

INTERNATIONAL TEXTILE LIMITED

Analyst:

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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		Reaffirmed	
RATING DATE	June 16, 2026		May 06, 2025	

Shareholding (5% or More)

Mr. Adnan Azad Khan - ~66.9%
Ms. Nishat Azad Khan - ~33.1%

Other Information

Incorporated in 1985
Public Limited (Unlisted) Company
Chief Executive: Mr. Adnan Azad Khan
External Auditor: A.F. Ferguson & Co. Chartered Accountants

Applicable Rating Methodology

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

Rating Scale

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

Rating Rationale

The assigned ratings reflect the Company's established operational base and diversified exposure across Terry, MJS and Garment segments, supported by moderate revenue growth and stable scale of operations despite regional competition and high dependence on the US market. The financial risk profile remains stable with manageable gearing and predominantly short-term debt structure. However, profitability remains under pressure due to elevated input costs, competitive export environment and limited pricing power, partially offset by a gradual shift toward relatively higher-margin segments. Liquidity is assessed as adequate, supported by stable coverage metrics and liquid buffers and improving debt servicing capacity relative to the prior year, although it remains below historical comfortable levels. Going forward, improvement in profitability and coverages remains a key rating sensitivity.

Company Profile

International Textile Limited ('ITL' or 'the Company') was incorporated in 1985 as a private limited company. Subsequently, the Company was converted into an unlisted public limited company in 1989. ITL is a vertically integrated textile composite, engaged in various processes comprising spinning, sizing, weaving, processing, dyeing, bleaching of fabric and terry as well as manufacturing of fabric, terry and other textile products. ITL mainly exports to America and Europe. The three manufacturing units along with the registered office are located in Karachi.

Management and Governance

The Board comprises three members, including Mr. Adnan Azad Khan, Ms. Nishat Azad Khan and Ms. Ayesha Adnan Khan. The Board includes members of sponsor and associated family interest. It is chaired by Ms. Nishat Azad Khan while Mr. Adnan Azad Khan serves as the CEO. The Board is supported by a team of experienced professionals who assist in overseeing strategic and operational matters. The governance structure may benefit from further strengthening through the induction of independent directors and formal Board-level committees to improve governance effectiveness.

The Company has recently upgraded its SAP ERP system to SAP S/4 Hana, which is expected to further enhance operational controls and process efficiency.

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 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

	FY23	FY24	FY25	1HFY26
Spinning (Lbs.)				
Capacity	8,687,000	8,687,000	8,687,000	4,343,500
Actual Production	4,674,053	4,990,745	7,782,875	2,320,262
Capacity Utilization	54%	57%	90%	53%
Sizing ITL 1 (Lbs.)				
Capacity	9,125,000	9,125,000	One machine sold and others shifted to ITL 2	One machine sold and others shifted to ITL 2
Actual Production	2,430,126	2,831,344		
Capacity Utilization	27%	31%		
Sizing ITL 2 (Lbs.)				
Capacity	10,341,545	10,341,545	14,400,000	7,200,000
Actual Production	6,192,189	7,126,710	8,432,397	5,433,205
Capacity Utilization	60%	69%	59%	75%

Weaving ITL 1 (Mtr)				
Capacity	11,625,250	2,760,000	2,760,000	1,380,000
Actual Production	828,445	365,716	1,544,332	1,102,264
Capacity Utilization	7%	13%	56%	80%
Weaving ITL 2 (Lbs.)				
Capacity	19,162,500	19,162,500	14,248,800	7,124,400
Actual Production	10,229,970	12,103,996	12,362,529	6,108,040
Capacity Utilization	53%	63%	87%	86%
Terry Processing (Lbs.)				
Capacity	19,710,000	19,710,000	18,300,000	9,150,000
Actual Production	9,588,530	11,458,669	13,734,370	6,958,368
Capacity Utilization	49%	58%	75%	76%
MJS Processing (Lbs.)				
Capacity	15,695,000	15,595,000	17,846,784	8,923,392
Actual Production	5,558,513	6,864,839	9,320,809	4,114,990
Capacity Utilization	35%	44%	52%	46%
CMT - Terry (Lbs.)				
Capacity	23,725,000	23,725,000	23,040,000	11,520,000
Actual Production	9,459,051	11,159,530	12,173,211	6,401,202
Capacity Utilization	40%	47%	53%	56%
CMT - MJS (Pc)				
Capacity	28,953,990	28,953,990	34,008,000	17,004,000
Actual Production	12,741,767	20,182,992	26,551,628	11,550,927
Capacity Utilization	44%	70%	78%	68%
CMT - Garments (Pc)				
Capacity	6,200,255	6,200,255	5,397,600	2,698,800
Actual Production	2,552,120	2,908,418	3,780,594	2,253,263
Capacity Utilization	41%	47%	70%	83%

The Company's operational performance reflects a strategic shift toward higher-margin segments, particularly MJS and Garments, supported by changes in the product mix and capacity utilization trends across segments. MJS processing and CMT - MJS segments recorded an improvement in capacity utilization during FY25, before moderating in 1HFY26 to 46% and 68%, respectively. In contrast, the Garments segment demonstrated continued improvement, with utilization increasing to 83% in 1HFY26 from 70% in FY25, reflecting strengthening activity in value-added operations.

The Terry segment remained operationally stable over the period, while the overall production mix has gradually shifted toward MJS and Garments. This reorientation has been supported by capacity realignment measures, including the transfer of sizing operations from ITL-1 to ITL-2 and incremental MJS-related capacity additions, resulting in an adjusted operational performance aligned with the Company's segment focus.

PROFITABILITY

In FY25, the Company recorded revenue growth of 15% year-on-year (YoY), reaching PKR 16.9 billion (FY24: PKR 14.7 billion), driven by higher sales across all segments, particularly MJS, followed by Terry and Garments. Segment-wise, Terry remained the largest contributor at 54% (FY24: 59%), followed by MJS at 29% (FY24: 25%) and Garments at 17% (FY24: 16%).

The Company's sales remained heavily concentrated in the US market at 66%, exposing performance to demand fluctuations and tariff-related volatility. In addition, revenue concentration increased further, with the top five customers accounting for 67% of total revenue (FY24: 56%), indicating higher dependence on key customers amidst long-standing client relationships. To mitigate concentration risk, the management has expanded its presence into the Middle East and Greece over the past 1.5 years.

Despite topline growth, profitability remained under pressure due to elevated raw material costs, particularly imported yarn, and limited pricing power in export markets amid regional competition, especially from India in the Terry segment. As a result, gross margin declined to 10.6% (FY24: 14.0%), while operating margin moderated to 1.1% (FY24: 2.1%).

Finance costs declined in line with lower interest rates, however, this benefit was offset by lower income from financial assets and higher taxation. Consequently, the Company reported a net loss, with net margin declining to -1.7% (FY24: 1.1%) in FY25.

During 1HFY26, revenue remained stable at PKR 7.8 billion compared to the same period last year (SPLY). Margins remained under pressure amid inflationary pressures across operating expenses, resulting in gross margin declining to 6.6% (1HFY25: 8.9%). With revenue remaining stable, this translated into an operating margin of 0.8% (1HFY25: 3.0%). Consequently, the Company reported a net loss of PKR 125 million (1HFY25: profit of PKR 68 million), translating into a net margin of -1.6% (1HFY25: 0.9%).

Going forward, the Company continues to increase its focus on the relatively higher-margin MJS and Garment segments. Additionally, the installation of solar power and a biomass boiler is expected to support profitability. Improvement in profitability remains a key consideration from a ratings perspective.

Financial Risk

CAPITAL STRUCTURE

At end-1HFY26, the Company's equity stood at PKR 6.7 billion (FY25: PKR 6.8 billion; FY24: PKR 7.1 billion), reflecting losses incurred during FY25 and 1HFY26. Despite lower equity, gearing and leverage remained broadly stable at 0.68x and 1.38x, respectively (FY25: 0.67x and 1.39x). The debt profile continued to comprise predominantly short-term borrowings of PKR 4.3 billion, while long-term borrowings remained nominal. During 1HFY26, the Company completed ~PKR 500 million in energy-efficiency CAPEX, including a biomass boiler that became operational in April 2026, and a 1.2 MW solar power project expected to commence operations by June/July 2026. These initiatives are anticipated to generate recurring cost savings and support profitability going forward. With the major energy-efficiency investments now completed and no significant CAPEX planned, the Company expects to benefit from operational efficiencies while maintaining a broadly stable debt profile. Management does not anticipate any material increase in bank borrowings, except for a potential PKR 300-400 million ERF, subject to business requirements.

DEBT COVERAGE & LIQUIDITY

Liquidity remained adequate at end-1HFY26, supported by a broadly stable current ratio of 1.41x (FY25: 1.43x; FY24: 1.61x) and healthy short-term debt coverage. The Company's liquidity profile also benefited from sizeable short-term investments in mutual funds amounting to PKR 1.1 billion (FY25: PKR 1.0 billion; FY24: PKR 1.9 billion), providing an additional cushion to meet working capital requirements. Debt servicing capacity improved to 0.75x during 1HFY26 from 0.23x in FY25 (FY24: 1.42x), reflecting a lower loss during the period; however, it remained below the minimum threshold of 1x. Going forward, sustained improvement in FFO and debt servicing capacity will remain important from the ratings perspective, while maintenance of adequate liquidity buffers is expected to support the Company's financial flexibility.

FINANCIAL SUMMARY		(Amounts in PKR Million)			
BALANCE SHEET	FY23	FY24	FY25	1HFY26	
Property, Plant, & Equipment	3,008	3,278	3,525	3,801	
Long-term Deposits	50	87	135	124	
Stock-in-Trade	4,836	5,234	6,480	6,173	
Trade Debts	1,819	2,546	2,791	2,250	
Short-term Investment	2,534	1,901	1,005	1,126	
Cash & Bank Balances	275	356	308	542	
Total Assets	13,718	14,842	16,374	16,000	
Trade and Other Payables	3,001	3,473	4,107	3,969	
Long Term Debt (Inc. Current Maturity)	112	96	80	201	
Short Term Debt	3,035	3,459	4,497	4,341	
Total Debt	3,148	3,555	4,577	4,542	
Total Liabilities	6,981	7,792	9,532	9,284	
Paid Up Capital	329	329	329	329	
Total Equity	6,737	7,050	6,842	6,717	
INCOME STATEMENT					
Net Sales	12,169	14,733	16,947	7,839	
Gross Profit	2,340	2,069	1,801	518	
Operating Profit	844	307	188	64	
Profit Before Tax	1,164	261	(18)	(38)	
Profit After Tax	910	159	(283)	(125)	
RATIO ANALYSIS					
Gross Margin (%)	19.2%	14.0%	10.6%	6.6%	
Operating Margin (%)	6.9%	2.1%	1.1%	0.8%	
Net Margin (%)	7.5%	1.1%	-1.7%	-1.6%	
Net Working Capital	4,369	4,358	3,829	3,587	
Trade debts/Sales	14.9%	17.3%	16.5%	14.4%	
FFO	751	303	(448)	(58)	
FFO to Total Debt (%)	0.24	0.09	(0.10)	(0.01)	
FFO to Long Term Debt (%)	6.70	3.15	(5.60)	(0.29)	
Debt Servicing Coverage Ratio (x) *	2.78	1.42	0.23	0.75	
Current Ratio (x)	1.70	1.61	1.43	1.41	
Stock + Trade Debts/STD	2.19	2.25	2.06	1.94	
Gearing (x)	0.47	0.50	0.67	0.68	
Leverage (x)	1.04	1.11	1.39	1.38	
ROAA (%) *	6.8%	1.1%	-1.8%	-0.8%	
ROAE (%) *	14.5%	2.3%	-4.1%	-1.8%	
Net Operating Cycle *	123	116	117	107	
*Annualized, if required A - Audited Accounts M - Management Accounts P - Projected Accounts					

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	International Textile Limited				
Sector	Textile Composite				
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				
	06/16/2026	A	A2	Stable	Reaffirmed
	05/06/2025	A	A2	Stable	Reaffirmed
	05/02/2024	A	A2	Stable	Reaffirmed
	04/18/2023	A	A2	Stable	Upgrade
02/09/2022	A	A2	Stable	Downgrade	
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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Due Diligence Meetings Conducted	Name		Designation	Date	
	Mr. Adnan Sheikh		CFO	May 21, 2026	
	Mr. Absar Ahmed Khan		Deputy Manager Finance		