VIS
Credit Rating Company Limited

SHAHTAJ TEXTILE LIMITED

Analyst:
Abdul Ahad Jamsa
ahad.jamsa@vis.com.pk

M. Amin Hamdani
amin.hamdani@vis.com.pk

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	November 19, 2025		November 13, 2024	

Shareholding (5% or More)	Other Information
Shahtaj Sugar Mills Limited – 11.90%	Incorporated in 1990
Mrs. Amtul Bari Naeem – 8.85%	Public Limited Company (Listed)
Mr. M. Naeem – 6.86%	Chief Executive: Mr. M. Naeem
Mr. Muneer Nawaz – 6.12%	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

The ratings of Shahtaj Textile Limited ("STL" or "the Company") reflect its established operating history, strategic focus on value-added processing, and sufficient liquidity profile. The Company also benefits from the backing of the Shahnawaz Group. Stable relationships with key local customers, contributing around 43% of sales, have supported earnings stability despite lower sales volumes. The Company serves both domestic and export markets, with the domestic segment representing the majority of revenue. Exports account for approximately 15% of sales, primarily destined for Italy and Turkey.

Profitability improved during the review period, driven by cost efficiencies, controlled operating expenses, and lower finance costs following partial debt repayments along with lower applicable interest rates. The transition toward toll processing operations has strengthened margins and is expected to support sustainable earnings growth. Capitalization indicators improved owing to profit retention and reduced borrowings. Liquidity remains adequate, supported by steady operating cash flows, manageable working capital requirements, and satisfactory coverage of short-term obligations. Company's ability to maintain recent improvements in sales, sustain profitability, and ensure adequate liquidity and capitalization are important for maintain the ratings going forward.

Company Profile

Shahtaj Textile Limited (STL), was incorporated as a public limited company in January 1990 and commenced commercial production in January 1992. Listed on the Pakistan Stock Exchange, the Company operates with the sole purpose of manufacturing greige fabric and its marketing for both domestic and export markets. STL's production facilities near Lahore are equipped with modern high-speed Toyoda and Picanol air-jet looms of Japanese and Belgian origin. The corporate head office is located in Karachi, supported by liaison offices in Lahore.

Sponsor Profile

Shahnawaz Group is a diversified industrial group with presence in textiles, engineering, and trading. The Group owns Shahtaj Textile Limited. Its flagship company, Shahnawaz Limited, is the authorized dealers of Mercedes-Benz vehicles in Pakistan, offering sales, service, and after-sales support. The Group also has interests in engineering solutions, industrial equipment, and related trading activities.

Management and Governance

CEO Profile

Mr. Taqi Mohammad is the Chief Executive Officer (CEO) of Shahtaj Textile Limited and an accomplished professional with over three decades of experience in engineering and industrial management. He holds a Master's degree in Electrical Engineering from the United States and is a registered Professional Engineer (P.E.) with the Pakistan Engineering Council.

Board & Senior Management

The Board comprises ten members, including nine male and one female director, with a mix of executive, non-executive, and independent representation in accordance with the Listed Companies (Code of Corporate Governance) Regulations, 2019. It is supported by the Audit Committee and the Human Resource & Remuneration Committee, which oversee financial reporting, internal controls, and governance matters. The Board meets regularly to review performance, strategic direction, and regulatory compliance.

Industry Profile & Business Risk

Pakistan's textile sector continues to face structural pressures amid declining domestic cotton availability and elevated cost structures. Cotton production fell sharply to 5.5 million bales in FY25 (FY24: 8.4 million bales), driven by climate shocks, water shortages, and rising input costs, thereby increasing reliance on imports, which currently provide both cost and quality advantages. Textile exports, however, grew 7.9% YoY to USD 17.9 billion in FY25, supported by value-added segments, though profitability remained constrained by high energy tariffs and rising minimum wages. The recent reduction in US tariffs on Pakistani textiles offers some relief. The imposition of an 18% sales tax on imported cotton and yarn under the Export Facilitation Scheme is aimed at strengthening the local spinning industry. Nevertheless, refund delays under the scheme continue to strain exporter liquidity.

Export momentum carried into FY26, with textile shipments in July 2025 rising 32.1% YoY to USD 1.68 billion, driven by strong demand in the US retail market, carryover orders from June, and tariff disadvantages for competing suppliers. On the supply side, cotton production for FY26 is projected at 4.8 million bales, down 4% YoY, reflecting reduced cultivated area, weaker yields in Sindh, and significant flood-related damage in Punjab. Cotton consumption is expected to ease to 10.5 million bales, with rising cost pressures, while imports are projected at 5.6 million bales to bridge the supply gap. Looking ahead, the government's approval of hybrid seed imports is expected to support yield recovery over the medium term, offering partial mitigation against recurring structural challenges.

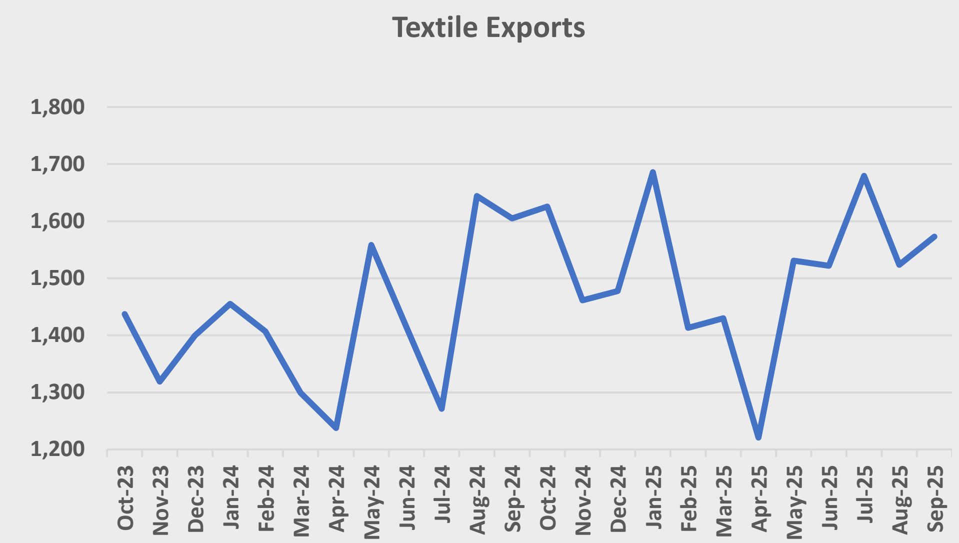

Figure 1: MoM Textile Exports (USD Million)

Operational Update

Capacity	FY21	FY22	FY23	FY24	FY25
Fabric Weaving Unit					
Number of looms installed	178	179	179	179	179
Number of looms worked	178	179	179	179	179
Plant capacity at 60 picks (sq. meters)	64.6	65.3	65.3	65.3	65.3
Production converted to 60 picks (sq. meters)	57.5	57.9	57.6	59.5	59.6
Capacity Utilization %	89.01%	88.67%	88.21%	91.12%	91.34%

In FY25, the Fabric Weaving Unit operated at a utilization rate of 91.34%, marginally higher than 91.12% in FY24, with 179 looms in operation. The Company continues to prioritize BMR initiatives, emphasizing the replacement of outdated looms with more efficient models while maintaining its current installed capacity. The Company commissioned a 1 MW solar power plant last year, while an additional 3.3 MW is expected to become operational in the second quarter of FY26, ensuring a more stable and cost-efficient power supply.

Sales Breakup

Sales Breakup			
(in Millions)	FY23	FY24	FY25
Domestic	6,493	6,629	5,634
Export	1,593	1,325	985
Total	**8,085**	**7,953**	**6,619**

Domestic sales remained the primary revenue driver, contributing the majority of total sales, though they declined to Rs. 5,634 million in FY25 from Rs. 6,629 million in FY24. Export sales exhibited a sharper decline over the period, falling to Rs. 985 million in FY25 from Rs. 1,593 million in FY23. Overall, total sales contracted steadily over the years, reflecting a decline in volumes and a strategic shift toward domestic processing operations.

Financial Risk

Capital Structure

The equity base (excluding revaluation surplus) increased to Rs. 1.7 bn at end-June 2025 (FY24: Rs. 1.58 bn), reflecting a 8% rise attributable to profit retention, while the Company maintained steady dividend distribution policy, declaring Rs. 62.79 mn in FY24 and Rs. 9.66 mn in FY25. Total interest-bearing liabilities declined to Rs. 1.13 bn at end-FY25 (FY24: Rs. 1.6 bn), primarily due to scheduled repayments of long-term borrowings, which reduced to Rs. 0.7 bn. Short-term borrowings also fell to Rs. 426 mn (FY24: Rs. 750 mn), reflecting lower working capital requirements as the Company's increasing focus on toll processing led to reduced inventory holdings. Consequently, gearing and leverage improved to 0.67x and 1.24x, respectively, at end-FY25 (FY24: 1.01x and 1.68x), supported by a leaner debt profile.

During 3MFY26, short-term borrowings increased to Rs. 668 mn to meet seasonal working capital needs, while long-term debt continued its downward trajectory with timely repayments. The equity base further strengthened through profit retention.

Profitability

Net sales declined to Rs. 6.62 bn in FY25, reflecting consecutive contractions of 4% and 17% in FY24 and FY25, respectively (FY23: Rs. 8.08 bn; FY24: Rs. 7.95 bn; FY25: Rs. 6.62 bn). The moderation in topline primarily stemmed from lower sales volumes, as the Company strategically redirected its focus toward processing operations, emphasizing value addition over volume expansion. The Company serves both domestic and export markets, with the domestic segment representing the majority of revenue and exports accounting for approximately 15% of sales, primarily destined for Italy and Turkey. Revenue concentration remains elevated, with the top ten clients contributing around 76% of total sales, while three local customers comprise 43%, indicating a moderate degree of customer concentration risk. Gross margin improved to 9.8% in FY25 (FY24: 8.5%), reflecting cost efficiencies and lower fixed-cost absorption despite a contraction in gross profit due to reduced volumes. Operating expenses remained contained at Rs. 302 mn for both FY24 and FY25, with distribution and administrative costs largely aligned with inflationary trends and export-related activity levels. Finance costs declined markedly to Rs. 189 mn in FY25 (FY24: Rs. 318 mn), supported by lower benchmark interest rates and partial debt repayment. Other income rose to Rs. 44 mn (FY24: Rs. 35 mn), cushioning the bottom line. Consequently, net margin improved to 1.7% in FY25 (FY24: 0.3%), driven by reduced financial leverage and ancillary income gains.

In 3MFY26, the Company reported sales of Rs. 1.66 bn and profit after tax of Rs. 57 mn, reflecting improved profitability driven by its shift toward processing operations, which is expected to enhance earnings stability and support sustainable growth going forward. For FY26, topline is expected to remain largely consistent with FY25, while profitability is projected to strengthen further, underpinned by the sustained improvement in operational margins.

Debt Coverage & Liquidity

Funds from Operations (FFO) increased in FY25, supported by higher profitability and lower finance costs. Concurrently, the decline in total debt from Rs. 7.0 bn at end-FY24 to Rs. 5.7 bn at end-FY25 improved FFO coverage ratios, reflecting enhanced debt-servicing capacity. The Debt Service Coverage Ratio, which had weakened to 1.01x in FY24, recovered to 1.38x in FY25, reflecting enhanced internal cash generation to meet debt obligations. Coverage of short-term borrowings through inventory and receivables increased to 4.48x in FY25, supported by elevated stock-in-trade levels and reduction in short term borrowings. The current ratio stood at 1.58x in FY25, indicating an adequate liquidity buffer against short-term obligations. The cash conversion cycle shortened slightly to 77 days in FY25 from 80 days in FY24, primarily due to stretching of payables. In 3MFY26, Shahtaj's FFO coverage ratios have further strengthened on the back of improved profitability, while liquidity remains at a moderate level, supported by stable cash flow generation and manageable debt servicing requirements.

FINANCIAL SUMMARY						(Rs. in millions)
BALANCE SHEET	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**3MFY26**
Property, plant and equipment	1,409	1,761	1,632	1,862	2,194	2,259
Stock-in-Trade	1,017	1,802	1,253	1,112	1,038	1,042
Trade Debts	648	997	1,082	1,067	873	1,003
Cash & Bank Balances	50	17	43	34	30	71
Total Assets	3,361	4,943	4,730	4,451	4,495	4,842
Trade Payables	338	690	561	563	433	854
Long Term Debt	658	1,053	952	856	713	704
Short Term Debt	298	913	820	750	426	668
Total Debt	956	1,966	1,772	1,605	1,139	1,373
Total Liabilities	1,777	3,177	2,942	2,658	2,125	2,415
Paid Up Capital	97	97	97	97	97	97
Total Equity	1,583	1,766	1,788	1,792	2,370	2,427
INCOME STATEMENT	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**3MFY26**
Net Sales	4,937	7,455	8,085	7,953	6,620	1,659
Gross Profit	550	733	641	673	648	195
Operating Profit	335	488	451	406	389	117
Finance Cost	47	86	214	318	189	39
Profit Before Tax	288	402	237	88	200	78
Profit After Tax	217	300	153	27	111	57
RATIO ANALYSIS	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**3MFY26**
Gross Margin (%)	11.1%	9.8%	7.9%	8.5%	9.8%	11.7%
Operating Margin (%)	6.8%	6.5%	5.6%	5.1%	5.9%	7.1%
Net Margin (%)	4.4%	4.0%	1.9%	0.3%	1.7%	3.5%
Funds from Operation (FFO)	376.8	493.8	363.6	146.8	234.3	109.6
FFO to Total Debt* (%)	39%	25%	21%	9%	21%	32%
FFO to Long Term Debt* (%)	57%	47%	38%	17%	33%	62%
Gearing (x)	0.72	1.27	1.11	1.01	0.67	0.77
Leverage (x)	1.34	2.05	1.85	1.68	1.24	1.36
Debt Servicing Coverage Ratio* (x)	3.15	3.08	1.89	1.01	1.38	1.88
Current Ratio (x)	1.83	1.55	1.61	1.39	1.58	1.47
(Stock in trade + trade debts) / STD (x)	5.58	3.07	2.85	2.91	4.48	3.06
Return on Average Assets* (%)	7.0%	7.2%	3.2%	0.6%	2.5%	4.9%
Return on Average Equity* (%)	17.6%	20.9%	9.8%	1.7%	6.7%	13.1%
Cash Conversion Cycle (days)	88.13	88.86	91.15	80.45	88.75	76.29

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Shahtaj Textile 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				
11/19/2025	A-	A2	Stable	Reaffirmed
11/13/2024	A-	A2	Stable	Reaffirmed
11/24/2023	A-	A2	Stable	Reaffirmed
11/23/2022	A-	A2	Stable	Reaffirmed
01/14/2022	A-	A2	Stable	Reaffirmed
12/29/2020	A-	A2	Stable	Reaffirmed
4/23/2020	A-	A2	Rating Watch Developing	Maintained
12/26/2019	A-	A2	Stable	Reaffirmed
01/18/2019	A-	A2	Stable	Reaffirmed

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.
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2025 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

Due Diligence Meeting Conducted

Name	Designation	Date
Amir Ahmed	CFO	30th October 2025
Wasim Rehman	FPFA Manager Accounts	