

Analyst:

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RAJBY TEXTILES (PRIVATE) LIMITED**Chief Executive: Daniyal Saleem****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	September 25, 2025		September 3, 2024	

APPLICABLE**METHODOLOGY(IES):****VIS Entity Rating Criteria Methodology – Industrial Corporates:**
<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>
Rating Scale:
<https://docs.vis.com.pk/docs/VISRatingScales.pdf>
RATING RATIONALE

Ratings take into account sponsor profile of Rajby Textiles (Pvt.) Limited ('RTPL' or 'the Company'), one of the leading players in the textile sector. Assigned ratings reflect higher business risk encountered by textile exporters emanating from declining domestic cotton production, reliance on costly imports, and persistent high energy costs and new taxes, all having adverse impact on profit margins across the sector. Furthermore, the devastation of cotton crops caused by floods in recent months could further elevate supply chain and cost-side challenges for textile companies in Pakistan. RTPL has shown some resilience, with net sales notably increasing in FY25 on account of improvement in demand. However, gross margin declined as the Company was not able to fully transfer costs onto customers. Nevertheless, net profitability increased on the back of higher gross profit and other income amid lower finance costs. The management plans to venture into garments, this expansion will be financed through debt and equity. The capitalization indicators could therefore increase by end-FY26. Management anticipates that revenue and profitability will stabilize in FY26, on the back of consistent demand growth, though margins will remain suppressed by high energy costs, inflationary pressures, and supply-side costs from the floods. Improving margins, maintaining debt service and managing the impact of higher debt burden going forward, will be important from the ratings perspective.

COMPANY PROFILE

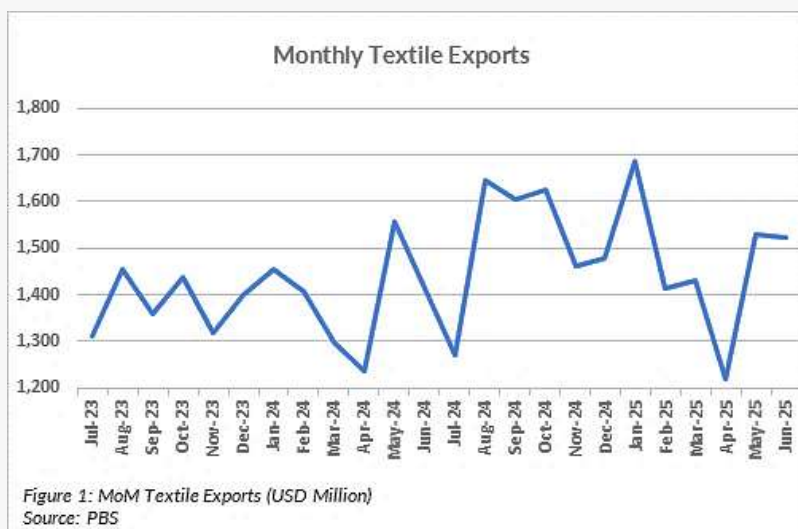
The Company specializes in denim fabric production, with operations including weaving and finishing. Production infrastructure is based in Karachi, supported by a workforce of 1,016 employees at end-FY24. Average energy demand of 5.2MW is met via gas-based generators and 1MW solar source. The Company has applied for a 4MW K-Electric connection and has signed an agreement of 1.25MW solar contract with Reon Energy to rationalize increasing power costs. The management

anticipates continuous power available for operations and marginal reduction in fuel and power cost amid favorable outcome from integration of K-Electric connection and higher solar power contribution.

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.

Product Profile & Capacity

Total capacity remained unchanged over the years, however, production levels increased notably on account of rebound in demand, emanating mainly from local customers. Actual production volumes increased by 38% in FY25 compared to FY24. Although management foresees that floods could pose challenges and lead to a nominal price increase this year, any significant procurement issues are not anticipated.

Table: Capacity & Production Data (units in millions)

	FY23	FY24	FY25
Number of looms installed	208	208	208
Installed Capacity – Meters	36	36	36
Actual Production – Meters	15	24	33
Capacity utilization	42%	67%	92%

FINANCIAL RISK

Capital Structure

Capital structure improved in the review period on the back of expansion in core equity by end-FY25. Gearing declined to 0.57x (end-FY24: 0.71x) and debt leverage improved to 1.24x (end-FY24: 1.43x) by end-FY25 on the back of higher equity and reduction in of long-term borrowings. As per management, available working capital lines amount to Rs. 8b, and are sufficient to finance increasing working capital requirements in the coming years. The Company's leverage ratios compared favorably against peers.

It is expected that debt burden will increase in the current year as the Company is planning vertical integration, initially establishing a garments division, which is expected to be operational by Mar'26. The Company intends to finance the project with a mix of debt and equity. Agreements with banks to finance the project are in their final stage. Leverage indicators are therefore projected to increase by end-FY26.

Profitability

In FY25, net sales increased by 52.8% driven by a 39.9% YoY growth in volumetric sales. Local sales form largest portion of total sales followed by indirect export sales whereas direct exports have fluctuated.

Sales mix remained the same, however classification of customers has shifted from indirect export to local customers. Concentration risk is high given that Rajby Industries, formerly an associated concern, was the top revenue contributor in FY25 with a 21% share. This figure has declined from 29% in the previous year as the Company diversified its customer base. Top 10 local clients contributed 59% (FY24: 66%) of total sales in FY25. Geographically, majority of exports clients are based in Bangladesh and Turkey. Top-ten exports clients represented 55% (FY24: 58%) of total exports in FY25.

Gross margin declined to 10.4% in FY25, down from 12.2% in FY24, as the Company could not fully passing on higher fuel costs to customers. Operating expenses increased mainly owing to higher salaries & wages, freight charges and commissions. Other income increased notably as the Company recorded gains from sale of land to Rajby Industries. Finance costs reduced in FY25 due to declining borrowings costs. Net profit increased considerably and net margin improved to 4.5% (FY24: 2.5%) in FY25, mainly reflecting the impact of higher other income and lower finance costs.

The management maintains positive business growth outlook and is focused on business expansion. However, after taking into account the influence of floods in 1QFY26, net sales are expected to moderated in FY26. Profit margins are also projected to remain rangebound.

Debt Coverage & Liquidity

Debt coverage profile and liquidity factors improved in FY25. FFO (funds from operations) increased in FY25 to Rs. 949.4m (FY24: Rs. 690.6m) mainly due to higher profitability. Higher FFO combined with repayment of long-term debt led to an improvement in DSCR (debt servicing coverage ratio) (FY25: 2.60x, FY24: 1.86x). FFO to total debt coverage also improved to 0.29x (FY24: 0.22x) in FY25.

Current ratio (end-FY25: 1.51x, end-FY24: 1.28x) improved on the back of higher cash & bank balances while short-term debt coverage improved to 2.72x (end-FY24: 2.39x) at end-FY25 mainly on account of increase in stock-in-trade and trade debts. According to management, receivables from export customers are normally settled within 130 days while trade debts from local customers have a recovery period of 60-70 days. Cash conversion cycle shortened to 66 days (FY24: 91) in FY25 on the back of decline in inventory days and days receivables.

Liquidity indicators are expected to remain intact by end-FY26. Maintenance of sound debt coverage profile is important for the assigned ratings, going forward.

REGULATORY DISCLOSURES						Appendix I
Name of Rated Entity	Rajby Textiles (Pvt.) Limited					
Sector	Textile					
Type of Relationship	Solicited					
Purpose of Rating	Entity Ratings					
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action	
	RATING TYPE: ENTITY					
	25 September 2025	A-	A2	Stable	Reaffirmed	
	3 September 2024	A-	A2	Stable	Reaffirmed	
	14 July 2023	A-	A2	Stable	Reaffirmed	
	8 June 2022	A-	A2	Stable	Downgrade	
	3 June 2021	A-	A1	Stable	Maintained	
	24 April 2020	A-	A1	Rating Watch - Developing	Maintained	
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	
	Zubair Shehzad Kazi		CFO		9-Sep-2025	
	Farhan Ahmed		Manager Accounts			