

JK SPINNING MILLS LIMITED

Chief Executive: Mr. Faiq Jawed

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	July 31, 2025		August 08, 2024	

APPLICABLE METHODOLOGY(IES):

VIS Entity Rating Criteria
Methodology – Corporate
Rating

(<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>)

Rating Scale:

(<https://docs.vis.com.pk/docs/VISRatingScales.pdf>)

RATING RATIONALE

The ratings have been maintained at 'A-'/ 'A1' with a Stable Outlook, reflecting the Company's vertically integrated operations encompassing spinning, weaving and other related activities, consistent topline growth and adequate capacity utilization. The assigned ratings also draw support from a conservative capital structure, sufficient liquidity buffers, consistent debt servicing capacity and an export-oriented sales strategy. While gross profitability has historically remained stable, margin pressures persisted due to elevated finance costs, increased distribution expenses, and disruptions in raw material procurement and international logistics.

Going forward, the ratings will remain sensitive to the Company's ability to enhance profitability, improve debt coverage metrics, and maintain a conservative capital structure. Net profitability is expected to benefit from declining finance costs amid monetary easing and further cost efficiencies from a planned 7 MW solar project in FY26.

Rs. Million	FY23A	FY24A	9MFY25M
Net Sales	36,128.69	41,816.40	33,095.59
Profit Before Tax	1,962.14	1,641.45	925.58
Profit After Tax	1,820.09	1,006.52	409.99
Paid up Capital	1,023.18	1,023.18	1,023.18
Equity (excl. Revaluation Surplus)	11,891.05	12,897.57	13,307.55
Total Debt	11,911.84	13,462.09	11,961.13
Leverage (x)	1.26	1.32	1.18
Gearing (x)	1.00	1.04	0.90
Funds From Operations (FFO)	2,189.23	2,082.86	1,078.20
FFO/Total Debt (x)	18.38%	15.47%	12.02%
Net Margin (%)	5.04%	2.41%	1.24%

*Annualized,

if required

A - Actual

Accounts

M -

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COMPANY PROFILE

J.K Spinning Mills Limited ('JKSM' or 'the Company'), is involved in the production of fine yarn, fabric and home textile made ups for over three decades with operation divisions including spinning, weaving & other related activities. The head office and the factory premises are situated in Faisalabad.

GROUP PROFILE

The Company is a part of the J.K Group ("the Group"). In 2011, the operations of two textile mills were consolidated into JKSM. Apart from JKSM, the Group currently owns four other companies: J.K Power Limited, J.K Agriculture Farms (Private) Limited, Fine Fabrics (Private) Limited, and J.K Tech (Private) Limited.

GOVERNANCE

JKSM is a family-owned company, with majority shareholding concentrated among key members of the sponsoring family. Following the demise of the former Chairman, Mr. Jawed Anwar who held 33.31% of shares, last year, Ms. Nageen Faiq was appointed as Chairperson of the Board. The transfer of the inherited shareholding is in process. Mr. Faiq Jawed, the Chief Executive Officer, currently holds a 24.24% stake, while Mr. Shaiq Jawed and Mrs. Farhat Jehan hold 19.00% and 12.94%, respectively. The governance framework reflects a closely held ownership structure with overlapping roles between executive management and board leadership.

INDUSTRY PROFILE & BUSINESS RISK

Pakistan's textile sector carries a moderate to high business risk profile, shaped by inherent economic cyclicity, fierce international competition, and longstanding structural challenges. The industry is highly exposed to shifts in global and domestic demand, making it particularly vulnerable to broader macroeconomic fluctuations. In FY24, cotton production saw a significant 79% increase over FY23—though largely due to a low base effect—yet output dropped by 59.4% year-on-year by October 2024, totaling just 2.04 million bales. For FY25, the USDA projects production at 5.55 million bales; however, this estimate is contingent on overcoming key constraints such as reduced cultivation area, soaring input and energy costs, and adverse weather conditions like heatwaves, floods, and pest infestations, which continue to limit yield potential.

Despite these agricultural challenges, the sector's export performance in 3QFY25 showed resilience, with growth primarily driven by the value-added segment. Nonetheless, domestic shortfalls in cotton production have necessitated increased reliance on imported cotton, exposing manufacturers to international price swings and currency volatility. The profitability of textile exporters remains sensitive to inflationary pressures, exchange rate fluctuations, and ongoing energy cost escalation.

A significant cost challenge stems from the government's decision—under IMF reform commitments—to raise gas prices for captive power plants by 23% from

March 2025, with rates expected to reach PKR 6,000/MMBTU by August 2026. This, along with the transition from the Final Tax Regime (FTR) to the Normal Tax Regime (NTR), is likely to exert additional pressure on manufacturers' margins. Rising input costs, policy shifts, and energy-related uncertainties continue to create a difficult operating environment for the sector, impacting competitiveness and financial sustainability. However, the decline in policy rates is expected to provide support to the financial metrics of the industry.

Product Profile & Capacity

The Company's overall capacity utilization levels are primarily influenced by international demand for its value-added products. Approximately 90% of the output from the weaving segment is exported, rendering its utilization sensitive to global market conditions. Utilization in the yarn segment is influenced by both internal demand, linked to downstream requirements, and domestic market dynamics, as a portion of production is sold locally.

In FY23, subdued demand in both local and international markets contributed to lower utilization levels across the yarn and weaving segments. In FY24, local demand for yarn remained subdued, following the withdrawal of the Export Facilitation Scheme (EFS), which resulted in a shift by indirect exporters toward imported yarn that is exempt from duties and sales tax. In comparison, domestically produced yarn continues to be subject to an 18% sales tax. Nonetheless, a partial recovery in international demand for value-added products contributed to a recovery in overall production volumes during FY24.

Production Capacity and Utilization (in Mn)	FY23	FY24
Spinning		
Installed Capacity after conversion 20/s count (Kgs)	64.25	64.44
Actual Production after conversion 20/s count (Kgs)	42.10	47.91
Weaving		
Installed Capacity after conversion 50/ picks (Sq. Mtr)	20.98	20.98
Actual Production after conversion 50/ picks (Sq. Mtr)	17.33	17.88
Utilization (%)		
For Spinning Unit	65.52%	74.34%
For Weaving Unit	82.60%	85.22%
Fabric & Home Textile		
The Plant capacity of the unit is indeterminable.		

FINANCIAL RISK

Capital Structure

In FY24, the Company's total debt increased, primarily due to a rise in short-term borrowings to finance higher inventory levels. The inventory buildup was largely driven by the accumulation of imported yarn, resulting from irregular freight schedules amid the ongoing Middle East crisis leading to higher deliveries near the year end. Additional strain on working capital emerged from currency depreciation

to an average PKR 283.26/USD (FY23: PKR 248/USD) in FY24 which heightened raw material costs. Consequently, gearing and leverage ratios rose to 1.04x and 1.32x, respectively (FY23: 1.00x and 1.26x). By 9MFY25, these indicators had moderated to 0.90x and 1.18x, supported by debt repayments and working capital adjustments, as the management moderated its debt utilization by leveraging its relationship with suppliers reflected in an increased payable cycle of 19 days (FY24: 8 days).

Profitability

The Company's revenue profile has remained supported by export sales, which constituted approximately 50% of gross sales. The depreciation of the Pakistani Rupee (PKR) continued to contribute to topline performance by increasing the rupee-denominated value of export proceeds. Over recent years, revenue has reflected a compounded annual growth rate (CAGR) of 23%, attributable in part to this currency movement as well as production expansion between FY22 and FY23. In FY24, revenue recorded a growth of approximately 16% (FY23: 18%), primarily driven by this component as well as incremental volumetric gains from export markets with improving international demand dynamics.

Gross margin also reflected support from currency depreciation, resulting in improved levels in recent periods. For FY24, gross margin was recorded at 13.49% (FY23: 13.25%). However, in 9MFY25, gross margin declined to 10.57%, attributable to currency stability and elevated manufacturing costs. The increase in input costs stemmed from higher utility tariffs, rising processing and conversion charges, and higher material procurement costs due to higher freight charges due to logistical challenges associated with regional supply chain disruptions, particularly in the Red Sea.

Despite stable gross margin in FY24, net profitability declined due to elevated finance costs arising from increased debt utilization in a high-interest rate environment. Net margin was reported at 2.41% in FY24 (FY23: 5.04%). In 9MFY25, although gross margin contracted by 2.92%, the impact on net margin was comparatively contained, with a decline of 1.17%, resulting in a net margin of 1.27%, as both interest rates and debt levels moderated during the period.

Going forward, profitability is projected to improve, supported by operational efficiency gains from the installation of a yarn waste recovery unit. Additionally, the Company has expanded its renewable energy generation through the commissioning of a 3 MWh solar power system, supplementing the existing 4 MW capacity. A further 7 MW solar plant is planned for FY26, which is expected to contribute to long-term cost rationalization. Moreover, a projected decline in finance costs, aligned with an anticipated easing in policy rates, is expected to provide further support to the Company's bottom line.

Debt Coverage & Liquidity

During FY24, the Company's debt servicing capacity was affected by higher financial burden stemming from increased debt utilization and elevated interest

rates. This was reflected in a Debt Service Coverage Ratio (DSCR) of 1.36x (FY23: 1.52x), this trend further continued to 1.27x in 9MFY25 due to reduced operational profitability, despite a decline in the policy rate. Nonetheless, coverage metrics remain commensurate with the assigned ratings. Going forward we expect recovery in the coverage metrics to historic levels supported by improvement in profitability.

The liquidity profile, as measured by the current ratio, has historically remained healthy with a five-year average of 1.53x. In FY24, the current ratio stood at 1.37x (FY23: 1.37x), and showed marginal improvement to 1.42x in 9MFY25, moving closer to the historical average.

Financial Summary			
Balance Sheet (PKR Millions)	FY23A	FY24A	9MFY25M
Property, plant and equipment	11,664.61	11,290.88	10,898.85
Right-of-use Assets	73.88	59.10	50.24
Stock-in-trade	8,489.01	10,674.03	11,603.95
Trade debts	4,009.76	4,293.69	3,709.86
Short-term Investments	21.76	21.61	567.05
Cash & Bank Balances	372.24	618.66	415.76
Other Assets	2,882.33	3,607.06	2,362.11
Total Assets	27,513.59	30,565.03	29,607.82
Creditors	533.76	1,003.25	3,156.10
Long-term Debt (incl. current portion)	4,051.12	3,698.82	3,239.05
Short-Term Borrowings	7,860.72	9,763.27	8,722.08
Total Debt	11,911.84	13,462.09	11,961.13
Other Liabilities	2,579.50	2,604.70	585.62
Total Liabilities	15,025.10	17,070.04	15,702.85
Paid up Capital	1,023.18	1,023.18	1,023.18
Revenue Reserve	10,517.33	11,523.85	11,933.83
Other Equity (excl. Revaluation Surplus)	350.54	350.54	350.54
Equity (excl. Revaluation Surplus)	11,891.05	12,897.57	13,307.55
Income Statement (PKR Millions)	FY23A	FY24A	9MFY25M
Net Sales	36,128.69	41,816.40	33,095.59
Gross Profit	4,786.30	5,642.05	3,498.42
Operating Profit	2,918.12	4,048.69	2,419.15
Finance Costs	955.98	2,407.24	1,493.57
Profit Before Tax	1,962.14	1,641.45	925.58
Profit After Tax	1,820.09	1,006.52	409.99
Ratio Analysis	FY23A	FY24A	9MFY25M
Gross Margin (%)	13.25%	13.49%	10.57%
Operating Margin (%)	8.08%	9.68%	7.31%
Net Margin (%)	5.04%	2.41%	1.24%
Funds from Operation (FFO) (PKR Millions)	2,189.23	2,082.86	1,078.20
FFO to Total Debt* (%)	18.38%	15.47%	12.02%
FFO to Long Term Debt* (%)	54.04%	56.31%	44.38%
Gearing (x)	1.00	1.04	0.90
Leverage (x)	1.26	1.32	1.18
Debt Servicing Coverage Ratio* (x)	1.52	1.36	1.23
Current Ratio (x)	1.37	1.37	1.42
(Stock in trade + trade debts) / STD (x)	1.63	1.57	1.80
Return on Average Assets* (%)	7.79%	3.47%	1.82%
Return on Average Equity* (%)	16.42%	8.12%	4.17%
Cash Conversion Cycle (days)	119.98	125.16	116.89

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	J.K Spinning 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/Watch	Rating Action
	31-July-25	A-	A1	Stable	Reaffirmed
	08-Aug-24	A-	A1	Stable	Reaffirmed
	22-May-23	A-	A1	Stable	Maintained
	26-April-22	A-	A1	Positive	Maintained
	28-April-21	A-	A1	Stable	Maintained
	24-April-20	A-	A1	Rating Watch-developing	Maintained
	28-March-19	A-	A1	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 Meeting Conducted	Name		Designation		Date
	Ghulam Muhammad		Director		8 th July, 2025
	Nadeem Abbas		CFO		