VIS
Credit Rating Company Limited

FEROZE1888 MILLS LIMITED

Analyst:
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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	AA-	A1	AA-	A1
OUTLOOK/RATING WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	August 05, 2026		May 19, 2025	

Shareholding (5% or More)	Other Information
M/s. Grangeford USA Inc - 9.81%	Incorporated in 1972
M/s. Liberty Mills Limited - 9.21%	Public Listed Company
M/s. Liberty Power Tech Limited - 9.36%	Chief Executive: Mr. Rehan Rahman
Mr. Shabbir Ahmed - 15.04%	External Auditor: Grant Thornton Anjum Rahman, Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

Rating Scale

https://vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

The assigned ratings are underpinned by Feroze1888 Mills Limited's ('FML' or 'the Company') established market position as one of Pakistan's leading vertically integrated value-added home textile exporters, supported by an operating history spanning over five decades, experienced management, longstanding relationships with globally recognized customers and a diversified manufacturing setup. The ratings also draw comfort from the Company's continued investment in operational efficiency and cost optimization through renewable energy projects and technological upgradation.

The ratings incorporate the challenging operating environment faced by the textile sector during FY25, characterized by subdued global demand, pricing pressures and elevated energy costs, which resulted in lower sales and compressed margins. However, sales demonstrated recovery during 9MFY26, while profitability also exhibited modest improvement, supported by higher sales, lower finance costs, management's cost control initiatives and continued efforts to diversify and expand the customer base.

The ratings also consider the Company's manageable capitalization profile, despite some increase in leverage owing to higher working capital requirements. Debt coverage indicators weakened during FY25 in line with lower cash flow generation; however, these metrics have shown improvement during 9MFY26, supported by recovery in operating performance and lower finance costs. A meaningful proportion of the Company's borrowings continues to comprise concessionary financing facilities, providing support to its funding profile.

Going forward, the ratings remain dependent on the Company's ability to sustain the recovery in operating performance, improve profitability and strengthen debt coverage metrics while maintaining capitalization indicators at manageable levels.

Company Profile

Feroze1888 Mills Limited ('FML' or 'the Company') is a Pakistan-based, vertically integrated textile manufacturer and exporter incorporated in 1972 and listed on the Pakistan Stock Exchange. The Company operates across the entire textile value chain—from spinning, weaving, dyeing, processing, and stitching to packaging—and is one of the country's leading producers of specialized yarn and home textile products. Its product portfolio comprises terry and non-terry items including bath towels, bathrobes, kitchen towels, beach towels, blankets, and healthcare textiles, serving the home, hospitality, and healthcare sectors. Through its strategic association with 1888 Mills, Feroze1888 has established a strong presence in international markets, particularly the United States, the United Kingdom, and Europe, with exports accounting for the majority of its revenue. Headquartered in Karachi, the Company is recognized for its large-scale vertically integrated manufacturing facilities, sustainability initiatives, and focus on operational excellence, positioning it among Pakistan's leading value-added textile exporters.

Management and Governance

The Company's governance framework is overseen by an eleven-member Board of Directors consisting of one executive director, seven non-executive directors, and three independent directors, including two female directors. During FY25, the Board held five meetings, with directors demonstrating satisfactory attendance throughout the year. To strengthen governance and oversight, the Board functions through two dedicated committees: the Board Audit Committee and the Board Human Resource & Remuneration Committee.

The management team comprises experienced professionals, supported by a function-based organizational structure with clearly defined departmental responsibilities and reporting lines.

The Company's FY25 financial statements were audited by Grant Thornton Anjum Rahman, Chartered Accountants, a QCR-rated audit firm and an 'A' category firm on the State Bank of Pakistan's panel of auditors. The auditors issued an unqualified opinion on the Company's financial statements for FY25.

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 and salary expenses, tight liquidity and absence of rupee depreciation. Structurally, the sector tries to shift more towards 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. However, margins are expected to remain compressed amid elevated cost structures, intensified regional competition, the absence of notable rupee depreciation, and the shift toward the normal tax regime.

OPERATIONAL PERFORMANCE

Installed Capacity	FY22	FY23	FY24	FY25
Spinning (LBS)				
No. of Spindles installed	48,072	57,288	78,798	78,798
No. of Spindles Worked	48,072	57,288	78,792	74,903
No. of Rotars installed	2,116	3,312	3,312	3,312
No. of Rotars Worked	2,116	3,312	3,312	3,238
Installed Capacity – (lbs.)	75.4	76.1	98.8	98.8
Actual Production	67.4	67.6	89.7	94.06
Utilization	**89%**	**89%**	**91%**	**95%**
Weaving (Meter)				
No, of Looms installed	447	447	451	451
No. of Looms worked	402	414	432	412
Installed Capacity – (mtr)	177.7	177.7	177.7	177.7
Actual Production – (mtr)	142.5	148	169.8	156.4

Utilization – Looms	90%	93%	96%	91%
Utilization – Production	80%	83%	96%	88%

The Company's operational performance moderated during FY25, as reflected by lower utilization of spinning and weaving machinery. Working spindles and looms declined compared to FY24, indicating reduced production activity amid challenging market conditions.

PROFITABILITY

The Company's net sales declined by 5.2% YoY to Rs. 66.1b during FY25 (FY24: Rs. 69.8b), reversing the strong growth recorded in the preceding year. The decline was primarily attributable to lower export sales amid subdued demand in key export markets and continued pricing pressure in the global home textile industry. During 9MFY26, the Company's sales recovered, increasing by approximately 5.0% YoY, supported by management's continued efforts to expand its customer base and increase sales volumes.

Exports remained a major business accounting for approximately 97% of gross sales during FY25 (FY24: 97%). North America remained the Company's largest export destination, contributing around 71% of export revenue, followed by Europe at approximately 25%. Accordingly, the Company's operating performance remains closely linked to demand conditions in these markets. Customer concentration exhibited gradual improvement during the review period, with the contribution of the top two customers declining to 49% of export sales in FY25 (FY24: 52%), while the contribution from other customers increased to 21% (FY24: 17%). Nevertheless, customer concentration remains elevated, with top 1 (*Walmart)* accounting for 35% of export sales during FY25.

Profitability remained under pressure during FY25. Gross profit declined to Rs. 9.0b (FY24: Rs. 11.8b), resulting in gross margins contracting to 13.7% from 17.0%. The decline was primarily attributable to continued pricing pressure and the Company's inability to fully pass on higher manufacturing costs to customers amid intense regional competition. Margin pressures persisted during 9MFY26, with gross margins declining further to 11.3% (SPLY: 13.8%), mainly due to higher fuel and power costs, coupled with continued pricing pressure and the absence of any meaningful exchange rate depreciation to offset rising input costs.

Operating profit decreased to Rs. 3.7b during FY25 (FY24: Rs. 5.4b), translating into an operating margin of 5.6% (FY24: 7.7%). Lower distribution expenses, primarily due to reduced freight and related export expenses, together with higher other income, mainly supported by exchange gains, partially cushioned the decline in operating profitability. However, operating margins moderated further to 5.1% during 9MFY26 (SPLY: 6.1%) as continued margin compression outweighed these gains.

Finance costs declined to Rs. 3.1b during FY25 (FY24: Rs. 3.8b), primarily reflecting the lower interest rate environment, and reduced further on a year-on-year basis during 9MFY26, providing some support to earnings. Nevertheless, profit after tax declined sharply to Rs. 99m during FY25 (FY24: Rs. 574m), with net margins narrowing to 0.1% (FY24: 0.8%). During 9MFY26, net margins improved marginally to 0.2% (SPLY: 0.1%), supported by lower finance costs, although overall profitability remained subdued.

Financial Risk

CAPITAL STRUCTURE

The Company's equity base remained broadly stable at end-FY25, as modest profitability and the absence of dividend payouts resulted in limited movement in retained earnings. The debt profile continued to comprise a mix of concessionary long-term financing facilities and short-term working capital borrowings. All long-term borrowings, representing approximately 24% of total borrowings, comprised SBP-backed concessionary financing facilities, including the Long-Term Financing Facility (LTFF), Temporary Economic Refinance Facility (TERF) and Renewable Solar Financing Scheme. In addition, around 42% of short-term borrowings were availed under concessionary export refinance schemes, resulting in concessionary facilities accounting for approximately 56% of the Company's total borrowings at end-FY25. Long-term borrowings declined through scheduled repayments, whereas short-term borrowings increased to support higher working capital requirements arising from inventory build-up. Consequently, gearing and leverage increased to 1.05x (FY24: 0.97x) and 1.63x (FY24: 1.54x), respectively, and further to 1.17x and 1.74x at end-9MFY26. The same has considered manageable albeit remained above the average of same rating peers.

DEBT COVERAGE & LIQUIDITY

The Company's liquidity profile weakened during FY25, with the current ratio declining to 1.05x (FY24: 1.13x), reflecting increased reliance on short-term borrowings to finance higher working capital requirements. The additional borrowings were largely utilized to fund inventory build-up amid lower sales, resulting in only a marginal decline in the Inventory plus Receivables-to-Short-term Borrowings ratio to 1.5x (FY24: 1.6x). Consequently, the net operating cycle lengthened to 155 days (FY24: 139 days), primarily due to higher inventory days. During 9MFY26, liquidity indicators remained broadly stable, with the current ratio improving marginally to 1.06x, while the operating cycle shortened to 136 days as inventory levels moderated.

Coverage indicators weakened during FY25, in line with weaker cash flow generation. Funds from Operations (FFO) declined to Rs. 1.6b (FY24: Rs. 3.7b), reflecting reduced operating profitability despite lower finance costs. Consequently, DSCR weakened to 0.95x (FY24: 1.28x). During 9MFY26, debt coverage metrics improved on the back of higher sales, improved profitability and lower finance costs, with annualized DSCR recovering to 1.42x. Going forward, further improvement in debt coverage will remain important from the ratings perspective.

FINANCIAL SUMMARY (amounts in PKR millions) Appendix I

BALANCE SHEET	FY23 A	FY24 A	FY25 A	9MFY26 M
Property, Plant & Equipment	33,939	36,481	37,400	35,668
Stock in Trade	15,450	16,698	21,268	20,361
Trade Debts	14,389	15,967	14,298	14,576
Cash & Bank Balances	1,337	1,055	308	536
Total current assets	44,035	44,102	46,025	51,242
Total Assets	78,073	80,884	83,817	87,400
Trade Payables	5,420	7,863	7,891	12,198
Short Term Borrowings	15,900	20,736	24,290	29,838
Long-Term Borrowings	10,028	8,852	7,869	6,272
Deferred Liabilities	1,427	1,621	317	251
Total Liabilities	41,387	47,227	50,061	53,545
Issued, Subs, and Paid Up Capital	3,994	3,994	3,994	3,994
Equity	36,686	33,657	33,756	33,855
INCOME STATEMENT	FY23 A	FY24 A	FY25 A	9MFY26 M
Net Sales	57,051	69,757	66,111	49,682
Gross Profit	12,955	11,832	9,040	5,618
Operating Profit	11,768	5,384	3,700	2,555
Profit Before Tax	9,777	1,549	631	722
Profit After Tax	8,971	574	99	99
RATIO ANALYSIS	FY23 A	FY24 A	FY25 A	9MFY26 M
FFO	12,621	3,716	1,568	3,018
Gross Margin (%)	22.7%	17.0%	13.7%	11.3%
Net Margin (%)	15.7%	0.8%	0.1%	0.2%
Current Ratio	1.40	1.13	1.05	1.06
Receivable Days*	74	79	84	80
Inventory Days*	105	101	121	111
Payable Days*	22	42	50	55
Cash conversion cycle	157	139	155	136
FFO to Long-Term Debt*	1.26	0.42	0.20	0.48
FFO to Total Debt*	0.49	0.13	0.05	0.08
Debt Servicing Coverage Ratio (x)*	3.81	1.28	0.95	1.42
ROAA (%)*	12.8%	0.7%	0.1%	0.2%
ROAE (%)*	29.6%	1.8%	0.3%	0.4%
Gearing (x)	0.77	0.97	1.05	1.17
Leverage (x)	1.23	1.54	1.63	1.74
Inventory + Receivables/Short-term Borrowings	1.88	1.58	1.46	1.17

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Feroze1888 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		
08/05/2026	AA-	A1	Stable	Reaffirmed
05/19/2025	AA-	A1	Stable	Reaffirmed
02/27/2024	AA-	A1	Stable	Reaffirmed
01/13/2023	AA-	A1	Stable	Reaffirmed
01/07/2022	AA-	A1	Stable	Reaffirmed
12/07/2020	AA-	A1	Stable	Reaffirmed
11/13/2019	AA-	A1	Stable	Reaffirmed
11/12/2018	AA-	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 Meetings Conducted

Name	Designation	Date
Ms. Javeria Siddiqui	CFO	June 15, 2026