

# AKHTAR TEXTILE INDUSTRIES (PVT) LTD

Chief Executive Officer: Mr. Farooq Javed

## RATING DETAILS

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A	A1	A	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Upgrade		Reaffirmed	
RATING DATE	September 10, 2025		July 30, 2024	

## RATING RATIONALE

The assigned ratings reflect Akhtar Textile Industries (Private) Limited's ("ATIL" or "the Company") continued revenue growth, supported by its established position in export-oriented denim garment manufacturing. The Company maintains a stable operational profile, with a product mix concentrated in denim pants and shorts and a geographical footprint primarily focused on the United States, which remains the largest export market.

While topline performance remained strong, profitability came under pressure from elevated input costs, including higher energy tariffs, raw material inflation, and rising wage expenses. A reduction in finance costs during 9MFY25 provided some relief. ATIL is focused on expanding its customer base while maintaining long-standing relationships with existing clients.

The ratings also incorporate ATIL's financial risk profile. The capital structure remains moderately leveraged, supported by retained earnings, though overall leverage increased due to higher short-term borrowings and payables. Liquidity and debt service coverage remained adequate, with

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### APPLICABLE METHODOLOGY(IES):

VIS Entity Rating Criteria  
Methodology –Corporates  
(<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>)

### Rating Scale:

(<https://docs.vis.com.pk/docs/VISRatingScales.pdf>)

DSCR improving during 9MFY25. The Company's financial flexibility is supported by ample liquidity in the form of loans and advances to related parties, which strengthen the Company's overall liquidity position. Going forward, the ratings will remain sensitive to the Company's ability to enhance profitability while effectively managing cost pressures.

## COMPANY PROFILE

Akhtar Textile Industries (Private) Limited (ATIL) is a private company involved in the manufacturing and export of denim garments. It operates under the umbrella of the Akhtar Group of Companies, which has diversified interests across textile, dairy, and power sectors. The Company primarily produces denim apparel such as pants, shorts, and skirts, and serves international markets through export-based arrangements. Headquartered in Karachi, ATIL's manufacturing facilities are also located in the city and are equipped to carry out the complete garment production process, including cutting, stitching, washing, and finishing.

## INDUSTRY PROFILE & BUSINESS RISK

Pakistan's textile sector continues to be a vital contributor to the economy, accounting for ~55% of total exports and 8.5% of GDP in 9MFY25. The industry's vertically integrated value chain is supported by local cotton cultivation. However, domestic cotton production fell to 5.5 million bales in FY25 (FY24: 8.4 million bales). This shortfall, caused by climate-related challenges, reduced cultivation area, water scarcity and rising input costs, has increased the sector's reliance on imports, however, the same is currently offering both cost and quality advantages.

Textile exports grew 7.9% YoY to USD 17.9 billion in FY25 (FY24: 16.7 billion) driven by value-added segments. Recent policy changes, such as the imposition of an 18% sales tax on imported cotton, yarn and greige fabric under the Export Facilitation Scheme, aim to support the local spinning industry by encouraging the use of domestic raw materials. This is expected to strengthen the textile value chain, boost local production and reduce dependence on imports. However, the policy also raises costs for exporters, potentially squeezing their margins. These pressures are compounded by

external challenges, such as a 19% US tariff on Pakistani textiles, which intensifies competitive pressures in an already high-cost production environment.

The industry faces significant challenges, including increased economic cyclicalities, rising cost structures and higher minimum wages all of which are expected to exert downward pressure on profitability. However, companies that have invested in renewable energy and other lower-cost power sources may mitigate the impact of elevated energy expenses to some extent. Additionally, the anticipated Pakistani Rupee depreciation is likely to offer some relief to exporters by enhancing their price competitiveness.

### Monthly Textile Exports

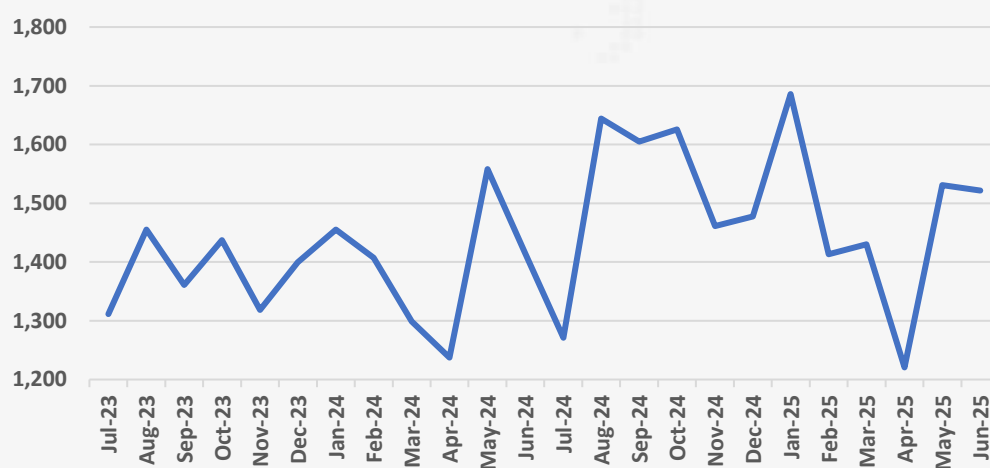


Figure 1: MoM Textile Exports (USD Million)

Source: PBS

### Operational Update

Capacity Utilization	FY23	FY24	9MFY25
<b>Denim Garments</b>			
Installed Capacity (Pieces)	11,680,000	12,122,450	9,792,150
Actual Production (Pieces)	10,564,221	10,935,342	9,255,935
Utilization	90%	90%	95%
Number of Machines	2,272	2,591	2,692

During FY24, the Garment segment maintained steady performance, with capacity utilization at 90%, in line with the previous year, while rising to 95% during 9MFY25. Operational throughput benefited from continued demand from international clients and improved order volumes.

The ongoing expansion project, aimed at doubling installed capacity, remained in progress. The number of machines increased to 2,692 by 9MFY25, reflecting gradual buildup under the Company's capacity enhancement plan expected to materialize in FY25.

## FINANCIAL RISK

### Capital Structure

The Company's total debt increased during the review period, driven primarily by higher short-term borrowings under export refinance facilities. In contrast, long-term debt declined amid scheduled repayments. The equity base strengthened on account of profit retention, which kept the gearing ratio below 1x. During FY24, the Company also distributed a cash dividend of Rs. 125 million. Despite a stable equity position, overall leverage rose from 1.24x in FY23 to 1.47x in 9MFY25, reflecting increased short-term funding and a rise in trade and other payables. During FY25, the Company has initiated a capacity expansion of Rs. 464 million, sourced from internal cash generation.

## Profitability

The Company reported a 17% year-on-year increase in net sales for FY24, reaching PKR 23.55 billion, while 9MFY25 sales stood at PKR 19.49 billion. Revenue remained largely export-driven, with international sales accounting for 98% of total revenue. The product mix remained concentrated in denim apparel, with denim pants and shorts contributing 87% and 12% of total sales, respectively. Client concentration remains high, with Levi's accounting for around 90% of total sales as the single largest customer. The Company has a long-standing business relationship with Levi's and ships products to various countries. The U.S. continued to be the primary export destination, accounting for 77% of total sales in 9MFY25, compared to 70% in FY24.

Despite growth in revenue, profitability declined during FY24 and 9MFY25 due to a higher increase in cost of goods sold relative to sales. The rise in input costs was driven by inflation in raw materials, elevated energy tariffs, and higher wage expenses, which also contributed to increased administrative costs. Distribution and selling expenses declined, mainly due to reduced export-related charges and commissions, providing partial relief. Finance costs remained high in FY24 due to increased short-term borrowings and elevated interest rates but declined in 9MFY25 following a reduction in markup rates and scheduled repayments. The Company remained profitable, reporting a net margin of 2.4% in 9MFY25. Going forward, the Company aims to expand its customer base while preserving long-term relationships with existing clients, focusing on cost management to enhance profitability.

## Debt Coverage & Liquidity

In 9MFY25, the Company experienced a decline in Funds from Operations (FFO), primarily due to margin compression. While FFO coverage of long-term debt improved on account of reduced long-term borrowings, the FFO-to-total debt ratio was affected by an increase in short-term borrowings.

Liquidity remained adequate, with the current ratio around 1.14x. Short-term borrowings were backed by inventory and receivables with coverage of around 1.12x, which may pose some pressure due to high stock-in-trade

levels. The cash conversion cycle shortened during the period, driven by a relatively low payable base. The Debt Service Coverage Ratio (DSCR) improved to 3.4x in 9MFY25, supported by lower finance costs and a reduction in long-term debt. The Company has ample liquidity available in the form of loans and advances to related parties, which can be accessed if required, supporting coverage ratios. In addition, liquidity and short-term coverage are expected to strengthen through internal cash generation. From a ratings perspective, maintaining adequate liquidity and debt coverage will remain a key consideration.

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Akhtar Textile Industries (Private) Limited				
Sector	Textile				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Type: Entity				
	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	Sep 10, 2025	A	A1	Stable	Upgrade
	July 30, 2024	A	A2	Stable	Reaffirmed
	April 14, 2023	A	A2	Stable	Reaffirmed
	May 09, 2022	A	A2	Stable	Reaffirmed
	June 21, 2021	A	A2	Stable	Upgrade
	April 24, 2020	A-	A2	Rating Watch-Negative	Maintained
	Nov 27, 2019	A-	A2	Stable	Reaffirmed
	June 28, 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.				
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. Nadeem Naaz	Group Director – Finance & Law	July 16, 2025	