

## THE CRESCENT TEXTILE MILLS LIMITED

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	RATINGS CATEGORY	Latest Rating		Previous Rating	
		Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	A-	A2	A-	A2	
RATING OUTLOOK/WATCH	Stable		Negative		
RATING ACTION	Maintained		Reaffirmed		
RATING DATE	30-June-2026		21-May-2025		

Shareholding (5% or More)	Other Information
Ahmad Shafi - 22.69%	Established in 1950
Other Companies, Corporate Bodies, and Trust - 19.84%	Public Limited Company
General Public - 43.87%	Chief Executive Officer: Ahmad Shafi
	External Auditor: Riaz Ahmad and Company, Chartered Accountants

Applicable Rating Methodology
VIS Entity Rating Criteria Methodology - Corporates Ratings <a href="https://docs.vis.com.pk/docs/CorporateMethodology.pdf">https://docs.vis.com.pk/docs/CorporateMethodology.pdf</a>
Rating Scale
<a href="https://docs.vis.com.pk/docs/VISRatingScales.pdf">https://docs.vis.com.pk/docs/VISRatingScales.pdf</a>

Rating Rationale
<p>The assigned ratings incorporate The Crescent Textile Mills Limited's ('CTM' or 'the Company') established presence, vertically integrated operations and pressure from a volatile environment in textile sector. The ratings draw support from CTM's export-oriented operations, particularly in value-added home textile products catering mainly to European markets. The ratings further take into account the Company's ongoing investment towards renewable energy capacity expansion, which is expected to partially mitigate elevated energy costs, going forward. The ratings also derive support from the Company's portfolio of short-term investments and long-term quoted investments, which provide support to liquidity profile.</p> <p>The ratings, however, remain constrained by the challenging operating environment of the textile sector, characterized by demand-side pressures, elevated operating costs, and competitive pressures. The strategic shift towards targeting medium-to-high-end customers through comparatively value-added products, resulted in improvement in product realizations and profitability indicators even though sales volumes remained under pressure during FY25 amidst slowdown in export order flows and delayed customer business execution. Financial risk profile also remained constrained by leveraged capitalization indicators, amid elevated reliance on short-term borrowings. Debt coverage indicators, though remained lower than the minimum threshold, depicted some improvement during FY25 and 9MFY26 supported by recovery in profitability and lower finance</p>

costs. Current ratio and coverage of short-term borrowings from stock-in-trade and trade debts remained weak.

Going forward, the ratings remain sensitive to the Company's ability to sustain improvement in overall financial risk parameters amidst challenging operating environment and potential uptick in interest rates.

## Company Profile

The Crescent Textile Mills Limited ('the Company' or 'CTM') was incorporated in 1950 and converted into a public listed company in 1958. The Company operates as a vertically integrated textile manufacturer engaged in the production and sale of yarn, greige fabric, processed fabric, home textile products, and institutional garments. The registered office and manufacturing facilities of the Company are located in Faisalabad. CTM primarily caters to export markets, particularly Europe, while also maintaining a local sales presence.

## Management and Governance

CTM is led by a seven-member Board of Directors comprising two independent directors, three non-executive directors, and two executive directors, including one female director. Mr. Khalid Bashir serves as the Chairman of the Board, while Mr. Ahmad Shafi is the Chief Executive Officer of the Company. The Board is supported by various committees to assist in oversight and governance functions. During FY25, Mr. Khurram Mazhar Karim joined the Board in place of Mr. Imran Maqbool. The sponsor family remains actively involved in the strategic and operational affairs of the Company.

## Business Risk

### INDUSTRY

Pakistan's cotton sector remained under pressure during FY25, with area under cultivation declining by 15% YoY to 2.0mln hectares, while yield also reduced to 0.6 MT/ha (FY24: 0.7 MT/ha), resulting in a 30.7% YoY decline in cotton production. Cotton arrivals stood at approximately 7.1mln bales against the target of 10.8mln bales, mainly due to adverse weather conditions and pest infestations. Moreover, the imposition of 18% sales tax on locally procured cotton, compared to duty-free imported cotton, negatively impacted demand for domestic cotton during the earlier part of the season. Consequently, the shortfall in domestic production was largely met through imported cotton, with cotton imports increasing by around 234% YoY to fulfill industry requirements. For FY26, although the production target has been set at 10.2mln bales, actual production is estimated at around 6.85mln bales, as cultivation area remained approximately 11.5% below the targeted level.

Despite the challenging operating environment, Pakistan's textile exports grew by 7.4% YoY to USD 17.9bn during FY25, mainly supported by higher demand for value-added segments including knitwear, garments, bedwear, and towels from North American and European markets. In terms of volumes, knitwear, garments, and bedwear recorded mid-single-digit growth, whereas traditional segments including yarn and cotton cloth remained under pressure due to elevated domestic energy and manufacturing costs relative to regional peers. Furthermore, textile imports increased by around 54% YoY to USD 4.2bn during FY25, primarily due to higher raw cotton imports amid weak local cotton production. During 9MFY26, the export sector witnessed some slowdown, with textile exports declining by around 8% YoY, while cotton imports continued to rise by approximately 7% YoY. The sector also continued to face challenges relating to elevated energy tariffs, geopolitical uncertainties, weak global demand conditions, and increased competition from regional textile exporting countries.

## OPERATIONAL UPDATE

During FY25, spinning capacity remained unchanged; however, production levels declined amidst weak yarn demand, resulting in lower capacity utilization. Weaving production levels improved in line with management's efforts to enhance production of value-added products, which also drove higher capacity utilization of power plant. The detailed capacity utilization rates can be seen in the table below:

Segment	FY23	FY24	FY25
<b>Spinning (20s count)</b>			
Maximum Capacity	32,453	31,434	31,434
Actual Production	28,095	23,655	22,759
<b>Capacity Utilization</b>	<b>87%</b>	<b>75%</b>	<b>72%</b>
<b>Weaving (50 picks)</b>			
Maximum Capacity	40,932	66,248	81,794
Actual Production	31,771	52,724	60,924
<b>Capacity Utilization</b>	<b>78%</b>	<b>80%</b>	<b>74%</b>
<b>Power Plant (MWH)</b>			
Maximum Capacity	258	258	258
Actual Production	91	56	82
<b>Capacity Utilization</b>	<b>35%</b>	<b>22%</b>	<b>32%</b>

CTM's total power requirement currently stands at approximately 13MW. Previously, the Company operated around 3.5MW solar generation capacity, which is being expanded towards nearly 11MW, with approximately 5MW already energized during 4QFY26. The increase in renewable energy capacity is expected to improve operational efficiencies and provide some cushion against elevated grid and RLNG-based energy costs, going forward.

## SALES & PROFITABILITY

During FY25, net sales decreased by 20% to PKR 19.0b (FY24: PKR 23.8b) primarily due to lower export volumes amidst subdued export demand conditions, and slowdown in customer order flows. Export sales decreased notably during FY25 to PKR 10.2b (FY24: PKR 16.7b); however, local sales improved slightly to PKR 8.8b (FY24: 7.05b). The management highlighted that certain export customers were unable to execute previously committed business volumes, while weak economic conditions in Europe and regional disruptions also impacted demand.

Despite lower sales volumes, profitability indicators improved during FY25. Gross profit increased to PKR 1.7b (FY24: PKR 1.4b), while gross margins improved to 9.0% (FY24: 5.7%), supported by relatively better pricing and gradual transition towards higher value-added products. Operating profit also recovered to PKR 827m (FY24: operating loss of PKR 11m), supported by improvement in gross margins and lower operating expenses such as freight and shipment, duties and other charges, and commission to selling agents. The finance costs declined to PKR 1.2bn in FY25 (FY24: PKR 1.6bn) due to lower average interest rates. Subsequently, net losses reduced to PKR 287m during FY25 compared to net loss of PKR 1.75b in FY24.

During 9MFY26, the Company reported net sales of PKR 14.2b (9MFY25: PKR 14.3b) alongside net profit of PKR 24.2m (9MFY25: net loss of PKR 394m) driven by better margins and lower finance costs.

Going forward, management expects improvement in sales volumes and profitability indicators supported by improvement in export order flows and efficiencies from renewable energy initiatives. Achieving projected improvements in volumes, topline and profitability will remain critical for ratings.

## Financial Risk

### CAPITAL STRUCTURE

The Company's capitalization profile reflects increasing reliance on short-term working capital facilities. Total debt increased to PKR 9.75b at end-FY25 (end-FY24: PKR 8.83b) mainly due to higher working capital requirements. By end-9MFY26, debt levels stood at PKR 9.28b. Tier-1 equity improved to PKR 6.83b at end-FY25 (FY24: PKR 5.49b) mainly due to increase in fair value reserve of investments classified at FVTOCI, net of deferred tax, and increased further to PKR 7.15b with some profit retention in 9MFY26. Resultantly, net gearing and leverage improved slightly to 1.23x (end-FY24: 1.46x) and 1.98x (end-FY24: 2.28x), respectively, at end-FY25, and stood slightly lower at 1.15x and 1.83x, respectively, by end-9MFY26. Ratings remain sensitive to strengthening of leverage ratios, going forward.

### DEBT COVERAGE & LIQUIDITY

The debt coverage and liquidity profile of CTM depicted improvement, though indicators remained relatively subdued. Moreover, DSCR, though remained lower than the minimum threshold, improved to 0.74x (FY24: 0.07x) due lower losses and lower finance costs. During 9MFY26, debt servicing and coverage indicators improved further supported by some recovery in FFO (funds from operations). FFO to Total Debt and DSCR improved to 6.06% and 1.17x, respectively.

Liquidity finds support in portfolio of short-term investments, amounting to PKR 934.4m (end-FY25: PKR 1.1b, end-FY24: PKR 600.2m). However, trade debts and stock-in-trade provide partial coverage against short-term borrowings while current ratio remains low at 0.80x. Improvements in liquidity and coverages in line with the assigned ratings remain critical.

<b>Financial Summary</b>				
<b>Balance Sheet (PKR Millions)</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25A</b>	<b>9MFY26M</b>
Property, plant and equipment	10,897.70	11,296.00	10,709.60	10,640.00
Long-term Investments	3,277.90	3,472.70	4,876.70	5,347.30
Stock-in-trade	4,952.90	3,793.20	4,931.60	4,438.90
Trade debts	3,834.80	3,007.30	2,508.20	3,210.00
Cash & Bank Balances	181.4	205.9	214.2	151.6
Other Assets	1,717.00	1,514.20	1,745.50	1,199.60
<b>Total Assets</b>	<b>25,116.80</b>	<b>23,889.40</b>	<b>26,271.50</b>	<b>26,071.40</b>
Creditors	1,663.50	1,718.00	2,164.00	3,593.60
Long-term Debt (incl. current portion)	1,570.10	1,354.80	1,045.80	729.4
Short-Term Borrowings	7,248.10	7,472.70	8,704.40	8,555.40
<b>Total Debt</b>	<b>8,818.20</b>	<b>8,827.50</b>	<b>9,750.20</b>	<b>9,284.80</b>
Other Liabilities	2,138.10	1,950.40	1,620.60	165.4
<b>Total Liabilities</b>	<b>12,619.80</b>	<b>12,495.90</b>	<b>13,534.70</b>	<b>13,043.90</b>
Paid up Capital	1,000.00	1,000.00	1,000.00	1,000.00
Revenue Reserve	5,147.80	3,305.70	3,041.80	3,163.00
Fair value gain of investments in equity	421	1,183.80	2,791.20	2,982.80
Equity (excl. Revaluation Surplus)	6,568.80	5,489.60	6,833.00	7,145.80
<b>Income Statement (PKR Millions)</b>				
Net Sales	19,891.40	23,755.90	19,003.70	14,171.40
Gross Profit	2,665.30	1,360.90	1,704.10	1,548.50
Operating Profit	1,811.40	-11	826.8	820
Finance Costs	1,024.80	1,631.80	1,165.40	631
Profit Before Tax	786.6	-1,642.80	-338.7	189.1
Profit After Tax	560.8	-1,749.90	-287.4	24.2
<b>Ratio Analysis</b>				
Gross Margin (%)	13.40%	5.73%	8.97%	10.93%
Operating Margin (%)	9.11%	-0.05%	4.35%	5.79%
Net Margin (%)	2.82%	-7.37%	-1.51%	0.17%
Funds from Operation (FFO) (PKR Millions)	1,124.30	-1,492.30	-154.2	421.8
FFO to Total Debt* (%)	12.75%	-16.91%	-1.58%	6.06%
FFO to Long Term Debt* (%)	71.60%	-110.16%	-14.75%	77.10%
Gearing (x)	1.34	1.61	1.43	1.3
Net Gearing (x)	1.28	1.46	1.23	1.15
Leverage (x)	1.92	2.28	1.98	1.83
Debt Servicing Coverage Ratio* (x)	1.31	0.07	0.74	1.17
Current Ratio (x)	0.95	0.78	0.8	0.78
(Stock in trade + trade debts) / STD (x)	1.26	0.96	0.9	0.93
Return on Average Assets* (%)	2.37%	-7.14%	-1.15%	0.12%
Return on Average Equity* (%)	8.47%	-29.02%	-4.66%	0.46%
Cash Conversion Cycle (days)	143	96	104	94

\*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	The Crescent Textile Mills Limited				
Sector	Textile				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook/Watch</b>	<b>Rating Action</b>
	<b>RATING TYPE: ENTITY</b>				
	30-Jun-26	A-	A2	Stable	Maintained
	21-May-25	A-	A2	Negative	Reaffirmed
	27-Mar-24	A-	A2	Negative	Maintained
	16-Feb-23	A-	A2	Stable	Reaffirmed
31-Dec-21	A-	A2	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		<b>Name</b>	<b>Designation</b>	<b>Date</b>	
		Naveed Amjad	CFO	13-May-26	