remain important for ratings.

Company Profile

Shadab Textile Mills Limited ("STML" or "the Company") was incorporated as a public limited company in August 1979 and is listed on the Pakistan Stock Exchange ('PSX'). STML is engaged in the business of manufacturing, selling, buying and dealing in polyester yarn. The registered office of the Company is situated in Lahore while the manufacturing facilities of the Company are located in District Kasur and District Nankana Sahib.

Management and Governance

The shareholding of the Company is primarily vested within the family, reflecting a closely-held ownership structure. Key strategic decisions and governance remain under the family's stewardship.

CHAIRMAN PROFILE

Saad Naseem, is a graduate from City University, London, and has been a Director at Shadab Textile Mills Limited since 2013 and Chairman of Board since August 26, 2025. He is also a certified director under the Code of Corporate Governance.

Mian Aamir Naseem, Chief Executive of the company has Masters in Business Administration from USA. He Joined the Group in 1990 and looks after the operational, Technical, Marketing and Financial respects of the project.

BOD and COMMITTEES:

The Board of Directors is composed of seven members, including two independent directors and one female director. Two committees operate under the oversight of the Board: The Board Audit Committee and the Human Resource and Remuneration Committee.

Business Risk

INDUSTRY

Pakistan's textile spinning sector operates within a high-to-medium business risk environment, characterized by demand cyclicalities, intense competition, regulatory challenges, and high sensitivity to energy costs. The textile industry contributes around 8.5% to GDP and employs nearly 45% of the national labor force, with spinning forming a critical upstream segment that converts raw cotton and man-made fibers into yarn for downstream value-added processes. Sector performance remains closely linked to domestic and global economic conditions, exposing spinners to volatility in both demand and input availability. Alongside cotton yarn, polyester yarn has emerged as an increasingly important input for Pakistan's textile value chain, driven by global demand for blended fabrics, cost considerations, and supply reliability. Polyester yarn production is less exposed to agricultural risks but remains highly sensitive to petrochemical feedstock prices, energy costs, and exchange rate volatility, given reliance on imported PTA and MEG. During FY25, local production of synthetic fibre, the raw material used for producing polyester yarn, amounted to 524,164 MT, while imports totaled 383,760 MT. Total annual demand in the textile sector is around 600,000 MT. Any shortfall in demand is met through imports from Indonesia, China, Thailand, and the Republic of Korea.

In FY25, volatility in international crude oil prices and elevated domestic energy tariffs continued to exert pressure on polyester yarn producers, constraining margins. Nevertheless, polyester yarn provides some input diversification for the spinning sector, partially offsetting the risks associated with domestic cotton shortages. Despite input constraints, textile exports recorded a modest recovery in FY25, increasing by approximately 7.2% to USD 17.9 billion (FY24: USD 16.7 billion). However, domestic spinners continued to face structural challenges stemming from earlier distortions under the Export Facilitation Scheme and the persistence of sales tax on locally produced cotton. The FY2025/26 budget's imposition of 18% sales tax on imported cotton and cotton yarn has somewhat improved competitive dynamics for local spinners, though broader issues related to taxation, energy costs, and regional competition remain.

Competitive pressures from India, China, and Bangladesh persist, supported by superior scale, technology, and product diversification. Elevated energy tariffs, despite some moderation following monetary easing, continue to weigh on both cotton and polyester yarn producers. Going forward, global demand conditions, policy consistency, access to competitively priced energy, and investment in technology and fiber diversification will remain important for long-term competitiveness.

OPERATIONAL UPDATE:

Spinning	FY23	FY24	FY25
Total number of spindles installed			
Unit-I (Ring)	36,480	36,480	34,560
Unit-II (MVS)	576	576	576
Total number of spindles worked			
Unit-I (Ring)	36,000	34,080	34,080
Unit-II (MVS)	576	576	576
Production at normal capacity converted to 20/s (Kgs.)	22,693,249	22,570,339	21,817,513
Actual production converted to 20/s (Kgs.)	21,321,688	22,237,602	21,594,524
Capacity Utilization on conversion (%)	93.96%	98.53%	98.98%

Installed spindles were recorded lower at 34,560 in FY25 (FY24: 36,480), primarily due to rationalization of Ring spindles, while Murata Vortex spinning (MVS) yarn spindles remained unchanged at 576, resulting in a 2.9% decline in production to 21.59 million kgs (FY24: 22.23 million kgs). Capacity utilization increased to 98.98% (98.53%), reflecting higher utilization of the remaining operational capacity following the reduction in installed spindles. The Company enhanced its renewable energy capacity to a total installed capacity to 2.875 MW, with plans to further increase the same.

PROFITABILITY:

The Company's net revenue increased by 9.91% in FY25, driven by higher sales volumes of 4.5% and a 2.6% increase in average selling prices, despite competitive pressures in the spinning segment. MVS yarn contributed notably to improved price realization. The gross margin also improved to 7.06% (FY24: 5.48%), on account of higher market price, despite an increase in raw material costs. In 1QFY25, gross margin further improved to 9.90% driven by higher margin MVS yarn sales. Net margins increased to 2.31% in FY25 (FY24: 1.35%), supported by lower finance costs in line with a reduction in policy rates and a decline in long-term debt obligations.

Financial Risk**CAPITAL STRUCTURE**

The Company's capitalization profile strengthened during FY25, with gearing and leverage declining to 0.43x (FY24: 0.56x) and 0.83x (FY24: 0.92x), respectively. The improvement was driven by a reduction in total debt to PKR 757 million (FY24: PKR 900 million) and an increase in equity to PKR 1,757 million (FY24: PKR 1,612 million), reflecting profit retention. The improving trend continued into 1QFY26, with gearing and leverage improving further to 0.39x and 0.81x, respectively.

DEBT COVERAGE & LIQUIDITY:

In FY25, coverage metrics improved, as reflected in an increase in the debt service coverage ratio to 2.55x (FY24: 1.66x). The improvement was driven by higher funds from operations, supported by improved profitability, along with a reduction in finance costs following a decline in policy rates. The Company's liquidity profile remains adequate, reflected in a current ratio of 1.20x (FY24: 1.34x) and a short-term borrowing coverage of 2.3x. The cash conversion cycle remained largely rangebound, indicating stable working capital management.

Financial Summary				
Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	3MFY26M
Property, plant and equipment	1,428.63	1,384.07	1,620.82	1,595.69
Right-of-use Assets	32.79	26.23	63.90	70.32
Intangible Assets	0.00	0.99	0.84	0.81
Stock-in-trade	577.80	796.77	804.21	730.45
Trade debts	373.94	322.81	326.29	380.28
Cash & Bank Balances	12.51	28.87	29.62	28.80
Other Assets	423.65	529.32	369.34	513.79
Total Assets	2,849.32	3,089.06	3,215.02	3,320.14
Creditors	118.50	168.90	181.98	599.52
Long-term Debt (incl. current portion)	352.89	283.06	251.57	257.67
Short-Term Borrowings	475.26	617.78	505.47	460.40
Total Debt	828.15	900.84	757.04	718.07
Other Liabilities	450.00	406.91	518.94	172.47
Total Liabilities	1,396.65	1,476.65	1,457.96	1,490.06
Paid up Capital	166.00	166.00	166.00	166.00
Revenue Reserve	709.56	808.02	980.60	1,069.40
Other Equity (excl. Revaluation Surplus)	577.10	638.37	610.47	594.67
Sponsor Loan	373.10	434.37	406.47	390.67
Equity (excl. Revaluation Surplus)	1,452.66	1,612.39	1,757.07	1,830.07
Income Statement (PKR Millions)				
	FY23A	FY24A	FY25A	3MFY26M
Net Sales	5,962.78	7,280.77	8,002.56	2,154.42
Gross Profit	183.65	399.07	564.63	213.31
Operating Profit	44.47	248.82	382.14	156.67
Finance Costs	137.05	133.91	94.22	20.39
Profit Before Tax	-92.58	114.91	287.92	136.28
Profit After Tax	-107.75	98.47	185.01	88.80
Ratio Analysis				
	FY23A	FY24A	FY25A	3MFY26M
Gross Margin (%)	3.08%	5.48%	7.06%	9.90%
Operating Margin (%)	0.75%	3.42%	4.78%	7.27%
Net Margin (%)	-1.81%	1.35%	2.31%	4.12%
Funds from Operation (FFO) (PKR Millions)	6.50	220.03	337.47	158.32
FFO to Total Debt* (%)	0.78%	24.42%	44.58%	88.19%
FFO to Long Term Debt* (%)	1.84%	77.73%	134.15%	245.77%
Gearing (x)	0.57	0.56	0.43	0.39
Leverage (x)	0.96	0.92	0.83	0.81
Debt Servicing Coverage Ratio* (x)	0.62	1.66	2.55	4.42
Current Ratio (x)	1.36	1.34	1.20	1.29
(Stock in trade + trade debts) / STD (x)	2.38	2.04	2.39	2.63
Return on Average Assets* (%)	-3.70%	3.32%	5.87%	10.87%
Return on Average Equity* (%)	-7.13%	6.43%	10.98%	19.80%
Cash Conversion Cycle (days)	59.75	46.30	45.48	32.67

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Shadab Textile Mills Limited				
Sector	Textile				
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				
	1/20/2026	A-	A2	Stable	Reaffirmed
	27-Dec-2024	A-	A2	Stable	Maintained
	08-Jan-2024	A-	A2	Negative	Reaffirmed
	02-Dec-2022	A-	A2	Negative	Maintained
	22-Nov-2021	A-	A2	Stable	Initial
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. Muhammad Adeel Anwar Khan	CFO		5 th Jan 2026	