

SHAHKAM INDUSTRIES (PRIVATE) LIMITED

Analyst:

Shaheryar Khan Mangan
(shaheryar@vis.com.pk)

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		Initial	
RATING DATE	June 16, 2026		April 18, 2025	

Shareholding (5% or More)

Shahid Kamil Butt - 73.68%
Sadia Kamil Butt- 13.16%
Saiqa Kamil Butt- 13.16%

Other Information

Incorporated in 1992
Private limited Company
Chief Executive Officer (CEO): Shahid Kamil Butt
External auditors: M. Almas & 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 the Company's resilience amid challenging textile sector dynamics, characterized by elevated production costs, global trade disruptions, and intense regional competition. Shahkam has maintained customer retention through production upscaling and effective marketing initiatives. Additionally, the sponsors have established Onelife Apparel, a fast-growing retail clothing brand, which strengthens the overall business profile.

The Company's operating performance improved on the back of operational efficiencies. Going forward, the Company is expected to further enhance its capacity utilization, which may support revenue growth and margins. Moreover, its association as a preferred vendor for a major textile conglomerate continues to support its business risk profile. Net sales and gross profitability witnessed improvement during FY25, while operational cash flows strengthened during 6MFY26. Going forward, the Company is expected to further improve its capacity utilization levels through an AI based hanger system, which may support revenue growth and operational efficiency.

The Company's capital structure remained leveraged due to elevated working capital requirements and inventory build-up, resulting in higher short-term borrowings during FY25. Consequently, gearing, leverage, and liquidity indicators remained under pressure during the review period.

Company Profile

Shahkam Industries (Private) Limited ("Shahkam" or "the Company") is engaged in the business of manufacturing and export of knitwear garments. It specializes in the production of value-added apparel, including t-shirts, polo shirts, and hoodies, primarily for international clients. The Company operates as a vertically integrated unit with in-house knitting, dyeing, stitching, and finishing facilities. Its Head Office and Factory is located at Multan Road, Lahore. Shahkam supplies its products mainly to export markets under international buyer specifications.

Sponsor Profile

The Company is a family-owned business with shareholding concentrated within the Butt family. Majority ownership is vested with Mr. Shahid Kamil Butt, who holds a 73.6% stake in the Company, while the remaining shareholding is equally held by Mrs. Sadia Kamil Butt and Mrs. Saiqa Kamil Butt at 13.2% each. The sponsoring family has an established presence in Pakistan's textile and apparel sector with several decades of operational experience.

In addition to the Company, the sponsors have diversified interests in the retail apparel segment through Onelife Apparel (Private) Limited, established in 2016. The brand has emerged as one of the faster-growing local clothing retailers with a nationwide footprint of approximately 45 outlets across Pakistan. The sponsors' long-standing association with the textile value chain provides operational understanding and market insight, supporting the Company's business continuity and customer relationships.

Management and Governance

Mr. Shahid Kamil Butt serves as the Chairman and Chief Executive Officer of the Company and has remained associated with the business since 1996. He possesses over 28 years of experience in the textile industry and is primarily responsible for providing strategic direction and overseeing overall operations. He holds a bachelor's degree from the United States and has extensive knowledge of textile manufacturing, export markets, and operational management.

The Company's management structure remains predominantly family-driven, with key operational functions overseen by members of the sponsoring family. Mr. Shahid Kamil Butt supervises major functions including finance, HR, audit, IT, and quality assurance, while marketing and supply chain operations are managed by Mrs. Saiqa Kamil Butt.

The governance framework, however, remains relatively informal in nature with the Board comprising of two members, namely the CEO Shahid Kamil Butt and Managing Director Faiqa Kamil Butt. The internal audit function reports directly to the CEO and Managing Director. While the Company benefits from strong sponsor oversight and operational continuity, room for improvement exists in strengthening governance practices.

AUDIT OPINION

The Company's external auditors, M. Almas and Co. Chartered Accountants, hold a valid QCR rating and have been associated with the Company since FY21. The auditors issued an unqualified opinion on the Company's FY25 financial statements. However, the audit firm is not included in the State Bank of Pakistan's panel of approved auditors.

Business Risk

INDUSTRY

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 and salary expenses, tight liquidity and absence of rupee depreciation. Structurally, the sector tries to shift more 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 toward value-added and compliant exports, though growth is expected to remain measured rather than linear. However, margins are expected to remain compressed amid elevated cost structures, intensified regional competition, the absence of notable rupee depreciation, and the shift toward the normal tax regime. Moreover, following

the recent 100bps increase in the policy rate, the possibility of further monetary tightening cannot be ruled out, which may place additional pressure on textile manufacturers' margins.

OPERATIONAL PERFORMANCE

Capacity utilization	2024	2025
Knitting production based on 3 shifts per day	28000	28000
Knitting Actual production based on 3 shifts per day	27500	27800
Capacity utilization	98%	99%
Dyeing/washing production based on 3 shifts per day	32000	36000
Dyeing/washing actual production based on 3 shifts per day	31240	35450
Capacity utilization	98%	98%
Garments production at normal capacity of normal / average garments	40000	42500
Garments actual production based on 1 shift per day	39470	42280
Capacity utilization	99%	99%

Overall, capacity utilization remained high during FY25 despite challenges faced by the textile sector. Capacity was further enhanced through additions to the dyeing and washing units during the period.

PROFITABILITY

The Company's profitability profile reflects sustained topline growth, primarily driven by higher order volumes, continued penetration in export markets, and stable demand from key international customers in Europe and the USA. Net sales increased by 12.0% to Rs. 17.5b in FY25 from Rs. 15.6b in FY24, with exports continuing to constitute the overwhelming majority of revenue.

Despite the growth in revenues, profitability at the operating level remained under pressure during FY25. Gross margins declined to 12.2% from 13.7% in FY24, while operating margins also compressed to 6.0% from 7.2%. The contraction in margins was primarily attributable to elevated operating costs and higher freight charges, which dampened pre-tax profitability, albeit marginally. Consequently, profit before tax declined slightly to Rs. 533.4m in FY25 from Rs. 572.3m in FY24.

Nevertheless, the Company reported a notable improvement in bottom-line profitability, with net profit increasing to Rs. 379.1m in FY25 from Rs. 145.5m in FY24. The improvement was largely supported by a lower tax incidence, alongside modest support from higher other income, which rose to Rs. 44.3m from Rs. 4.1m in the preceding year. Resultantly, net profit margin improved to 2.2% in FY25 compared to 0.9% in FY24.

The profitability trend strengthened further during 6MFY26, with the Company reporting net sales of Rs. 10.4b and improved gross and operating margins of 14.9% and 8.3%, respectively, reflecting better operational efficiencies, stable demand dynamics, and improved cost absorption. Net profit stood at Rs. 414.4m during the period, surpassing the full-year FY25 profitability, while net margin strengthened to 4.0%, supported by improved core margins and higher other income of Rs. 89.2m.

Financial Risk

CAPITAL STRUCTURE

The Company's capital structure remained tilted towards short-term borrowings with total debt increasing notably to PKR 5,355.6mn in FY25 from PKR 3,372.0mn in FY24, primarily driven by a substantial rise in short-term borrowings to PKR 4,792.4mn (FY24: PKR 3,116.2mn). The increase was mainly attributable to higher working capital requirements arising from elevated receivables. Long-term borrowings also increased to PKR 563.1mn in FY25 from PKR 255.8mn in FY24, mainly to support operational and expansionary requirements. During 6MFY26, total debt increased further to PKR 7,957.6mn, driven by continued reliance on short-term financing, which rose to PKR 7,076.3mn, while long-term borrowings increased to PKR 881.3mn.

Despite the higher debt levels, the Company's equity base strengthened to PKR 2,271.2mn in FY25 from PKR 1,905.8mn in FY24 on the back of profit retention, and further improved to PKR 2,685.6mn in 6MFY26. Nevertheless, capitalization indicators weakened due to the higher debt quantum, with gearing increasing to 2.36x in FY25 from 1.77x in FY24, and further to 2.96x in 6MFY26. Similarly, leverage increased to 4.02x in FY25 from 2.99x in FY24, before moderating slightly to 3.68x in 6MFY26 owing to the strengthening equity base.

DEBT COVERAGE AND LIQUIDITY

The Company's debt coverage indicators were impacted during FY25 amid the significant increase in borrowings and pressure on operating profitability. Funds from operations (FFO) declined in FY25 from FY24, primarily due to margin compression and higher working capital requirements. Consequently, FFO to total debt weakened to 9.9% in FY25, which subsequently improved at the end of HYFY26 on account of improved profitability. Debt servicing capacity, remained comfortable with the debt servicing coverage ratio recorded at 1.65x in FY25, albeit lower than in FY24.

Liquidity indicators remained broadly adequate, with current asset coverage against short-term obligations remaining comfortable at 1.40x in FY25, while the current ratio stood stable at 1.03x (FY24: 1.04x). However, the extension in the working capital cycle, primarily due to higher receivable days arising from extended credit terms amid competitive pressures, continued to exert pressure on liquidity indicators and increased reliance on short-term borrowings to support operational requirements.

FINANCIAL SUMMARY			APPENDIX I	
Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	6MFY26M
Property, plant and equipment	9,538.94	9,742.65	14,290.22	14,471.22
Right-of-use Assets	0.00	0.00	0.00	0.00
Intangible Assets	0.00	0.00	0.00	0.00
Long-term Investments	0.00	0.00	0.00	0.00
Stock-in-trade	774.43	1,594.30	1,851.82	1,943.65
Trade debts	2,995.00	1,129.09	4,843.72	5,926.91
Short-term Investments	0.00	0.00	0.00	0.00
Cash & Bank Balances	56.88	10.03	40.20	59.60
Other Assets	863.36	2,502.43	1,772.87	1,567.22
Total Assets	14,228.61	14,978.50	22,798.83	23,968.60
Creditors	1,022.08	1,283.95	2,692.22	1,297.14
Long-term Debt (incl. current portion)	133.65	255.80	563.12	881.34
Short-Term Borrowings	3,262.35	3,116.16	4,792.43	7,076.30
Total Debt	3,396.00	3,371.96	5,355.55	7,957.64
Other Liabilities	660.30	1,042.90	1,075.25	623.63
Total Liabilities	5,078.38	5,698.81	9,123.02	9,878.41
Paid up Capital	172.51	172.51	172.51	172.51
Revenue Reserve	1,603.83	1,733.27	2,098.73	2,513.12
Other Equity (excl. Revaluation Surplus)	0.00	0.00	0.00	0.00
Sponsor Loan	0.00	0.00	0.00	0.00
Equity (excl. Revaluation Surplus)	1,776.34	1,905.78	2,271.24	2,685.63
Income Statement (PKR Millions)	FY23A	FY24A	FY25A	6MFY26M
Net Sales	10,017.45	15,598.58	17,473.08	10,435.21
Gross Profit	1,293.94	2,139.48	2,127.98	1,551.22
Operating Profit	705.27	1,114.63	1,045.37	869.13
Finance Costs	481.55	542.37	511.95	289.98
Profit Before Tax	223.72	572.26	533.42	579.15
Profit After Tax	113.86	145.45	379.12	414.39
Ratio Analysis	FY23A	FY24A	FY25A	6MFY26M
Gross Margin (%)	12.92%	13.72%	12.18%	14.87%
Operating Margin (%)	7.04%	7.15%	5.98%	8.33%
Net Margin (%)	1.14%	0.93%	2.17%	3.97%
Funds from Operation (FFO)** (PKR Millions)	479.47	690.39	529.07	540.71
FFO to Total Debt* (%)	14.12%	20.47%	9.88%	13.59%
FFO to Long Term Debt* (%)	358.75%	269.89%	93.95%	122.70%
Gearing (x)	1.91	1.77	2.36	2.96
Leverage (x)	2.86	2.99	4.02	3.68
Debt Servicing Coverage Ratio* (x)	1.55	2.05	1.65	2.24
Current Ratio (x)	0.97	1.04	1.03	1.10
(Stock in trade + trade debts) / STD (x)	1.17	0.91	1.40	1.12
Return on Average Assets* (%)	0.82%	1.00%	2.01%	3.54%
Return on Average Equity* (%)	6.62%	7.90%	18.15%	33.44%
Cash Conversion Cycle (days)	95.51	49.10	56.08	92.19

*Annualized, if required

**6MFY26M FFO calculated using EBITDA

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES		APPENDIX II			
Name of Rated Entity	Shahkam Industries (Private) Limited				
Sector	Textile				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	16-Jun-2026	A-	A2	Stable	Reaffirmed
	18-Apr-2025	A-	A2	Stable	Initial
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.				
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 Meeting Conducted	Name	Designation		Date	
	Mr. Khawaja Naveed Javed	General Manager Finance & Accounts		April 30, 2026	