VIS

Credit Rating Company Limited

RATING REPORT

INTERLOOP LIMITED

Analyst:

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

Namarta Lohana
(namarta.lohana@vis.com.pk)

RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	AA-	A1	AA-	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	August 11, 2026		August 04, 2025	

Shareholding (5% or More)	Other Information
Mr. Navid Fazil: 34.22%	Incorporated in 1992
Mr. Musadaq Zulqarnain: 28.45%	Public Limited Company
Ms. Shereen Aftab: 6.36%	Chief Executive: Navid Fazil
General Public: 30.97%	External Auditor: Kreston Hyder Bhimji & Co. 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 assigned ratings reflect ILP's strong market position, vertically integrated operations, and sustained revenue growth. The Company continues to pursue capacity expansion and product diversification, particularly across the denim and apparel segments. While the hosiery business remains the principal earnings contributor, consolidated profitability came under pressure during FY25 owing to margin compression in the apparel segment during its scale-up phase, although profitability has shown signs of recovery during 9MFY26. Elevated capital expenditure associated with expansionary initiatives resulted in higher leverage during FY25; however, capitalization indicators improved during 9MFY26 as major projects neared completion and debt levels moderated. Liquidity remains adequate, while debt and cashflow coverage metrics considered strong.

The ratings are further underpinned by management's continued focus on enhancing operational efficiencies, maintaining a disciplined approach towards debt levels, and achieving long-term cost optimization through sustainability initiatives. Nevertheless, exposure to fluctuations in global cotton prices and evolving U.S. tariff policies will continue to pose key external risks going forward.

Company Profile

Interloop Limited ('ILP' or 'the Company') is a vertically integrated textile manufacturer engaged in the production of yarn, yarn-dyed products, hosiery, denim, knitted apparel, and activewear for leading international brands, retailers, and textile customers.

The Company was incorporated in Pakistan as a private limited company on April 25, 1992. In July 2008, it converted into a public unlisted company before being listed on the Pakistan Stock Exchange (PSX) on April 5, 2019. The Company's registered office is located at 15-A, Peoples Colony No. 1, Faisalabad, Pakistan, while its manufacturing facilities are located in Faisalabad and Lahore.

In FY24, ILP acquired 64% of shareholding in Top Circle Hosiery Mills Co., Inc., (Top Circle) to strengthen the company's global footprint. The registered office of the Top Circle is situated at 329 Franklin St. Weissport, PA, USA and manufacturing facility is located in 800 Quyang Road, Shanghai, China.

Operating across six countries, ILP employs approximately 40,000 individuals representing 15 nationalities. The Company's global footprint comprises a strong industrial infrastructure base in Pakistan, an associate manufacturing facility in Sri Lanka, and a manufacturing facility along with a sourcing office in China. Additionally, ILP operates marketing and service offices in the United States, Europe, and Japan. Further enhancing its international presence, the Company is expanding its footprint through the establishment of an associate manufacturing facility in Egypt.

Management and Governance

BOARD & MANAGEMENT

The Board comprises nine members, including three executive directors, two non-executive directors, and four independent directors, with female representation of four directors. The Board is supported by five committees: the Audit Committee, Human Resources & Remuneration Committee, Nomination Committee, Risk Management Committee, and Environmental, Social & Governance (ESG) Committee, providing oversight across financial reporting, risk management, governance, and sustainability initiatives. Overall, the Company's governance framework is supported by an experienced Board and senior management team. All directors have either completed the Directors' Training Program or are exempt under the Corporate Governance Regulations, 2019. The Board has also established an annual evaluation mechanism to assess the performance of the Board and its Committees. As part of the Company's commitment to independent evaluation and continuous governance improvement, Pakistan Institute of Corporate Governance (PICG) conducted the current year's performance assessment of the Board and its Committees. The assessment rated their overall performance as satisfactory, highlighting effective strategic oversight, sound governance practices, and constructive engagement with Management.

Five Board meetings were held during FY25, with attendance across directors remained satisfactory. The Company has established an independent Internal Audit function comprising qualified professionals, which conducts periodic reviews of the internal control framework under the oversight of the Audit Committee and the Risk Management Committee. The organizational structure also reflects an appropriate segregation of responsibilities, with the Company Secretary reporting directly to the Board and the Internal Audit function reporting independently to the Board Committees.

Mr. Musadaq Zulqarnain is the founding director and Chairperson of the Interloop Limited and Interloop Holdings. He holds 28.45% of ILP's shareholding. With over three decades of experience in the textile industry, he serves as Vice-Chairman of the Pakistan Textile Council, a member of the Prime Minister's Economic Advisory Council, and a member of the Policy Board of the Ministry of Planning & Development, Government of Pakistan. In addition to Interloop, he has established a diversified portfolio of businesses spanning logistics, dairy (including milk farming, butter, and cheese production), packaging, apparel, healthcare, public service, and information technology.

The management team is spearheaded by Chief Executive Officer (CEO), Mr. Navid Fazil. An electrical engineer by training, he holds a Master's degree in Management from the University of Oxford. Mr. Fazil also serves on the Board of Interloop Holdings (Pvt.) Limited and holds 34.22% of the ILP's shareholding. The senior management team comprises experienced professionals overseeing key functional areas of the Company.

Furthermore, the Company has obtained ISO 27001:2022 certification for its Information Security Management System, while its Business Continuity Management framework is aligned with ISO 22301 standards and its enterprise risk management framework is aligned with ISO 31000 standards.

ESG INITIATIVES

The Company continues to strengthen its sustainability profile through LEED Gold and Platinum certified manufacturing facilities and AWS Gold certification, reflecting adherence to internationally recognized environmental standards. Renewable energy initiatives include more than

20 MW of installed solar capacity and biomass boilers at the Interloop Apparel Park, reducing reliance on conventional fuels. The Company has also introduced sustainable product initiatives and regenerative cotton farming practices, while targeting 100% waste diversion from landfill by FY26.

IT INFRASTRUCTURE

The Company has integrated ERP and MES systems across its major business segments and continues to enhance digitalization through Project Foglight. AI-enabled solutions support product development, manufacturing efficiency, risk assessment and machine health monitoring, while Looptrace enhances end-to-end supply chain traceability. The Company's IT governance framework is supported by ISO 27001:2022 certification, strengthening information security and data management.

AUDIT OPINION

The Company's financial statements for FY25 were audited by Kreston Hyder Bhimji & Co., Chartered Accountants, an 'A' category audit firm on the State Bank of Pakistan's (SBP) approved panel of auditors. The auditors expressed an unqualified opinion on the 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, remain 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, and currency volatility, 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 toward 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 toward value-added and compliant exports, though growth is expected to remain measured rather than linear.

OPERATION PERFORMANCE:

The Company has historically maintained healthy utilization levels, supported by its export-oriented customer base and diversified product portfolio. In line with sustained volumetric demand and improving export orders, capacity has been progressively expanded across its key manufacturing segments. Although production levels remained relatively subdued during FY25 amid challenging economic conditions and softer demand, operational performance improved during 9MFY26 as order volumes recovered across major segments. The Company remains focused on optimizing available capacity, improving production efficiencies and undertaking selective capacity additions aligned with market demand and its growth strategy.

PROFITABILITY

The Company's net sales continued their upward trajectory, increasing by 11.0% to PKR 173.4bn in FY25 (FY24: PKR 156.1bn). Hosiery remained the largest revenue contributor, accounting for 67% of total sales in FY25 from 74% in FY24; however, its share declined as denim and apparel increased their contribution to 12% each, reflecting continued diversification of the sales mix. During 9MFY26, net sales increased by 2.0% YoY to PKR 127.3bn despite lower sales during the third quarter amid global supply chain disruptions.

Despite revenue growth, profitability moderated during FY25. Gross margin declined to 20.3% (FY24: 27.9%), while operating margin contracted to 10.6% from 17.9% in FY24. The decline primarily reflects the ramp-up of the apparel segment, increased fuel & power expenses, absence of rupee devaluation, higher depreciation expense, a challenging global and domestic operating environment and transition from Fixed Tax Regime to Normal Tax Regime which increased the effective tax rate. Consequently, net margin reduced to 3.1% as compared to 10.1% in FY24, as lower operating profitability, elevated finance costs, and higher effective taxation weighed on the bottom line.

During 9MFY26, profitability recovered, with gross and operating margins improving to 24.0% and 15.8%, respectively, supported by improved operational performance and production efficiencies. Net margin also strengthened to 7.3%, supported by decreased finance cost amid lower markup-rates however, effective taxation remained elevated.

Approximately 94% of the Company's revenue is generated from export markets, with the United States and Europe accounting for nearly 90% of total sales, exposing earnings to fluctuations in global demand, supply chain disruptions, and exchange rate movements. Customer concentration remains relatively high, with the top ten international customers contributing approximately 76% of total revenue in FY25, increasing to around 80% during 9MFY26. The customer portfolio comprises globally established apparel brands, including Nike, Adidas, Hugo Boss, Guess, H&M, Target, and other top brands.

Financial Risk

CAPITAL STRUCTURE

At end-FY25, equity of the Company increased modestly to PKR 55.2bn (FY24: PKR 53.5bn), largely on the back of retained profitability, while total debt rose sharply to PKR 91.1bn (FY24: PKR 69.1bn), driven by higher long-term borrowings of PKR 31.3bn (FY24: PKR 19.22bn) to fund ongoing capacity expansion, alongside an increase in short-term borrowings to PKR 59.8bn (FY24: PKR 49.9bn) to support working capital requirements. Capital expenditure rose sharply to PKR 33.3bn in FY25 (FY24: PKR 17.5bn), reflecting the Company's expansion program, including the Hosiery Division 6 project, new Denim production lines, and the enhancement of the Apparel facility. This elevated investment was funded through a mix of long-term debt and internal cash generation, and was the primary driver of the increase in gearing to 1.65x (FY24: 1.29x) and leverage to 2.20x (FY24: 1.83x).

At end-9MFY26, equity increased further to PKR 60.4bn, supported by improved profitability during the period. Total debt declined to PKR 83.7bn, primarily on account of repayments in long-term financing, which fell to PKR 25.5bn, while short-term borrowings remained broadly stable at PKR 58.2bn. Capital expenditure moderated to PKR 10.2bn during the nine-month period, consistent with the Company's major expansion projects nearing completion and a shift toward a lower, more normalized investment phase. Accordingly, gearing improved to 1.39x and leverage to 2.00x.

Going forward, the capital structure is expected to benefit from continued earnings retention and a reduced capex requirement, though the pace of deleveraging will remain contingent on demand recovery, working capital needs, and any residual spending to complete ongoing projects such as the spun yarn dyeing unit.

DEBT COVERAGE & LIQUIDITY

The Company's liquidity profile remained adequate during FY25, with the current ratio improving marginally to 1.17x (FY24: 1.14x). Despite the decrease in Funds from Operations (FFO) declining to PKR 14.4bn (FY24: PKR 22.6bn) amid subdued profitability, DSCR remained strong at2.12x (FY24: 2.46x). FFO-based leverage metrics also moderated, with FFO to total debt declining to 0.16x (FY24: 0.33x) and FFO to long-term debt to 0.46x (FY24: 1.18x), however, the same has considered satisfactory from the given ratings perspective. The cash conversion cycle remained broadly stable at around 130 days (FY24: 131 days), with improved inventory management largely offsetting a modest increase in receivable days.

Liquidity and debt coverage indicators improved during 9MFY26, in line with the recovery in profitability. The current ratio stood at 1.18x, while FFO increased to PKR 16.7bn for the nine-month period, translating into a stronger DSCR of 3.32x on an annualized basis, supported by higher cash generation.

Going forward, the Company's debt servicing capacity and liquidity position are expected to remain sensitive to the pace of demand growth, working capital requirements, and the Company's ability to sustain the profitability improvement seen through 9MFY26.

FINANCIAL SUMMARY					(in PKR millions)
BALANCE SHEET	FY22	FY23	FY24	FY25	9MFY26
Property, plant and equipment	34,730	58,651	67,805	82,103	82,004
Long term Investments	-	-	1,728	1,728	1,728
Stock-in-Trade	23,142	19,729	26,361	25,735	36,939
Trade Debts	28,604	34,139	41,194	48,315	41,285
Cash & Bank Balances	117	1,545	370	358	284
Total Assets	96,316	125,245	151,674	176,727	180,871
Trade and Other Payables	9,085	12,004	15,536	15,034	20,113
Long Term Debt	16,434	17,452	19,223	31,278	25,463
Short Term Debt	35,008	42,149	49,904	59,830	58,200
Total Debt	51,442	59,601	69,127	91,108	83,663
Total Liabilities	66,375	81,438	98,142	121,504	120,511
Paid Up Capital	8,984	14,014	14,017	14,017	14,017
Total Equity	29,940	43,806	53,532	55,223	60,360
INCOME STATEMENT	FY22	FY23	FY24	FY25	9MFY26
Net Sales	90,894	119,200	156,129	173,382	127,291
Gross Profit	26,066	39,872	43,544	35,171	30,605
Operating Profit	15,859	26,953	27,933	18,320	20,165
Profit Before Tax	13,423	21,584	17,807	8,787	15,363
Profit After Tax	12,359	20,172	15,771	5,377	9,342
RATIO ANALYSIS	FY22	FY23	FY24	FY25	9MFY26
Gross Margin (%)	28.7%	33.4%	27.9%	20.3%	24.0%
Net Margin (%)	13.6%	16.9%	10.1%	3.1%	7.3%
Net Working Capital	14,255	7,936	10,101	13,698	14,957
Trade debts/Sales	31.5%	28.6%	26.4%	27.9%	24.3%
FFO	18,276	27,108	22,627	14,408	22,211
FFO to Total Debt (%) *	35.5%	45.5%	32.7%	15.8%	26.5%
FFO to Long Term Debt (%) *	111.2%	155.3%	117.7%	46.1%	87.2%
Current Ratio (x)	1.30	1.14	1.14	1.17	1.18
Debt Servicing Coverage Ratio (x)*	4.56	4.15	2.46	2.12	3.32
Gearing (x)	1.72	1.36	1.29	1.65	1.39
Leverage (x)	2.22	1.86	1.83	2.20	2.00
(Stock in Trade + Trade Debts)/STD	1.48	1.28	1.35	1.24	1.34
ROAA (%) *	15.7%	18.2%	11.4%	3.3%	7.0%
ROAE (%) *	49.0%	54.7%	32.4%	9.9%	21.6%
Cash Conversion Cycle*	194	140	131	130	136
***Annualized**					

REGULATORY DISCLOSURES					**Appendix II**
Name of Rated Entity	Interloop 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				
	10-Aug-2026	AA-	A1	Stable	Reaffirmed
	04-Aug-2025	AA-	A1	Stable	Reaffirmed
	18-Jul-2024	AA-	A1	Stable	Upgrade
	10-May-2023	A+	A1	Stable	Reaffirmed
	03-Jun-2022	A+	A1	Stable	Reaffirmed
	20-Apr-2021	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.				
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 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.				
Due Diligence Meetings Conducted	**S.No.**	**Name**	**Designation**	**Date**	
	1	Mr. Muhammad Omer Masood	DGM Finance	02-Aug, 2026	