VIS
Credit Rating Company Limited

Analyst:
Husnain Ali
husnain.ali@vis.com.pk

APPLICABLE METHODOLOGY(IES):
VIS Entity Rating Criteria Methodology –Corporates
(https://docs.vis.com.pk/docs/CorporateMethodology.pdf)

Rating Scale:
(https://docs.vis.com.pk/docs/VISRatingScales.pdf)

PKR. MILLION	FY23	FY24	9MFY25
Net Sales	7,818.2	10,379.7	7,335.1
PBT	367.0	319.1	209.0
PAT	284.0	212.0	112.4
Paid up capital	100.0	100.0	100.0
Equity (incl. surplus on PPE)	3,276.7	3,486.9	3,619.3
Total Debt	3,045.2	2,766.4	2,493.0
Debt Leverage	1.19	1.19	1.08
Gearing	0.93	0.79	0.69
FFO	401.6	318.4	235.7
FFO/Total Debt (x)*	13.2%	11.5%	12.6%
NP Margin (%)	3.6%	2.0%	1.5%

COMFORT KNITWEARS (PRIVATE) LIMITED

Chief Executive Officer: M. Asher Khurram

RATING DETAILS

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**		Stable	
RATING ACTION	**Reaffirmed**		Reaffirmed	
RATING DATE	**19-Sep-25**		5-Sep-24	

RATING RATIONALE

Ratings derive comfort from Comfort Knitwears (Private) Limited ("CKPL" or "the Company") being the flagship entity of the Comfort Group and the sponsors' extensive experience of over three decades in the textile sector. In FY24, CKPL recorded moderate growth in sales supported by favorable pricing trends, while topline performance remained relatively stable during 9MFY25. Despite industry-wide pressures, the Company has been able to sustain its operating margins in a rising input cost scenario, reflecting prudent cost management and product mix optimization. Net profitability, however, was constrained by elevated financial charges and higher taxation. Debt servicing and liquidity profile remains sound. Capitalization ratios improved modestly by end-9MFY25 on account of long-term debt repayments and profit retention. Going forward, management anticipates that the impact of potential increases in production costs, particularly due to cotton price volatility, will be mitigated by growth in higher-margin export products. Accordingly, profitability and debt coverage indicators are expected to remain stable in FY26. With no major expansion plans in the pipeline, the capitalization profile is also expected to remain intact. The Company's ability to maintain revenue momentum, preserve margins under a volatile cost environment, and keep leverage indicators within an acceptable range will remain important for ratings going forward.

COMPANY PROFILE

CKPL functions as a vertically integrated knitwear apparel facility. This integration includes spinning, knitting, dyeing, and stitching units, allowing for comprehensive control over the production process and quality. With an operational history spanning over 30 years, CKPL is engaged in the production of a diverse array of knitted garments. CKPL's production facilities are located in Lahore, supported by a workforce of over 2,979 employees (at end-FY23: 2,655) at end-FY24. CKPL is distinguished by the ISO and other internationally recognized certifications, highlighting its dedication to upholding high-quality standards. The Company is committed to environmental sustainability, actively implementing initiatives such as effluent treatment, air emission control, and solid waste management. To meet its average energy demand of approximately 6 MW, CKPL utilizes 4 MW from in-house solar power, while the rest met by a mix of gas generators, gas and coal-based boilers, and the national grid, with diesel generators as a backup. Plans are in place to further enhance solar energy to the power mix, going forward. The Comfort Group is mainly engaged in textiles, pharmaceuticals, and transportation business, with all companies being family-owned. The Company is entirely owned by the sponsoring family, who play an active role in the day-to-day management and operations. Pattern of shareholding is tabulated below:

Names	Shareholding
M. Asher Khurram (CEO)	35%
M. I. Khurram	25%
M. Imran Khurram	35%
Mrs. Irshad Begum	5%

In the textile sector, the group companies include Zulfiqar Knitting & Processing Mills (Pvt.) Limited, a vertically integrated knitwear manufacturing unit with a strong emphasis on exports; Asher Imran Spinning Mills (Pvt.) Limited, a subsidiary of CKPL, specializes in the production of cotton and blended specialty yarns; Comfort Yarn Dyeing and Surgical Cotton Mills (Pvt.) Ltd, which focuses on yarn dyeing and processing. In the pharmaceutical sector, the group operates Frontier Dextrose Limited, which specializes in the manufacturing and sale of intravenous solutions; and Curatech Pharma (Pvt.) Limited, engaged in the production and sale of antibiotics. These diversified ventures underscore the group's strategic focus on leveraging its expertise across various industries. Total group turnover is projected to reach PKR 26b (FY25: PKR 20b) in FY26.

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.

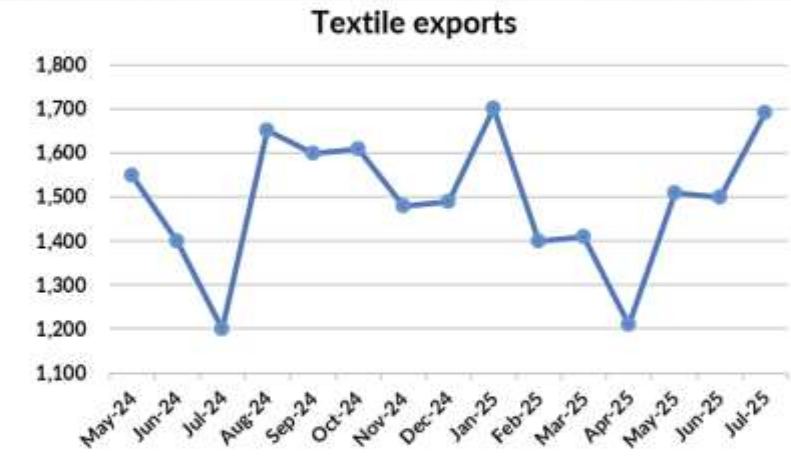

Figure: MoM textile exports (USD in m)
Source: PBS

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.

Product Profile and Capacity

CKPL operates three units focused on stitching and knitting, alongside facilities for spinning, yarn dyeing, and fabric dyeing, all located across three different sites within Lahore. The Company effectively leverages synergies with its affiliated group companies to optimize material procurement and meet processing requirements efficiently. Improvements to strategically align all segments are underway for alleviating cost pressures and reduce wastages. During FY25 the Company prioritized sales towards higher-margin products, leading to 76.1% uptick in average prices in PKR terms. Spinning production was consciously reduced by 30.1% from FY24 to lower exposure to less profitable customers. The Company almost exclusively uses in-house yarn for knitting and garment production, with only a minimal amount sourced from local suppliers.

(units in millions)	FY23	FY24	FY25
Spinning			
Number of Spindles Installed	25,368	25,368	25,368
Installed Capacity (Kgs)	9.6	9.6	9.6
Actual Production (Kgs)	5.2	7.3	5.1
Capacity Utilization	***54%***	***76%***	***53%***
Knitting			

Installed Capacity (Kgs)	1.1	1.1	1.1
Actual Production (Kgs)	1.0	0.9	1.0
Capacity Utilization	***91%***	***89%***	***90%***
Stitching			
Installed Capacity (Pieces)	6.0	6.0	6.0
Actual Production (Pieces)	4.2	3.2	3.5
Capacity Utilization	***70%***	***53%***	***58%***
Dyeing			
Installed Capacity (Kgs)	2.0	2.0	2.0
Actual Production (Kgs)	1.8	1.9	1.7
Capacity Utilization	***90%***	***95%***	***85%***

FINANCIAL RISK

Capital Structure

Capitalization ratios showed modest improvement. Tier-1 equity stood at PKR 3.6b (Jun'24: PKR 3.5b, Jun'23: PKR 3.3b) by end Mar'25, on the back of profit retention. Gearing improved to 0.68x (end-FY24: 0.79x, end-FY23: 0.93x) at end-9MFY25 on account of repayment of long-term borrowings. Also, leverage slightly improved to 1.08x (end-FY24, end-FY23: 1.19x) at end-9MFY25 due to lower total borrowings and growth in equity. Going forward short-term borrowings are expected to increase to support higher inventory levels and receivables, amid increase in sales. The management does not expect significant capital expenditure during the rating horizon suggesting capitalization indicators to remain intact.

Profitability

The Company's products include polos, T-shirts, and other knitwear for export mainly to Europe while some yarn production is also sold in the local markets. There was notable growth in net sales to PKR 10.4b (FY23: PKR 7.8b) in FY24 on the back of increased prices despite a decline in sales volumes. The Company's export sales dipped in FY24 on account of inflationary environment in Europe though there was notable increase in export sales in 9MFY25 amid improvement in demand and stability in exchange rates. Exports revenue improved by 2.8% in FY24 as higher prices offset 41.6% decline in sales volumes, with the Company focusing more on value-added garment. Local sales volumes also declined by 26.9%, however, notable hike in selling prices led to almost twofold increase in revenue from local customers in FY25. Topline stabilized and reached PKR 7.3b in 9MFY25. Exports led in terms of revenue, reflecting rebound in demand of exports-based value-added segment. Breakup of sales is as tabulated:

	FY23	FY24	9MFY25
Exports	69.6%	53.5%	70.7%
Local	30.4%	46.3%	29.3%
Net sales	**100.0%**	**100.0%**	**100.0%**

CKL's largest customer, in terms of revenue, is Inditex Group, a leading retail and clothing chain headquartered in Spain. Its contribution to net sales reached 44.7% (FY24: 28.7%, FY23 25.3%) in 9MFY25. Concentration risk is mitigated by established relationship of CKL with them for almost a decade. Gross margin lowered to 13.3% (FY24: 13.5%, FY23: 16.5%) in 9MFY25, given that the Company was unable to fully transfer elevated fuel and power costs onto customers. The management is engaged in optimizing production flow to mitigate impact of higher fuel costs and enhancing business with higher margin customers, particularly Inditex Group. Operating expenses decreased in the review period due to lower forwarding and related expenses and reduced exchange rate losses. Net profit saw contraction, falling to PKR 212m (FY23: PKR 284m) in FY24 and further to PKR 112.4m in 9MFY25, reflecting the combined impact of lower gross margin, elevated finance costs, and an increased income tax incidence. As a result, net margin declined to 1.5% (FY24: 2.0%, FY23 3.6%) in 9MFY25. The Company expects net sales to reach Rs. 11b and margins to remain stable in the ongoing year.

Debt Coverage & Liquidity

Though FFO (funds from operations) decreased to PKR 235.7m (FY24: PKR: 318.4m, FY23: PKR 401.6m) as a result of higher finance cost payment, DSCR (debt servicing coverage ratio) was largely stable at 1.47x (FY24: 1.37x, FY23: 1.62x) in 9MFY25. FFO to total debt coverage remained stable in the review period with expectation of no change in the ongoing year. Liquidity profile benefited from strong short-term debt coverage of 1.47x (FY24:1.5x; FY23: 1.3x) in 9MFY25. Moreover, current ratio inched up to 1.55x (end-FY24: 1.47x, end-FY23: 1.45x) at end-9MFY25 on account of decrease in short-term debt. Cash conversion cycle improved to 104 days (FY24: 114, FY23: 135) in 9MFY25, supported by higher days payable.

FINANCIAL SUMMARY					Appendix I
BALANCE SHEET (Rs. in millions)	**FY21**	**FY22**	**FY23**	**FY24**	**9MFY25**
Property, plant and equipment	1,422.0	1,451.2	1,398.0	1,346.2	1,286.7
Long term Investments	259.9	249.9	249.9	249.9	288.7
Stock-in-Trade	733.5	1,194.5	1,052.8	1,740.0	2,506.7
Trade Debts	653.1	1,177.2	1,344.9	2,056.9	1,210.6
Cash & Bank Balances	170.6	362.8	111.8	361.7	204.8
Total Assets	**4,643.7**	**6,343.3**	**7,168.2**	**7,625.8**	**7,532.9**
Trade and Other Payables	437.2	831.8	696.7	1,200.6	1,238.9
Long Term Debt (including current maturity)	397.7	204.7	80.6	33.8	-
Short Term Debt	1,409.2	2,147.1	2,964.6	2,732.5	2,476.2
Total Debt	**1,806.9**	**2,351.7**	**3,045.2**	**2,766.4**	**2,493.0**
Total Liabilities	**2,336.7**	**3,350.9**	**3,891.5**	**4,138.9**	**3,913.6**
Paid Up Capital	100.0	100.0	100.0	100.0	100.0
Total Equity	**2,307.0**	**2,992.4**	**3,276.7**	**3,486.9**	**3,619.3**
INCOME STATEMENT (Rs. in millions)	**FY21**	**FY22**	**FY23**	**FY24**	**9MFY25**
Net Sales	6,541.5	9,609.1	7,818.2	10,379.7	7,335.1
Gross Profit	799.2	1,609.1	1,287.8	1,399.1	978.5
Operating Profit	497.2	1,058.1	813.7	986.9	669.4
Finance Costs	193.6	219.3	429.8	684.5	479.2
Profit Before Tax	262.8	787.6	367.0	319.1	209.0
Profit After Tax	**188.0**	**685.7**	**284.0**	**212.0**	**112.4**
RATIO ANALYSIS	**FY21**	**FY22**	**FY23**	**FY24**	**9MFY25**
Gross Margin	12.2%	16.7%	16.5%	13.5%	13.3%
Net Margin	2.9%	7.1%	3.6%	2.0%	1.5%
Net Working Capital (Rs. in millions)	670.3	1,204.7	1,699.7	1,930.3	2,105.7
Trade debts/Sales*	10.0%	12.3%	17.2%	19.8%	16.5%
Current Ratio (x)	1.32	1.37	1.45	1.47	1.55
(Stock in Trade+Trade Debts)/STD	121%	136%	130%	150%	147%
Cash Conversion Cycle (days)*	82	70	135	114	104
FFO (Rs. in millions)	262.2	833.4	401.6	318.4	235.7
FFO to Total Debt*	15%	35%	13%	11%	13%
FFO to Long Term Debt*	66%	407%	498%	941%	-
Debt Servicing Coverage Ratio (x)*	1.18	2.97	1.62	1.37	1.44
Gearing (x)	0.78	0.79	0.93	0.79	0.68
Leverage (x)	1.01	1.12	1.19	1.19	1.08
ROAA*	4.2%	12.5%	4.2%	2.9%	2.0%
ROAE*	8.5%	25.9%	9.1%	6.3%	4.2%

Annualized*

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Comfort Knitwears (Private) Limited
Sector	Textile
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Type: Entity				
Rating Date	**Medium to Long Term**	**Short Term**	**Rating Outlook/Watch**	**Rating Action**
19-Sep-25	**A-**	**A2**	**Stable**	**Reaffirmed**
5-Sep-24	A-	A2	Stable	Reaffirmed
7-Jul-23	A-	A2	Stable	Reaffirmed
2-Jun-22	A-	A2	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.
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Due Diligence Meetings Conducted

S.No.	Name	Designation	Date
1	Saqib Naveed	Group CFO	10-Sep-2025
2	Azam Saeed	Senior Manager Finance	