

KAMAL LIMITED

Analyst:

Javeria Khalid
(javeria.khalid@vis.com.pk)

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	May 18, 2026		April 25, 2025	

Shareholding (5% or More)

Mr. Ahmad Kamal – 65%

Mr. Asad Kamal – 25%

Mrs. Erum Ahmad – 10%

Other Information

Incorporated in 2009

Public Limited Company (Unlisted)

Chief Executive: Mr. Ahmad Kamal

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 Company's strong revenue growth, vertically integrated operations, and established export base, which together support operational efficiency and stable cash generation. The Company continues to benefit from diversification across home textiles and garments, with a gradual shift toward higher value-added products expected to enhance margins over time. Profitability has moderated due to higher fixed cost absorption from recent capacity expansions; however, revenue momentum and early signs of margin stabilization in FY26 provide comfort. Financial risk remains manageable. Debt coverage indicators are comfortable. Although leverage has increased due to CAPEX-led borrowings, it is expected to stabilize as earnings strengthen and long-term financing is fully deployed.

Company Profile

Kamal Limited (“KL” or “the Company”) is a family-owned, publicly unlisted textile manufacturing company incorporated in Pakistan on June 9, 2009. The Company is headquartered in Lahore, with its registered office located at Building No. 12, Tariq Block, New Garden Town, Lahore. KL operates as a vertically integrated textile manufacturer with in-house capabilities spanning spinning, weaving, knitting, dyeing, finishing, printing, stitching, and garment production. The Company’s production facilities are strategically located across Faisalabad and Lahore, housing its spinning, weaving, knitting, dyeing, finishing, processing, stitching, and garment units. These facilities support large-scale manufacturing of diversified textile products.

KL’s product portfolio includes yarn, fabric, home textiles, garments, and branded fabric. The Company has a strong export presence, supplying value-added products, particularly garments and home textiles, to markets across Europe, Asia, the United States, Africa, and Australia. In addition to its export operations, KL maintains a domestic presence through its “So Kamal” brand, offering ready-to-wear clothing, women’s apparel, fabric, and bed linen. The brand operates through both an e-commerce platform and a network of over 20 franchise outlets nationwide.

Management and Governance

Kamal Limited is a public unlisted, family-owned textile enterprise operating in Pakistan’s integrated textile sector. The Company is principally engaged in the manufacturing and export of textile products, with operations spanning spinning, weaving, knitting, dyeing, printing, and garment manufacturing. Over the years, the Company has developed an integrated operational structure aimed at enhancing value addition, operational efficiencies, and export competitiveness.

The shareholding of the Company remains highly concentrated within the sponsoring family, reflecting strong sponsor commitment and continuity in strategic direction. Mr. Ahmad Kamal is the majority shareholder, holding approximately 65% stake in the Company, while his son, Mr. Asad Kamal, holds around 25%. Other family members also maintain minority stakes in the Company. The sponsors possess extensive experience in Pakistan’s textile sector and remain actively involved in overseeing the Company’s operational and strategic functions.

The Board of Directors comprises four members, including Mr. Ahmad Kamal as Chief Executive Officer, while Mrs. Erum Ahmad, Mr. Asad Kamal and Mr. Nadeem Ahmad are Executive Directors. The Board convenes on a quarterly basis to review operational performance, strategic initiatives, and financial matters. The management team’s longstanding association with the textile industry supports continuity in business operations and execution of expansion plans.

AUDITORS

The financial statements of the Company are audited by Kreston Hyder Bhimji & Co – Chartered Accountants, who are on ‘A’ category of State Bank of Pakistan Auditor list.

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

Operational capacity across key segments remained largely stable through FY25, except for the spinning division, where capacity increased significantly from 24.0 million kgs in FY24 to 37.0 million kgs in FY25 following expansion initiatives. Capacity utilization levels reflected improved operational efficiency in most downstream segments, with knitting utilization rising sharply to 93.0% in FY25 from 26.2% in FY23, while weaving continued to operate at consistently high levels above 95%.

To strengthen vertical integration, KL had undertaken a combined CAPEX program of approximately PKR 7 billion across the spinning, knitting, dyeing, and garment segments, financed through a mix of internal cash generation and borrowings. The expansion included the addition of

capacity in knitting and dyeing, along with a PKR 3.3 billion investment in a new garment unit comprising 3,000 stitching machines. Most components of the expansion plan have now been completed and are operational, supporting improved production efficiencies and capacity enhancement across core segments. However, the addition of garment stitching units remains in process and are expected to be finalized by the end of the current year. Upon completion, the Company anticipates a gradual shift in product mix towards higher value-added garments, increasing their contribution to revenues, while reducing reliance on home textiles.

	FY23	FY24	FY25	HY26
SPINNING				
Capacity after converting into 20/1 count (million kgs)	24.0	24.0	37.0	18.5
Capacity Utilization	95.9%	97.8%	75.7%	93.1%
WEAVING				
Capacity (million meters)	140	140	140	70
Capacity Utilization	93.4%	95.6%	95.1%	98.2%
KNITTING				
Capacity (million kgs)	3.7	3.7	3.7	1.8
Capacity Utilization	26.2%	52.8%	93.0%	98.6%
DYEING				
Capacity (million meters)	31.2	31.2	31.2	15.6
Capacity Utilization	75.6%	79.3%	86.8%	69.2%
PRINTING				
Processing Capacity (million meters)	40	40	40	20
Capacity Utilization	43%	66%	72%	71%

PROFITABILITY

Kamal Limited demonstrated continued topline growth during FY25, with net revenue increasing to PKR 53.1bn from PKR 46.2bn in FY24, supported by higher sales volumes and sustained traction in the home textile and garment segments. The home textiles segment remained the primary revenue driver, contributing 38% to the topline. Meanwhile, the retail business has been strategically repositioned to operate solely through an online platform and a franchise-based distribution model, with no company-owned retail footprint. However, profitability indicators moderated during the year, with gross margins declining to 15.7%, primarily due to fixed cost absorption pressures associated with recently added expansionary capacities, alongside elevated input and processing costs. Operating margins also softened to 7.3% from 9.0%, reflecting higher distribution and administrative expenses in line with the expanded scale of operations. Despite improved operating scale, bottom-line profitability was impacted by the increased finance costs arising from higher capex-related borrowings. Consequently, profit after tax declined to PKR 1.0bn in FY25 from PKR 1.9bn in FY24, with net margins reducing to 2.0%. Additionally, a higher effective tax rate during the year further constrained profitability.

During 1HFY26, the Company maintained revenue momentum, with net sales increasing compared to corresponding period last year. Margins have remained largely stable, reflecting gradual operational normalization and improved absorption of fixed costs.

Financial Risk

CAPITAL STRUCTURE

Kamal Limited's capitalization profile remained supported by a growing equity base, with Tier-1 equity strengthening to approximately PKR 17bn by end HY26, driven by internal profit retention and partly supported by the transfer of incremental depreciation from the revaluation surplus to unappropriated profit. The Company's capital structure has historically remained debt-heavy, reflecting ongoing expansionary investments and working capital requirements associated with its integrated textile operations. Short-term debt constituted the major portion of the borrowing mix. As a result of the elevated borrowing levels, gearing and leverage indicators increased to 2.04x and 2.42x as of end-HY26, respectively. Going forward, capitalization indicators are expected to remain range-bound over the medium term, given the Company's capex plans and working capital needs, although internal cash generation and gradual operational stabilization are expected to provide some support to the equity base.

DEBT COVERAGE & LIQUIDITY

Coverage metrics have moderated over time, however, they remain at comfortable levels. Funds from Operations (FFO) based debt coverage is stable at around 1.2x, while FFO to long-term debt remains adequate at approximately 20%, indicating sufficient internal cash generation relative to the debt burden. Short term coverage has also remained broadly stable over the period, recording at 1.13x as of end-FY25.

The liquidity profile remains sound, supported by a consistently healthy current ratio above 1.2x and an improving cash conversion cycle, reflecting better working capital efficiency. Liquidity is further strengthened by sizeable short-term investments and cash balances amounting to PKR 3.7 billion and PKR 3.3 billion, respectively, as at end-HY26.

FINANCIAL SUMMARY *(amounts in PKR millions)* *Appendix I*

BALANCE SHEET	FY22 A	FY23 A	FY24 A	FY25 A	HY26 M
Property, Plant and Equipment	21,933	31,676	34,349	36,775	38,588
Stock-in-Trade	8,482	11,052	14,899	14,793	17,900
Trade debts	2,485	4,235	3,767	4,747	5,378
Short term investments	2,411	2,105	2,326	2,552	3,756
Cash & bank balance	1,926	725	2,655	2,551	3,377
Total Assets	40,856	53,801	61,761	66,253	73,776
Long-term debt (inc. current portion)	8,823	8,304	10,658	11,903	12,764
Short term debt	10,655	12,452	15,924	17,244	22,787
Total Debt	19,479	20,756	26,582	29,147	35,552
Trade & Other payables	2,669	2,705	2,936	3,477	3,933
Total Liabilities	22,847	24,937	30,827	35,937	42,202
Paid-Up Capital	739	1,000	1,000	1,000	1,000
Unappropriated Profit	8,258	9,495	13,078	14,914	16,322
Surplus on reval of PPE	8,807	18,311	16,806	14,280	14,130
Total Equity	18,009	28,864	30,934	30,315	31,574
Tier-1 Equity	9,202	10,553	14,128	16,035	17,444
INCOME STATEMENT	FY22 A	FY23 A	FY24 A	FY25 A	HY26 M
Net Sales	35,366	30,785	46,188	53,102	30,177
Gross Profit	5,273	4,866	8,200	8,323	4,634
Operating Profit	2,132	1,781	4,139	3,859	2,166
Finance Costs	633	1,225	2,254	2,686	1,223
Profit Before Tax	1,748	1,128	2,591	1,708	1,151
Profit After Tax	1,197	700	1,902	1,041	696
RATIO ANALYSIS	FY22 A	FY23 A	FY24 A	FY25 A	HY26 M
Gross Margin (%)	14.9%	15.8%	17.8%	15.7%	15.4%
Operating Margin (%)	6.0%	5.8%	9.0%	7.3%	7.2%
Net Margin (%)	3.4%	2.3%	4.1%	2.0%	2.3%
Funds from Operation (FFO) (PKR Mn)	2,982	2,873	5,072	2,410	1,233
FFO to Total Debt (x)*	0.15	0.14	0.19	0.08	0.07
FFO to Long Term Debt (x)*	0.34	0.35	0.48	0.20	0.19
Gearing (x)	2.12	1.97	1.88	1.82	2.04
Leverage (x)	2.48	2.36	2.18	2.24	2.42
Debt Servicing Coverage Ratio (x)*	2.42	1.62	1.93	1.23	1.27
Current Ratio (x)	1.31	1.29	1.30	1.27	1.20
(Stock in trade + trade debts) / STD (x)	1.03	1.23	1.17	1.13	1.02
Return on Average Assets (%) *	3.6%	1.5%	3.2%	1.6%	2.0%
Return on Average Equity (%) *	14.5%	7.1%	15.4%	6.8%	8.4%
Cash Conversion Cycle (days)*	96	168	145	125	132

*Annualized, if required

A - Actual Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Kamal 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				
	18-May-2026	A	A1	Stable	Reaffirmed
	25-Apr-2025	A	A1	Stable	Reaffirmed
	03-May-2024	A	A1	Stable	Reaffirmed
	07-Apr-2023	A	A1	Stable	Reaffirmed
	28-Apr-2022	A	A1	Stable	Upgrade
	12-Apr-2021	A-	A2	Positive	Maintained
	23-Apr-2020	A-	A2	Rating Watch - Developing	Maintained
31-Dec-2018	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.	Mr. Nadeem Ahmed	Executive Director	07-May-26	