VIS
Credit Rating Company Limited

JK SPINNING MILLS LIMITED

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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	August 21, 2026		July 31, 2025	

Shareholding (5% or More)	Other Information
Faiq Jawed – 31.47%	Incorporated in 1987
Shaiq Jawed – 29.56%	Public Listed Company
Farhat Jehan -11.82%	Chief Executive: Mr. Faiq Jawed
Sadaf Aamir Arshad – 11.82%	External Auditor: Riaz Ahmad & Company Chartered Accountants
Sadia Irfan – 11.82%	

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

J.K Spinning Mills Ltd is part of the JK Group, an established business group with a diversified presence across the textile, food, and technology sectors. The assigned ratings reflect Company's vertically integrated operations spanning spinning, weaving, processing, and made-ups, with healthy capacity utilization levels across segments. The ratings also draw support from an increasingly export-oriented sales mix, improved customer diversification, moderate capitalization, adequate liquidity, and satisfactory debt servicing capacity.

The Company's profitability has shown recovery during FY26, supported by improved gross margins arising from a favorable sales mix and cost efficiencies, while the bottom line benefited from lower finance costs. Ongoing BMR, higher in-house utilization of spinning capacity, and expansion of solar power capacity are expected to further enhance operational and cost efficiencies.

Going forward, the ratings will remain sensitive to the Company's ability to sustain the improvement in profitability and maintain a moderate capitalization profile in the amidst planned debt-funded capex.

Company Profile

J.K Spinning Mills Limited ('JKSM' or 'the Company') is a public listed company, engaged in the business of textile manufacturing with operations spanning spinning, weaving, processing, stitching, and the buying and selling of yarn, fabrics, and other textile products. The Company produces fine-count yarn of up to 80 counts, enabling it to remain competitive in the local market. JKSM's head office and manufacturing facilities are located in Faisalabad.

Group Profile:

The Company is part of J.K Group ('the Group') which has undergone several restructuring efforts over the years. In 2011, the operations of two textile mills were consolidated into JKSM. Apart from JKSM, the Group currently owns four other companies namely J.K Power Limited, J.K Agriculture Farms (Pvt) Limited, Fine Fabrics (Pvt) Limited, and J.K Tech (Pvt) Limited.

Management and Governance

CHAIRMAN/CEO PROFILE

Farhat Jehan has been appointed the Chairperson as of FY25 following demise of the former Chairman, Jawed Anwar. Farhat Jehan is a seasoned professional and was previously part of the board as a non-executive director.

Faiq Jawed serves as the CEO of the Company and has over three decades of experience in the spinning industry. He has also served as the Vice Chairman of Faisalabad Chamber of Commerce and Chairman of Pakistan Textile Export Association.

BOARD & SENIOR MANAGEMENT

JKSM is a family-owned company, with majority shareholding concentrated among key members of the sponsoring family. Accordingly, the Board of Directors also comprises representatives of the sponsoring family who are seasoned professionals with extensive industry experience. The Board consists of seven directors, including two independent directors, three non-executive directors, and two executive directors, including the CEO, Faiq Jawed, and COO, Shaiq Jawed. The Board comprises four male and three female directors, providing diverse representation. The Board is supported by five committees, namely the Audit Committee, HR & Remuneration Committee, Nomination Committee, Risk Management Committee, and Sustainability Committee.

The financial accounts of the Company are audited by 'Riaz Ahmad & Company Chartered Accountants' who appear in the category A of SBP list of Auditors. The auditor has issued an unqualified opinion on FY25 accounts and has highlighted inventory existence and valuation, revenue recognition and capital expenditure as key audit matters.

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. 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's overall capacity and production levels remained stable during the review period, with utilization maintained at healthy levels of around 85%. The Company continues to undertake routine balancing, modernization and replacement (BMR) of machinery to maintain production quality, particularly in the spinning segment. Accordingly, capital expenditure stood at PKR 1.6bn during FY25 (FY24: PKR 770mn) and PKR 869mn during 9MFY26. Currently, around 25% of the Company's spinning capacity is utilized for in-house consumption, providing greater vertical integration.

Production Capacity and Utilization (in Mn)	FY23	FY24	FY25	9MFY26
Spinning				
Installed Capacity after conversion 20/s count (Kgs)	64.25	64.44	64.04	48.30
Actual Production after conversion 20/s count (Kgs)	42.1	47.91	47.61	36.23
Weaving				
Installed Capacity after conversion 50/ picks (Sq. Mtr)	20.98	20.98	20.99	15.74
Actual Production after conversion 50/ picks (Sq. Mtr)	17.33	17.88	17.84	13.38
Utilization (%)				
For Spinning Unit	65.5%	74.3%	74.3%	75.0%
For Weaving Unit	82.6%	85.2%	85.0%	85.0%
Fabric & Home Textile				
The Plant capacity of the unit is indeterminable.				

The Company is also investing in renewable solar power to improve energy efficiency and reduce power costs. Solar capacity has been expanded to over 15MW through the addition of 8MW during FY26, completed as of August 2026. The increased solar capacity is expected to cater to around 17.5% of the Company's total power requirements of approximately 18MW. The remaining power requirements are met through a diversified mix comprising 21MW gas-based generation, an 18MW grid connection, and 1MW diesel generators.

PROFITABILITY

During FY25 revenue increased marginally to PKR 42.8bn (FY24: PKR 41.8bn), despite sluggish demand conditions. The topline was supported by higher export sales, which rose to 55% of total sales (FY24: 52%). Export sales primarily comprise fabric and made-ups, including bedsheets and pillow covers. Company's key export markets include UK (FY25: 31%, FY24: 28%), USA (FY25: 18%, FY24: 18%) and France (FY25: 14%, FY24: 24%). Meanwhile, local sales which primarily comprise fine-count yarn, are made to established textile players. During FY25, the Company onboarded additional customers, resulting in improved customer diversification, with top 10 clients accounting for only 8.5% of total sales (FY24: 15%).

Sales Break up	FY23	FY24	FY25	9MFY26
Export Sales	52%	52%	55%	62%
Local Sales	48%	48%	45%	38%
Product Wise Sales				
Yarn	43%	45%	42%	36%
Fabric	12%	13%	11%	13%
Made ups	43%	39%	44%	50%
Processing income	0%	0%	0%	0%
Waste	2%	2%	2%	1%

Despite relative stability in topline, gross margin declined to 10.9% in FY25 (FY24: 13.5%), primarily due to higher raw material costs and persistent inflationary pressures, coupled with the absence of exchange rate gains amid relatively stable currency during the period. Finance cost declined by 25% on account of lower interest rates, however, profitability remained constrained, with PBT margin declining to 2.7% (FY24: 3.9%). Net margin further moderated to 1.2% (FY24: 2.4%), due to a higher effective tax rate.

During 9MFY26, operating performance improved, with revenue reaching PKR 33.3bn, while full-year revenue subsequently increased to PKR 43.7bn, supported by increasing portion of exports to 62% of total sales. Gross margin improved to 12%, supporting a recovery in bottom-line profitability, with net margin increasing to 3.2%. Going forward, profitability is expected to benefit from the expanded solar capacity, higher in-house utilization of spinning capacity, and the acquisition of additional processing machinery, which is expected to reduce reliance on outsourced processing and associated costs.

Financial Risk

CAPITAL STRUCTURE

The Company maintains a moderate capitalization profile, with gearing and leverage ratios standing at 0.99x and 1.24x, respectively, as of 9MFY26 (FY25: 1.03x and 1.34x; FY24: 1.04x and 1.32x). The improvement in capitalization indicators was recorded despite a moderate increase in debt utilization, with total borrowings standing at PKR 14.4bn (FY25: PKR 13.8bn). Approximately 26% of total borrowings comprise long-term debt, acquired to finance the ongoing BMR.

Going forward, the management expects a capex of around PKR 1–2bn, to be funded through debt, for the acquisition of additional processing equipment, including automated flat-sheet hemming units and bleaching machines. Nevertheless, the capitalization profile is expected to remain broadly stable, supported by improving profitability and the resultant strengthening in equity.

DEBT COVERAGE & LIQUIDITY

JKSM maintains an adequate liquidity profile, with a current ratio of 1.4x and a stable working capital cycle of around 115 days. FFO declined by 40% to PKR 1.2bn in FY25 (FY24: PKR 2.0bn) due to weaker profitability, but recovered in 9MFY26 alongside improved margins.

While debt service coverages have weakened on a timeline basis due to increasing debt utilization it has remained at satisfactory levels with DSCR at 1.2x (FY24: 1.3x) in FY25 and 1.7x by 9MFY26. The short-term debt coverage ratio also remained healthy at 1.5x (FY25: 1.6x).

FINANCIAL SUMMARY *(amounts in PKR millions)* *Appendix I*

BALANCE SHEET	FY22 A	FY23 A	FY24 A	FY25 A	9MY26 M
Property, plant and equipment	7,171	11,665	11,291	11,741	11,743
Stock in trade	6,911	8,489	10,674	11,107	11,248
Trade debts	3,050	4,010	4,294	5,287	4,897
Short term Investments	987	22	22	649	788
Cash and bank balance	137	372	619	473	443
Total Assets	19,218	27,514	30,565	32,009	33,186
Trade and other payables	1,935	2,333	2,887	3,772	3,230
Long-term Debt (incl. current portion & lease)	2,074	4,051	3,699	4,024	3,788
Short-Term Borrowings	3,920	7,861	9,763	9,803	10,623
Total Debt	5,994	11,912	13,462	13,827	14,411
Total Liabilities	8,345	15,025	17,070	17,966	18,083
Paid up Capital	1,023	1,023	1,023	1,023	1,023
Unappropriated reserves	8,902	10,517	11,524	12,038	13,178
Surplus on revaluation of freehold land	597	597	597	632	551
Total Equity	**10,873**	**12,488**	**13,495**	**14,043**	**15,103**
Tier-1 Equity	**10,276**	**11,891**	**12,898**	**13,411**	**14,552**

INCOME STATEMENT	FY22 A	FY23 A	FY24 A	FY25 A	9MY26 M
Net Sales	27,333	36,129	41,816	42,838	33,329
Gross Profit	6,161	4,786	5,642	4,649	4,006
Operating Profit	4,460	2,918	4,049	2,956	2,873
Finance Costs	(372)	(956)	(2,407)	(1,800)	(1,045)
Profit Before Tax	4,088	1,962	1,641	1,156	1,828
Profit After Tax	3,662	1,820	1,007	515	1,063

RATIO ANALYSIS	FY22 A	FY23 A	FY24 A	FY25 A	9MY26 M
Gross Margin	22.5%	13.2%	13.5%	10.9%	12.0%
Operating Margin	16.3%	8.1%	9.7%	6.9%	8.6%
Net Margin	13.4%	5.0%	2.4%	1.2%	3.2%
Funds from Operation (FFO)*	4,424	2,139	2,083	1,234	1,988
FFO to Total Debt* (x)	0.74	0.18	0.15	0.09	0.18
FFO to Long Term Debt* (x)	2.13	0.53	0.56	0.31	0.70
Gearing (x)	0.58	1.00	1.04	1.03	0.99
Leverage (x)	0.81	1.26	1.32	1.34	1.24
Debt Servicing Coverage Ratio* (x)	5.11	1.49	1.36	1.20	1.71
Current Ratio (x)	1.82	1.37	1.37	1.36	1.41
(Stock in trade + trade debts) / STD (x)	2.54	1.59	1.53	1.67	1.52
Return on Average Assets*	22.1%	7.8%	3.5%	1.6%	4.3%
Return on Average Equity*	43.0%	16.4%	8.1%	3.9%	10.1%
Cash Conversion Cycle (days)*	127	112	116	115	115

*Annualized, if required

A - Actual 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**	**Outlook / Rating Watch**	**Rating Action**
	RATING TYPE: ENTITY				
	21-August-2026	A-	A1	Stable	Reaffirmed
	31-July-2025	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
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. Khawaja Nadeem Abbas**	**CFO**	**30-July-26**	