

ZAMAN TEXTILE MILLS (PRIVATE) 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	May 06, 2026		March 12, 2025	

Shareholding (5% or More)

Mr. Ebrahim Qassim - 19%
Mr. Muhammad Jamil Qassim - 18%
Mr. Muhammad Haroon Qassim - 18%
Mr. Muhammad Salman Qassim - 18%

Other Information

Incorporated in 1969
Private Limited Company
Chief Executive: Mr. Muhammad Jamil Qassim
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/docs/VISRatingScales.pdf>

Rating Rationale

Zaman Textile Mills (Private) Limited is an integrated textile manufacturer engaged in the production, processing, dyeing, and sale of yarn and fabric, with in-house spinning, weaving, and finishing facilities across Sindh. The assigned ratings reflect the Company's sound capital structure, supported by earnings retention and sponsor support in the form of interest-free loans. However, business risk continues to pose stress with inflationary pressures leading to high working capital financing requirements and need to increase volumes to support growth.

The Company recently added to its weaving operations and is now undertaking renewable energy (wind turbine) investment, aimed at improving cost efficiency. Timely execution and realization of expected benefits will remain critical for sustaining profitability and supporting debt servicing capacity with increased long-term financing for these projects.

Company Profile

Zaman Textile Mills (Private) Limited (“ZTML” or “the Company”) was incorporated in Pakistan in 1969 and was later converted into a private limited company in 2016. The Company is primarily engaged in the manufacturing, processing, dyeing, and sale of yarn and fabric.

ZTML has evolved into an integrated textile manufacturer, with integrated operations across spinning, weaving, and processing. The Company's product portfolio includes a range of yarn and greige/processed fabric, supported by in-house dyeing and finishing facilities. The Company operates through a multi-location manufacturing footprint across Sindh. Its spinning unit is located at Kotri Industrial Estate, while weaving and dyeing units are situated at Landhi Industrial Area, Karachi. The registered office is based in Korangi Industrial Area, Karachi. This structure enables the Company to maintain operational control and consistency across its production processes.

Management and Governance

CEO Profile

Mr. Jamil Qassim serves as the Chief Executive Officer of Zaman Textile Mills (Private) Limited, where he directs the Company's strategic and operational activities across its integrated textile manufacturing operations. In this role, he oversees production planning, operational efficiency, and quality control across spinning, weaving, and processing functions, including yarn and fabric manufacturing supported by in-house dyeing and finishing, ensuring consistency across the Company's value chain.

Board & Senior Management

Zaman Textile Mills (Private) Limited is a family-owned entity. The Board of Directors comprises three executive directors who are also the shareholders. An Audit Committee is present and comprises the same three members. There is no female representation on the Board. Expansion of the Board, inclusion of an independent board member, formation of additional board committees, and enhanced female representation would strengthen the overall governance framework.

Industry Profile & Business Risk

The textile spinning sector's risk profile remains elevated, despite total textile exports for FY25 reaching USD 17.9bn (FY24: USD 16.7bn). 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 local 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.

Domestic cotton output (~5.5mn bales) falls severely short of the annual demand (~12mn 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 680.7mn in FY25 (FY24: USD 955.5mn) 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 10.5% in 2026) 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

	FY21	FY22	FY23	FY24	FY25
Spinning					
Spindles Installed	79,008	97,248	115,008	143,568	119,280
Spindles Worked	79,008	79,008	79,008	143,568	119,280
Installed Capacity (mln lbs.)	23	28.3	32.8	44.6	24.76
Actual Production (mln lbs.)	22.7	25.4	22	40.6	24.20
Capacity Utilization	98.70%	89.75%	67.07%	91.03%	97.76%
Weaving					
Looms installed	385	545	545	580	580
Looms worked (excluding 3 looms as backup)	382	542	542	577	577
Installed Capacity (mln meter)	74	92.1	103.6	109.5	109.18
Actual Production (mln meter)	66.1	87	92.8	98	97.82
Capacity Utilization	89.32%	94.46%	89.58%	89.50%	89.60%

Actual Consumption in MW						
	Sanctioned	Wapda/KE	GAS	Solar	Wind Mill	Total
Spinning 1,2,3	9.2	4.80	2.2	2.2	0.00	9.2
Spinning 4	1.75	1.05	0.01	0.7	0.00	1.75
Weaving	11	0.25	10.00	0.77	0.00	11.00
Dying & Printing	5.2	0	4.90	0.30	0.00	5.20
Total	27.15					27.15

The management's focus is to build on its value-added segment as and when cashflows allow along with consistent BMR to replace inefficient old machinery 28,560 new spindles were installed in FY2024 while 24,288 spindles obsolete capacity were disposed of. In weaving, the number of installed looms remained at 580 during FY25 while the company has added 72 new looms in FY26 funded through long-term financing of approximately PKR 1 billion. Capacity utilization in both spinning and weaving segments remain high.

In order to rationalize the growing energy cost, the Company is installing a 7 MW wind turbine, financed at PKR 1.25 billion by Faysal Bank at KIBOR +1.5% at Kotri. The Company's total sanctioned energy requirement stands at approximately 27.15 MW, currently met through a diversified mix of WAPDA/KE, gas and solar. The wind power project will support energy requirements of spinning units (1-3) replacing approximately 2.2 MW equivalent gas generation capacity. The project is expected to commence operations from July 2026 and will result in estimated monthly savings of approximately PKR 86.8 million, driven by a lower energy cost per unit.

Profitability

The Company reported net sales of PKR 41.9bn in FY25, reflecting a 26% year-on-year increase, driven by higher domestic volumes for fabric products as well as improved pricing. The revenue base remained predominantly local, contributing around 89% of total sales (FY24: 88%), while exports accounted for 11% (FY24: 12%). Currently, the company does not intend to aggressively pursue export markets with current focus on USA, Canada, Spain, and Saudi Arabia. Fabric sales comprised 80% in FY25 (FY24: 67%) largely with in-house yarn production., Yarn sales declined sharply to 5% (FY24: 15%) with reduction in inefficient spindles as the company focuses on its core product.

Gross margins declined slightly to 15.7% (FY24: 15.9%), as cost pressures outpaced revenue growth, driven by higher raw material prices, wage inflation, and increased fuel and power costs. Operating margins also contracted, mainly due to higher distribution expenses, including elevated payroll costs and sea freight charges. Finance costs remained broadly stable at PKR 3.5bn, as repayments were offset by higher short-term borrowings. Profit before tax amounted to PKR 2.66 bn (FY24: 1.47bn) however, with significant, impact of super tax and inadmissible expenses on the effective tax rate, net profit only increased to PKR 841mn (FY24: PKR 720mn)

During 6MFY26, net sales stood at PKR 19.9bn, supported by higher volumes. However, margin pressures persisted, with gross margins declining to 13.5% due to elevated power costs amid lower solar utilization during winter months. Nonetheless, net margins improved to 3.7%, primarily supported by lower finance costs.

Looking ahead, the Company is targeting a gradual expansion of its export footprint, with management expecting the export share to increase to around 35% over the next three years, supported by diversification into additional international markets and strengthening of existing customer relationships.

Financial Risk

Capital Structure

Total equity has shown steady growth, reaching PKR 13.9 billion at the end of 6MFY26, supported by earnings retention from profitability. Paid-up capital stands at PKR 4.0 billion. In addition, shareholders and directors have provided interest-free loans amounting to PKR 2.8 billion, offering continued support for the Company's working capital requirements. Total borrowings increased marginally to PKR 27.2 billion in FY25 and further to PKR 28.4 billion in 6MFY26, primarily comprising short-term facilities of PKR 19.7 billion utilized to finance working capital requirements, along with an additional long-term loan of PKR 1.3 billion. The increase primarily reflects higher raw material procurement against confirmed orders and planned production schedules, resulting in a buildup of inventory. Long-term debt continued to decline in FY25 due to scheduled repayments under concessionary financing schemes (LTFF/TERF) originally obtained for plant expansion. However, long-term borrowings increased to PKR 8.6 billion in 6MFY26, mainly driven by the acquisition of new looms under LTFF arrangements, with total project cost of PKR 1.07 billion financed through Bank Al Habib (PKR 571 million, 2-year tenor, no grace period) and Meezan Bank (PKR 500 million, 5-year tenor, including a 2-year grace period).

Capitalization metrics indicated slight improvement during FY25 and 6MFY26, with the gearing ratio steadily declining to 2.05x as on 6MFY26 (FY25: 2.07x, FY24: 2.17x), while the leverage ratio has declined to 2.71x (FY25: 2.78x, FY24: 2.84x), supported by sound profitability, profit retention and sponsor support. With the planned wind turbine expansion, gearing is expected to increase; however, the project is also anticipated to generate energy cost savings, thereby supporting profitability and strengthening equity over time.

Debt Coverage & Liquidity

In FY25, Funds from Operations (FFO) improved in line with higher profitability, leading to an improvement in debt coverage metrics. FFO-to-total borrowings increased to 0.15x (FY24: 0.11x), while FFO-to-long-term borrowings rose to 0.49x (FY24: 0.27x), reflecting relatively higher internal cash generation. We expect the coverages to be impacted from the funding obtained

for new looms and wind power plant by end of FY2026. Liquidity remained adequate, with a current ratio of 1.04x and reasonable working capital coverage, as inventory and receivables together provided 1.28x coverage of short-term borrowings. The net operating cycle improved to 190 days (FY24: 210), primarily driven by lower receivable days. Debt servicing capacity remained comfortable, with DSCR at 1.38x, indicating sufficient headroom to meet repayment obligations.

During 6MFY26, coverage indicators exhibited improvement, with FFO-to-total borrowings rising to 0.20x and DSCR strengthening to 2.48x, supported by improved interim cash flows and a reduction in finance costs. However, the operating cycle increased to 216 days in 6MFY26, reflecting relatively higher inventory levels compared to FY25. Going forward, margin improvement will be important to maintaining adequate coverage levels and supporting the ratings.

REGULATORY DISCLOSURES **Appendix II**

Name of Rated Entity	Zaman Textile Mills (Pvt) Limited				
Sector	Textile				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	RATING TYPE: ENTITY				
	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	06-05-2026	A-	A2	Stable	Reaffirmed
	12-03-2025	A-	A2	Stable	Reaffirmed
	14-03-2024	A-	A2	Stable	Reaffirmed
	07-03-2023	A-	A2	Stable	Reaffirmed
	08-03-2022	A-	A2	Stable	Reaffirmed
	25-01-2021	A-	A2	Stable	Maintained
	24-04-2020	A-	A2	RW- Dev	Maintained
	29-11-2019	A-	A2	Stable	Reaffirmed
22-11-2018	A-	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 Meeting Conducted	S.No.	Name	Designation	Date	
	1	Mr. Shakeel Dhanani	Chief Financial Officer	15 th April 2026	
	2	Ahmed Altaf	DM Finance		