VIS
Credit Rating Company Limited

RATING REPORT

RAJBY TEXTILES (PVT) LIMITED

Analyst:
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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	October 22, 2026		September 25, 2025	

Shareholding (5% or More)	Other Information
Saleem Sultan ~ 60%	Incorporated in 2014
Bilal Saleem ~ 10%	Private Limited Company
Daniyal Saleem ~ 10%	Chief Executive: Mr. Daniyal Saleem
	External Auditor: Muniff Ziauddin & Co., Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/Methodologies-2026/Corporate-Rating-2026.pdf

Rating Scale

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

Rating Rationale

The assigned ratings reflect RTPL's established presence in the textile sector, strong capacity utilization, and improved gross margins, supported by energy cost savings and a favorable shift towards direct exports.

Ratings also draw support from the Company's customer diversification efforts, adequate liquidity, and strong debt coverage. RTPL's ongoing expansion into garment manufacturing is expected to support growth through forward integration and enhanced value addition, while investment in alternative energy sources is expected to improve cost efficiencies.

However, elevated leverage following debt-funded expansion and further capex requirements is a key consideration from ratings perspective. Meanwhile, profitability may also be affected by the time required for the stitching unit to become fully operational. Successful ramp-up of the new garment facility, maintaining capitalization at manageable levels, and realization of anticipated cost efficiencies will remain important going forward.

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Company Profile

Rajby Textiles (Pvt) Limited ('RTPL' or 'the Company') was incorporated on December 29, 2014 as a private limited company and specializes in denim fabric production with operations including weaving and finishing, The registered office, factory building and plant are all located at Bin Qasim Town, Landhi, Karachi.

During FY26, the Company has also acquired a garment manufacturing facility, located at Korangi Industrial Area, Karachi. The facility is expected to come online by January 2027 with a capacity of 500,000 pieces per month.

Management and Governance

The Company is owned by Saleem Sultan and his family. The Board comprises three directors, all representing the sponsoring family, including the Chairman. Sponsor involvement in the business remains significant, with family members actively overseeing key operational and financial functions.

Daniyal Saleem, son of Saleem Sultan, serves as the Chief Executive Officer and oversees the overall management of the Company, while Bilal Saleem, also a son of Saleem Sultan, serves as the Director Production & R&D. Saleem Sultan is a founding member of RTPL and currently serves as the Chairman.

Auditor:

The Company's financial statements are audited by Muniff Ziauddin & Co., Chartered Accountants, which falls under Category A of the SBP's panel of auditors. The auditor has issued an unqualified opinion on FY25 financial statements.

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, remained 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 costs, tight liquidity amid high interest rates, forced widespread efficiency gains, including greater reliance on renewable energy, operational rationalization, and stricter working capital discipline, resulting in a leaner and more resilient industry structure. Structurally, the sector continues to shift 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 towards value-added and compliant exports, though growth is expected to remain measured rather than linear.

Operational Performance

Production levels recovered in FY25 amid a rebound in demand, primarily from local customers, with capacity utilization remaining strong at 81% in FY26.

(units in millions)	FY23	FY24	FY25	FY26
Number of looms installed	208	208	208	208
Installed Capacity – Meters	36	36	36	36
Actual Production – Meters	15	24	33	29
Capacity Utilization	**42%**	**67%**	**92%**	**81%**

During FY26, the Company has announced a PKR 3.5bn investment in a new garment manufacturing facility in Karachi, financed through a 70:30 debt-to-equity mix. The facility is expected to commence operations in January 2027, with an initial capacity of 500,000 pieces per month. In long term, management plans to scale up this capacity to 1 million pieces per month and add 20,000 bags of spinning capacity for backward integration.

The Company's average energy demand is approximately 5.5MW, primarily met through gas-fired generators. A 4MW grid connection from K-Electric is expected to be online by January 2027, potentially reducing per-unit energy costs.

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During FY26, the Company added 1.2MW of solar capacity, taking total installed capacity to 2.2MW, while a further 2.5MW addition is planned by end-FY27. Additionally, a 25 Ton/hour capacity bio-mass boiler was installed towards the end of FY26, contributing to lower overall energy costs.

PROFITABILITY

During FY26, revenue moderated by 15% YoY to PKR 20.8bn (FY25: PKR 24.6bn), primarily reflecting changes in seasonal ordering patterns, particularly in Europe and to some extent war in the Gulf region, which affected orders from indirect export customers. The sales mix shifted towards direct exports, with local sales and indirect exports collectively accounting for 64% of revenue (FY25: 81%), while contribution from direct exports increased to 36% (FY25: 19%).

The higher share of direct exports was supported by the addition of new customers. Nevertheless, region-wise, export sales remain largely concentrated in Bangladesh. The Company's efforts to broaden its customer base are also reflected in the reduced contribution of its former associated company, Rajby Industries (Pvt.) Limited, to 10% of total sales in FY26, compared with 21% in FY25.

Gross margin improved to 13.2% in FY26 (FY25: 10.5%), supported by cost savings from alternative power sources and a more favorable sales mix, with a higher contribution from direct exports. However, operating margin declined to 7.1% compared to last year (FY25: 8.4%), given the absence of a one-off gain from sale of fixed assets. Despite the lower finance cost, net profit margin declined to 2.5% (FY25: 4.6%), primarily due to a higher effective tax rate, partly reflecting the impact of super tax relating to prior periods. Excluding the 0.50 percentage-point impact of super tax, the margin would have been 3.0%.

Going forward, management expects revenue to improve gradually, supported by business expansion and the ramp-up of the new garment facility. However, profitability is likely to remain constrained over the next two years, primarily due to initial losses associated with the garment segment, including higher depreciation and financing costs during the initial stages.

Financial Risk

CAPITAL STRUCTURE

The Company's capitalization indicators weakened during FY26, with gearing and leverage increasing to 1.11x and 1.66x, respectively (FY25: 0.56x and 1.22x). The increase primarily reflects debt-funded capex for the new garment manufacturing facility, which is expected to become fully operational by January 2027. Consequently, long-term debt increased to PKR 2.1bn in FY26, compared with PKR 84.4mn in FY25.

Further investment of approximately PKR 600–700mn is expected for the garment facility, alongside the planned addition of solar capacity. However, with major capex completed, capitalization indicators may improve gradually.

DEBT COVERAGE & LIQUIDITY

RTPL's liquidity profile is considered adequate, with the current ratio averaging 1.4x. However, the cash conversion cycle lengthened to 102 days in FY26 (FY25: 73 days), primarily due to higher receivable days associated with increased export sales, which generally carry credit terms of up to 120 days.

Debt coverage remained strong, with DSCR improving to 2.78x in FY26 (FY25: 2.65x), supported by higher FFO amidst lower finance cost. Short-term debt coverage was reported at 1.84x (FY25: 2.70x) by end-FY26.

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REGULATORY DISCLOSURES						Appendix II
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	Outlook / Rating Watch	Rating Action	
	RATING TYPE: ENTITY					
	22-Oct-2026	A-	A2	Stable	Reaffirmed	
	25-Sept-2025	A-	A2	Stable	Reaffirmed	
	3-Sept-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	
	21-Feb-2020	A-	A1	Stable	Reaffirmed	
	26-Dec-2018	A-	A1	Stable	Reaffirmed	
	29-Dec-2017	A-	A1	Stable	Reaffirmed	
	27-Oct-2016	A-	A1	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.					
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	S.No.	Name	Designation	Date		
	1.	Mr. Zubair Shehzad Kazi	CFO	13-Oct-26		

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