

NAVEENA EXPORTS LIMITED

Analyst:

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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A	A1	A	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	October 14, 2026		July 21, 2025	

Shareholding (5% or More)

Naveena Group (Private) Limited – 99.99%

Other Information

Incorporated in 1989

Public Limited Company (Unquoted)

Chief Executive: Masood Riaz

External Auditor: Ibrahim Shaikh and 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 the Company's established operating history, strong sponsor backing from Naveena Group (Private) Limited and the extensive industry experience. While primarily the Company experienced the decline in profitability and increase in borrowings during FY25 following stress on leverage and gearing. However, the assigned ratings take into account the recovery during 9MFY26 and the expected benefits from the ramp-up of the garment division. The garment division's focus on existing denim customers also limits the risk associated with developing new markets with the capacity of 25,000 units per day in addition to existing capacity. The Company's financial risk profile registered improvement during 9MFY26, with net sales growth, higher net margin, improved gearing, leverage, and debt coverage with better FFO.

Company Profile

Naveena Exports Limited ('NEL' or the 'Company') is engaged in the manufacturing and sale of yarn, denim fabric, and garments. The Company has established a global presence, with an office in Bangladesh and sales representatives in the US, South America, Europe, and Turkey. NEL prioritizes adherence to international standards for social responsibility, environmental sustainability, and product quality. The Company employed 2,793 workers as of June 2025. NEL is a wholly owned subsidiary of Naveena Group (Private) Limited, which has diversified interests across textiles, steel, energy, and real estate development.

The Company was incorporated as a private limited company in 1989 under the Companies Ordinance, 1984, and was converted into an unquoted public limited company in November 2006. The registered office is situated at Main Shahra-e-Faisal, Karachi, while production facilities are located in Korangi Industrial Area and Landhi Town, Karachi, and Bhoptian Chowk, Raiwind Road, Lahore.

To further expand its garment manufacturing operations, the Company acquired a garment manufacturing facility from Denim Clothing Company (DCC), located in Sector 19, Korangi Industrial Area, Karachi. The facility spans 10,000 square yards across eight floors, and the facility is equipped with solar panels, electrical fittings, firefighting systems, and an Effluent Treatment Plant (ETP).

Management and Governance

BOARD & MANAGEMENT

The Company's Board comprises three directors: Mr. Masood Riaz, Mr. Saqib Riaz, and Mr. Asif Riaz. Mr. Masood Riaz also serves as the CEO and brings several decades of experience in the textile industry. The management structure remained unchanged during 2026, except for the appointment of Mr. Muhammad Saad Wali as CFO following the passing of Mr. Omer Nabeel.

ESG

The Company has undertaken measures to strengthen its ESG footprint, including the operation of Wastewater Treatment Plant (WWTP) and Effluent Treatment Plant (ETP) to ensure compliant treatment of wastewater generated from manufacturing activities. Hazardous waste is segregated, safely stored and disposed of through EPA mic-approved waste management contractors, with disposal records maintained for traceability. The Company also utilizes solar power and has implemented energy-efficiency measures to reduce grid electricity consumption and emissions. In addition, pre- and post-consumer cotton waste is recycled and utilized in the production process, supporting resource efficiency and circular economy practices.

IT INFRASTRUCTURE

The Company utilizes a licensed Oracle Financials 12i system for managing its operations. The system supports centralized financial data management and reporting across the Company's operations.

AUDIT OPINION

The Company's financial statements for FY25 were audited by Ibrahim, Shaikh & Co. Chartered Accountants, which expressed an unqualified opinion. The audit firm is categorized as a 'C' category firm on the State Bank of Pakistan's (SBP) approved panel of auditors and has a 'Satisfactory with Improvements Required' QCR rating from ICAP.

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.

Operational Performance:

	FY23	FY24	FY25	9MFY26
Fabric Division				
Installed Capacity (million meters)	37.30	36.86	37.62	35.82
Actual Production (million meters)	19.30	22.97	27.24	24.18
Capacity Utilization	52%	62%	72%	68%
Yarn Division				
Installed Capacity (kgs)	21.50	21.30	22.20	17.70
Actual Production (kgs)	16.50	17.10	19.30	14.70
Capacity Utilization	77%	80%	87%	83%

Production capacity across the fabric and yarn divisions remained broadly stable during FY25, while capacity utilization improved during the year. To further expand its garment manufacturing operations, the Company acquired a garment manufacturing facility with a production capacity of 25,000 units per day. The new division will cater to the Company's existing denim markets and customer base.

Power requirements of approximately 3MW are met through K-Electric and WAPDA dedicated sources, while solar power contributes approximately 5% of the Company's total power requirement.

PROFITABILITY

The Company's net sales grew marginally by 2.1% in FY25 (FY24: 9.5%), exports contributing 93% and 7% local sales. The subdued topline growth despite an increase in production indicates pricing pressure, with growth largely volume-led. As exports remained the key contributor to sales, with direct and indirect exports accounting for 33% and 60% of total sales, respectively. Within direct exports, Bangladesh contributes 21% of total sales, followed by Turkey at 5%.

Profitability weakened during FY25, with gross margin declining to 16.7% (FY24: 23.1%), primarily due to higher raw material, fuel & power, and labor costs, which increased more relative to revenue generation pace. Consequently, gross profit declined by 25.9%. Although finance cost declined, the benefit was insufficient to totally offset the pressure at the gross and operating levels. Consequently, net margin contracted to 2.8% from 7.1% in FY24.

During 9MFY26, net sales increased by 8.5% YoY. Profitability showed a modest recovery, with gross margin broadly stable at 16.5%, while lower administrative, distribution and finance costs supported earnings growth. Consequently, net margin improved to 3.4% in 9MFY25. However, the recovery remains primarily supported by lower finance costs and expense discipline, while gross margin remains subdued.

Financial Risk

CAPITAL STRUCTURE

Equity increased modestly by 3.7% in FY25 (FY24: 12.2%), driven by retained profitability. Total debt rose by 31.8% (FY24: -3.8%), reflecting an increase in long-term borrowings by 64.3% (FY24: -22.2%), largely to part-fund the garment division acquisition and associated plant and machinery import, alongside a rise in short-term borrowings by 18.4% (FY24: 6.5%) to support working capital needs. Capital expenditure rose sharply by 512.2% in FY25 (FY24: -45.2%), for the same reason of acquiring the garment manufacturing facility. This step-up in investment, funded through a mix of long-term debt and internal cash generation, was the primary driver of the increase in gearing to 0.62x (FY24: 0.49x) and leverage to 0.81x (FY24: 0.70x). Nevertheless, capitalization levels considered manageable from the ratings perspective.

At end-9MFY26, equity strengthened further, supported by the improved profitability recorded during the period. Total debt declined by 8.0% from FY25, with a decline in short-term borrowings on the back of a modest improvement in operating cash generation, while long-term debt rose modestly by 3.2% from FY25, with gearing improving to 0.55x and leverage to 0.78x.

Going forward, the capital structure is expected to benefit from continued earnings retention and a reduced capex requirement, though the extent of further deleveraging will remain contingent on the pace of the garment division's ramp-up, working capital needs tied to the Company's cash conversion cycle, and any residual spending to bring the new facility to full operational capacity.

DEBT COVERAGE & LIQUIDITY

The Company's liquidity profile remained satisfactory during FY25, with the current ratio remained largely intact to 1.63x (FY24: 1.67x). Funds from operations (FFO) declined sharply by 57.7% (FY24: -12.2%) mainly driven by the compression in profitability. Resultantly, Debt Service Coverage Ratio (DSCR) down to 1.24x (FY24: 1.88x). The same has considered satisfactory from the ratings perspective. The cash conversion cycle lengthened slightly to approximately 141 days (FY24: 134 days), with a modest increase in receivable days only partially offset by a reduction in both inventory and payable days.

Liquidity and debt coverage indicators recovered during 9MFY26, in line with the improvement in profitability and operating cash generation. The current ratio improved to 1.72x, and annualized FFO period rose by approximately 41.0%, translating into an annualized DSCR of approximately 1.50x, supported by both stronger cash generation and the decline in finance cost. Going forward, maintaining liquidity and coverage indicators will remain important from the ratings perspective.

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	Naveena Exports 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				
	14-Oct-2026	A	A1	Stable	Reaffirmed
	21-Jul-2025	A	A1	Stable	Reaffirmed
	04-Jun-24	A	A1	Stable	Reaffirmed
	12-Apr-23	A	A1	Stable	Maintained
	21-Mar-23	-	-	-	Suspended
	25-Feb-22	A	A1	Positive	Maintained
	23-Feb-21	A	A1	Stable	Maintained
	22-Apr-20	A	A1	Rating Watch - Developing	Maintained
	31-Jan-20	A	A1	Stable	Upgrade
	08-Apr-19	A-	A1	Positive	Upgrade
	19-Apr-18	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.				
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	
	01	Mr. Muhammad Saad Wali	Chief Financial Officer (CFO)	July 23, 2026	