VIS
Credit Rating Company Limited

RATING REPORT

INDIGO TEXTILE PRIVATE LIMITED

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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	November 19, 2026		September 10, 2025	

Shareholding (5% or More)		Other Information
Farooq Javed – 11%	Huma Parveen – 5.5%	Incorporated in 2006
Zeeshan Mansoor – 11%	Shama Nadeem – 5.5%	Private Limited Company
Khurshid Akhtar – 11%	Shiraz Masood - 5.4%	Chief Executive: Mr. Aamir Maqbool
Bilal Jahngir – 11%		External Auditor: Ibrahim, Shaikh and Co. Chartered Accountants
Aamir Maqbool – 8.9%		

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 Indigo Textile (Private) Limited's ("Indigo" or "the Company") long-standing position in denim fabric manufacturing, supported by its vertically integrated production facility and established presence in export markets. The Company's revenue base remains predominantly export-oriented, with indirect exports accounting for the majority of product sales, while direct exports are primarily concentrated in Bangladesh, alongside other regional markets. Despite a decline in net sales during FY26 amid lower sales volumes and an uncertain political environment, gross margins improved, supported by benefits from solar installations.

The ratings also incorporate the Company's improving financial risk profile, reflected in lower borrowings, strengthening capitalization, and improved debt coverage and liquidity indicators. The Company benefits from access to export financing facilities, while reduced finance costs supported cash flow generation during FY26. Going forward, sustaining profitability amid cost pressures, managing customer concentration and working capital requirements, and maintaining adequate liquidity and debt-servicing capacity will remain important from a ratings perspective.

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Company Profile

Indigo Textile Pvt. Limited, established in 2006 and headquartered in Karachi, Pakistan, is a denim fabric manufacturer. The Company operates a vertically integrated manufacturing facility covering key stages of denim production, including rope-dyeing, weaving, finishing and quality control. Indigo primarily manufactures premium denim fabrics catering to core and fashion segments of the global market. The Company supplies its products to both domestic and international markets, with a customer base comprising leading fashion brands, retail chains and garment manufacturers. Headquartered in Karachi, the Company's manufacturing facility is located at Deh Joreji, Bin Qasim, Karachi.

Group Profile

The Akhtar Group of Companies is a diversified business house with operations spanning textiles, dairy, energy, and allied sectors. Its textile portfolio includes Akhtar Textile Industries (Private) Limited, engaged in the manufacturing and export of denim garments, and Indigo Textile (Private) Limited, which is involved in the manufacturing of denim fabric. Dairyland (Private) Limited represents the Group's presence in the dairy and food segment under the Dayfresh brand. The Group has also invested in power generation and other related businesses, supporting diversification across multiple sectors and markets. The Group's power sector interests include ACT Wind (Private) Limited, while Akhtar Industries represents its presence in other allied business activities, supporting diversification across multiple sectors.

Management and Governance

CEO Profile

Mr. Aamir Maqbool serves as the Chief Executive Officer of Indigo Textile Pvt. Limited. He has extensive experience in the denim and textile industry and oversees the Company's strategic direction and operations.

Board & Senior Management

Indigo is a family-owned business, with majority shareholding held by members of the family. The Board comprises seven directors, including the CEO, with representation from family members.

Industry Profile & Business Risk

Pakistan's textile and apparel industry remains a key contributor to the country's export earnings. During FY26, textile exports increased marginally by 0.3% to USD 17.93bn, compared to USD 17.89bn in FY25, reflecting subdued growth amid persistent cost pressures and uneven demand in international markets. Within the sector, readymade garment exports increased by 3.9% to USD 4.29bn, while knitwear exports declined marginally, highlighting mixed performance across value-added segments.

Pakistan's denim manufacturing segment forms part of the value-added apparel industry, catering predominantly to international markets, particularly the U.S. and Europe. The segment benefits from the country's established textile manufacturing base and availability of integrated production capabilities, encompassing fabric sourcing, garment manufacturing, washing, and finishing. However, demand remains sensitive to consumer spending trends, inventory management and sourcing decisions of international buyers. Maintaining product quality, delivery timelines, pricing competitiveness and compliance with international standards remains critical for sustaining customer relationships.

The industry continues to face challenges arising from elevated energy costs, reliance on imported cotton, exchange rate fluctuations and competition from regional exporters. Domestic cotton supply constraints further expose manufacturers to international commodity price movements and supply chain disruptions. Additionally, increasing emphasis on sustainable sourcing and environmental compliance has necessitated investment in renewable energy, wastewater treatment and resource efficiency. Going forward, industry performance will remain dependent on the recovery in global apparel demand, cost competitiveness and the ability of manufacturers to meet evolving international buyer requirements. For denim exporters, established customer relationships, operational efficiency and product quality will remain key determinants of business risk.

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Operational Update

Installed capacity remained unchanged in FY26, with capacity utilization reaching near-full levels at 99.3%, supported by higher production volumes and improved utilization of the existing production base. Loom enhancement initiatives remained focused on improving production efficiency, with the number of installed looms unchanged during the year.

The Company has 874kW of initially installed solar capacity, with a further 643 kW installed subsequently, supporting efforts to reduce reliance on conventional energy sources and mitigate energy costs. In addition, the Company has a Chemical & Biological Treatment Plant with a capacity of 1,680 m^3/day, supporting efficient wastewater management.

Capacity Utilization	FY22	FY23	FY24	FY25	FY26
Number of looms installed	203	203	220	220	220
Number of looms worked	203	203	220	220	220
Number of shifts worked	3	3	3	3	3
Installed Capacity (Mtrs)	35,500,000	41,400,000	45,000,000	45,000,000	45,000,000
Actual Production (Mtrs)	32,457,027	30,363,086	39,620,621	42,463,797	44,679,373
Capacity Utilization	**91.4%**	**73.3%**	**88.0%**	**94.4%**	**99.3%**

Profitability

Revenue declined by 9.1% YoY to PKR 32.0bn in FY26 (FY25: PKR 35.2bn), as sales volumes contracted by 9% across both direct and indirect export channels, while average selling prices remained stable. Exports continued to dominate the revenue mix, with indirect exports contributing 71% of product sales (FY25: 72%) and direct exports accounting for the remaining 29% (FY25: 28%). Bangladesh remained the largest export market, representing 48% of total sales, followed by Sri Lanka, Egypt and Turkey. Customer concentration remained a key business risk with Akhtar Industries, a sister concern, accounting for approximately 32% of indirect sales in FY26.

Gross margin strengthened to 11.2% in FY26 from 9.2% in FY25, while gross profit increased to PKR 3.58bn despite the contraction in revenue. This improvement was primarily attributable to lower raw material consumption, which helped contain production costs, although fuel and power expenses continued to rise. Operating expenses increased during the year, largely reflecting higher administrative and distribution costs, which grew by 13.8% and 6.8%, respectively, mainly due to increased salary and shipment-related expenses.

Finance costs declined by 50.6% YoY to PKR 303mn in FY26 (FY25: PKR 614mn), supported by lower interest rates and a reduction in borrowings. Conversely, other income decreased significantly due to the absence of foreign exchange gains recorded in the preceding year. The higher tax charge of PKR 765mn (FY25: PKR 245mn), primarily driven by prior-year tax recognition, higher current-year tax and super tax, and a reversal in deferred taxation, further constrained bottom-line performance. Consequently, net profit decreased to PKR 531mn from PKR 665mn in FY25, with net margin narrowing to 1.7% from 1.9%.

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Financial Risk

Capital Structure

The Company's total equity increased to PKR 16.9bn at end-FY26 from PKR 13.5bn in FY25, primarily reflecting an increase in revaluation surplus to PKR 7.4bn from PKR 5.0bn, alongside an improvement in retained earnings. Paid-up capital remained unchanged at PKR 1.0bn. The Company distributed dividends of PKR 150mn in FY25 and PKR 175mn in FY26. Total borrowings declined to PKR 3.3bn in FY26 from PKR 4.2bn in FY25, primarily comprising short-term financing of PKR 2.5bn to support working capital requirements, while long-term borrowings stood at PKR 780mn following scheduled repayments.

On the asset side, property, plant and equipment increased to PKR 12.8bn from PKR 9.2bn, largely reflecting the revaluation of fixed assets during the year. Current assets declined marginally to PKR 13.3bn, primarily due to lower inventory levels, while trade receivables remained stable at PKR 5.3bn despite lower revenue. Balances with statutory authorities also declined to PKR 1.2bn from PKR 1.8bn, primarily reflecting lower sales tax refunds and advance income tax.

Consequently, gearing and leverage improved to 0.35x and 0.98x, respectively, in FY26, compared with 0.50x and 1.12x in FY25. Going forward, the proposed establishment of an in-house spinning unit is expected to be financed through bank borrowings. However, the project remains at the planning stage, with implementation likely to take time.

Debt Coverage & Liquidity

The Company's coverage profile strengthened during FY26, with FFO increasing to PKR 1.96bn from PKR 1.42bn in FY25, supported by lower finance costs following a reduction in borrowings. Accordingly, DSCR improved to 4.96x from 2.51x, reflecting stronger debt-servicing capacity. Liquidity indicators also improved, with the current ratio increasing to 1.98x from 1.71x and the quick ratio rising to 1.26x from 1.07x. However, the net operating cycle lengthened to 88 days from 82 days, primarily due to higher inventory days, which increased to 64 days from 54 days, and receivable days, which rose to 59 days from 52 days. This was partly offset by an increase in payable days to 36 days from 24 days. Overall, coverage and liquidity remained comfortable, supported by stronger internal cash generation and lower borrowings.

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REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	Indigo Textile (Pvt) Ltd
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
19-Nov-26	A	A1	Stable	Reaffirmed
10-Sep-25	A	A1	Stable	Reaffirmed
19-July-24	A	A1	Stable	Reaffirmed
24-May-23	A	A1	Stable	Reaffirmed
25-April-22	A	A1	Stable	Reaffirmed
21-June-21	A	A1	Stable	Upgrade
24-April-20	A-	A2	Rating Watch-Developing	Maintained
27-Nov-19	A-	A2	Stable	Reaffirmed
05-Nov-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 Meeting Conducted

S.No.	Name	Designation	Date
1	Mr. Nadeem Naz	Group Director – Finance & Law	5th Oct 2026
2	Mr. Tanveer	CFO	

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