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APPLICABLE METHODOLOGY(IES):
VIS Entity Rating Criteria Methodology – Industrial Corporates:
(https://docs.vis.com.pk/docs/CorporateMethodology.pdf)

Rating Scale:
(https://docs.vis.com.pk/docs/VISRatingScales.pdf)

MUSTAQIM DYEING & PRINTING INDUSTRIES (PRIVATE) LIMITED

Chief Executive: Saqib Haroon Bilwani

RATING DETAILS

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Medium to Long-term	**Short-term**	**Medium to Long-term**	**Short-term**
ENTITY	**A-**	**A2**	A-	A2
RATING OUTLOOK/ WATCH	**Stable**		Stable	
RATING ACTION	**Reaffirmed**		Reaffirmed	
RATING DATE	**September 3, 2025**		May 15, 2024	

RATING RATIONALE

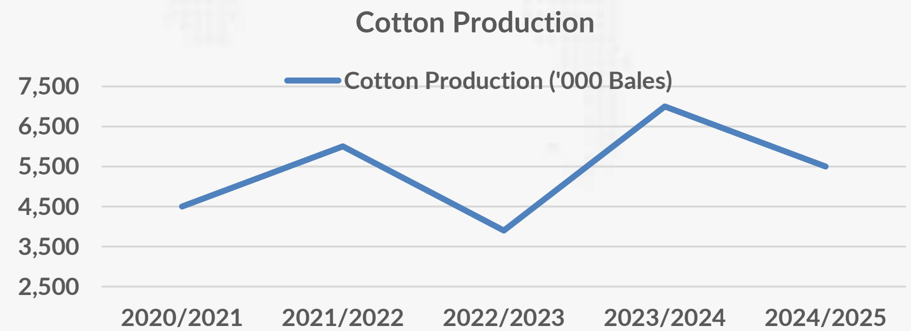
Mustaqim Dyeing & Printing Industries (Private) Limited ('MDPIPL' or 'the Company') is a fully integrated textile company, established in 1991. Ratings take into account strong sponsor profile of Ghani & Tayub (G&T), a conglomerate with presence in textile, packaging and pharma. Ratings also incorporate the sponsors' commitment wherein sponsors have increased their equity contribution as sponsors loan in FY23 and FY24 in order to support financial profile of the Company. Topline growth in FY24 and the ongoing year was supported by higher sales volumes; however, gross margins declined due to elevated input costs, which were not fully passed on to customers. Additionally, higher operating expenses and increased finance costs resulted in a marginal net loss in FY24 and 1HFY25. This has also resulted in a notable decline in cashflow and debt coverage metrics. However, liquidity profile remained adequate with manageable capitalization structure with a minor uptick registered in gearing and leverage ratios during the review period. Management aims to focus on higher-margin orders in FY26 to return the bottom line to profitability. Ratings will remain sensitive to the successful execution of this strategy, coupled with a recovery in profitability, cashflow and debt coverage metrics.

COMPANY PROFILE

The Company was established in Pakistan on May 15, 1991 as a Private Limited Company and is a member of the Gani & Tayub (G&T) group. MDPIPL's primary focus is on the production of yarn, home textiles, socks, and knitted fabric for both domestic and international markets. The Company operates as a fully integrated mill with capabilities in knitting, processing, designing, and stitching. The registered office of the Company and production facilities are located in Karachi.

INDUSTRY PROFILE & BUSINESS RISK

The business risk profile of Pakistan's textile sector is shaped by economic cyclicality, intense competition and structural challenges. The sector is highly sensitive to domestic and international demand fluctuations, making it vulnerable to broader economic conditions. In FY24, Pakistan's cotton production surged by 79% compared to FY23, though this increase was largely due to the low base in FY23. However, cotton production decreased by 59.4% YoY by October 2024, with a total of 2.04 million bales. The USDA forecasts a rebound to 5.55 million bales in FY25, contingent on overcoming several challenges, including a declining area under cotton cultivation, rising energy costs, and adverse climatic conditions such as heatwaves, floods, and pest infestations that have further pressured yields.



Source: USDA

Pakistan's textile exports in 3QFY25 demonstrated growth, primarily fueled by the value-added segment, despite challenges in domestic cotton production necessitating reliance on imported cotton. while persistently high energy costs continue to strain overall cost structures. Exporter profitability remains vulnerable to cotton market volatility, inflationary pressures, and exchange rate fluctuations. Furthermore, rising input costs and regulatory changes are creating a challenging environment for the sector.

Figure 1: MoM Textile Exports (USD Million)
Source: PBS

Product Profile & Capacity

The operations of the Company can be categorized into four divisions: the Spinning Segment, Home Textiles, Socks Division, and the Dyeing of Knitted Fabric Division. The Spinning Unit of MDPIPL is situated in Nooriabad, while the Home Textiles and Socks Division are located in the SITE area of Karachi and in Nooriabad. The Company outsources its weaving requirements.

- Home Textile – There was an improvement in utilization levels to 73% in 1HFY25. (FY24: 71%, FY23: 63%) as a result of rebound in demand.
- Spinning Segment – The Company possesses a total of 13,020 spindles and 5,278 rotors in spinning unit at Nooriabad. Capacity utilization improved to 70% (FY24: 67%) in FY24. In 1HFY25, capacity utilization reached 73% amid improved demand.
- Socks Division – The Socks Division was established to meet the requirements of the Company's clientele base, particularly large retail chains that prefer all products to be offered under one umbrella. The capacity utilization of Socks Division improved, with production levels doubling in FY24 to 2.3m (dozens) compared to 1.0m (dozens) units in FY23, resulting in better capacity utilization of 72% (FY23: 55%). Capacity utilization improved to 72% on account of improved demand orders in 1HFY25.
- Knit Fabric – This division is a recent addition to the Company's business, with its products being sold to local exporters. While it is still in the early stages, its impact on the overall production mix is minimal. Capacity utilization dropped to 72% in FY24 compared to 79% in the previous year. However, in 1HFY25, capacity utilization reached 90% due to improved customer demand.

	2023 Number of Units	2024 Number of Units	1H2025 Number of Units
Capacity Utilization			*(Annualized)*
Bedding (Meters)	63.0%	71.1%	73.1%
Yarn (Kgs)	67.2%	69.6%	75.3%
Socks (Dozens)	42.0%	54.7%	71.6%
Knitting (Kgs)	78.6%	72.1%	90.0%

FINANCIAL RISK

Capital Structure

Tier-1 equity reduced at end-FY24, owing to a net loss incurred during FY24. The Company's equity base was supported by non-interest-bearing loans, payable at the Company's discretion. The sponsor loans, taken part of equity, increased at end-FY24. Equity further decreased by end-10MFY25 amid further net losses.

Gearing ratio increased to 1.10x (end-FY24: 1.03x, end-FY23: 0.95x) while leverage inched up to 1.78x (end-FY24: 1.71x, end-FY23: 1.71x) by end-10MFY25, due to equity erosion in the period under review. Maintaining capitalization profile will remain important from the ratings perspective.

Profitability

In FY24, net sales increased due to higher volumes. Excluding recently launched knitted fabrics, the entire product line continued its strong performance in FY24 from FY23.

Home textiles comprise more than 90% of sales in terms of volumes and value. In terms of value, home textile sales increased by 20.7%, sales of socks rose by 52.3%, and spinning sales more than doubled. Approximately 87% of net sales during FY24 (FY23: 86%) stemmed from export sales, while the remaining came from local sales. Top 10 client concentration increased to 76.3% in FY24 (FY23: 51.5%), a consequence of the prevailing inflationary environment impacting weakened demand dynamics within the European market. The largest clients include leading retail European retail chains.

Gross margin slightly contracted owing to higher fuel and energy costs. Operating expenses increased in FY24 on account of increased salaries and transportation costs, reflecting inflationary pressures. Finance cost stood higher, due to increased borrowings and elevated policy rates in FY24. The Company faced a net loss in FY24 compared to a net profit in FY24, as a consequence of weakened gross margin, higher operating expenses and increased financial costs. Topline and net profitability reduced in the current year amid decline in volumes and cost overruns.

For FY26, management anticipates net sales will drop slightly as the Company will focus on profitable orders. Therefore, on account of favorable pricing adjustments, cost-control efforts, and reduction in financial charges, the Company expects to make a net profit in FY26.

Debt Coverage & Liquidity

The decrease in FFO (funds from operations), owing to lower profitability, combined with higher debt obligations, resulted in a less than 1x DSCR (debt servicing coverage ratio) of 0.89x (FY24: 0.97x, FY23: 1.73x, FY22: 3.12x) while FFO to total debt reduced to 0.01x (FY24: 0.04x, FY23: 0.14x, FY22: 0.12x) in 10MFY25. However, partial comfort has been taken from available liquid assets on balance sheet.

On the liquidity front, short-term debt coverage (end-FY24: 2.26x, end-FY23: 2.38x) and current ratio (end-FY24: 1.36x, end-FY23: 1.37x) remained mostly intact. Cash conversion cycle improved to 110 days (FY23: 124) on account of lower trade debts and improvement in inventory turnover. Overall liquidity remained intact by end-10MFY25.

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Mustaqim Dyeing Printing Industries (Private) Limited
Sector	Textile
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
Rating History	see table below
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.
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Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
RATING TYPE: ENTITY				
September 3, 2025	**A-**	**A2**	**Stable**	**Reaffirmed**
May 15, 2024	A-	A2	Stable	Reaffirmed
Mar 1, 2023	A-	A2	Stable	Reaffirmed
Feb 25, 2022	A-	A2	Stable	Reaffirmed
Jan 18, 2021	A-	A2	Stable	Maintained
Apr 27, 2020	A-	A2	Rating Watch - Developing	Maintained
Dec 13, 2018	A-	A2	Stable	Initial

Due Diligence Meetings Conducted

Name	Designation	Date
Abdul Qadir Moosa	CFO	July 2, 2025
Imran Iqbal	Senior Manager Finance	