VIS
Credit Rating Company Limited

RATING REPORT

LUCKY KNITS (PRIVATE) LIMITED

Analyst:
M. Amin Hamdani
amin.hamdani@vis.com.pk

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	June 03, 2026		April 18, 2025	

Shareholding (5% or More)	Other Information
Syed Shahnawaz Akhtar - 49.98%	Incorporated in 2004
Y.B.Holdings (Pvt) Ltd – 49.98%	Private Limited Company
	Chief Executive: Mr. Sohail Tabba
	External Auditor: M/s Yousuf Adil & 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 derive comfort from the strong sponsor profile of Yunus Brothers Group, which maintains a diversified presence across multiple sectors. In addition, sponsor support remains intact through an associate, Lucky Energy (Private) Limited, and a director, in the form of unsecured, non-interest-bearing loans repayable over a period of 25 years.

The ratings also incorporate the sponsor's strategic initiatives undertaken during FY25 and 9MFY26. After achieving higher revenues in FY25 through the execution of break-even and previously loss-making orders aimed at improving cash generation, the sponsor strengthened the management team and enhanced its focus on marketing and business development. This included expanding into and onboarding new high-margin, value-added customers, while simultaneously phasing out relationships with loss-making clients. These measures resulted in a return to profitability, with the Company reporting a net margin of 5.4% after two consecutive years of net losses.

The ratings are further underpinned by a manageable financial risk profile, where equity has begun to recover in 9MFY26, supported by adequate liquidity, satisfactory cash flow generation, and comfortable debt coverage indicators. However, the capitalization profile remains elevated, reflected in high gearing and leverage ratios, despite a marginal improvement during 9MFY26. However, more than one-third of the debt remains interest-free by related parties, while a significant portion of short-term borrowings are at discounted rates. Going forward, sustaining profitability and gradual deleveraging of the balance sheet will remain important.

Company Profile

Lucky Knits (Private) Limited ('LKPL' or 'the Company') was established in 2004 as a partially vertically integrated manufacturing facility. Headquartered in Karachi, the Company operates a wide range of production units, including knitting, embroidery and stitching. LKPL specializes in the manufacturing and export of knitted apparel, offering a diverse product range such as T-shirts, polo shirts, hoodies and a variety of other garments. The Company's business is primarily export-oriented, with products being exported to four continents: America, Europe, Asia and Oceania. The Company's manufacturing operations are spread across multiple locations in Karachi. The knitting, printing, cutting, stitching and packing units are based in Kathore, while the cutting, stitching and packing units are also situated in the F.B. Area.

Management and Governance

Sponsor Profile

The Company is part of the Yunus Brother Group (YBG), with shareholding equally divided between the ultimate parent company, Y.B. Holdings (Private) Limited, and Mr. Syed Shahnawaz Akhtar. The group has a diversified presence across multiple sectors, including textiles, building materials, real estate, power generation, chemicals, pharmaceuticals, FMCG, philanthropy, automotive and mobile assembly. Sponsor support has been extended through an associate, Lucky Energy (Private) Limited and a director, in the form of unsecured, non-interest-bearing loans, which is repayable in 25 years.

Board & Managment

The Board of Directors of the Company is predominantly represented by sponsors and associated family interests. Mr. Muhammad Sohail Tabba serves as Chairman of the Board as well as Chief Executive Officer, while his direct shareholding in the Company remains limited, the majority ownership is vested through Yunus Brothers Group, thereby indicating effective sponsor control. Other board members also maintain nominal direct shareholding positions and are associated with sponsor interests. Incorporation of broader governance mechanisms, including independent oversight at the Board level, separation of the Chairman and Chief Executive Officer roles, and establishment of formal board committees will strengthen the overall governance framework.

Muhammad Sohail Tabba is one of Pakistan's leading business leaders and philanthropists, associated with the Yunus Brothers Group (YBG). He has over 30 years of leadership experience across textiles, cement, energy, real estate, retail, and entertainment sectors. During the period under review, there were key notable changes in the management team including changing of CFO, GM operations, Head of procurement and others.

The FY25 annual financial statements of the Company were audited by Yousuf Adil Chartered Accountants, wherein the auditors expressed an unqualified opinion.

IT infrastructure

The Company's IT infrastructure is primarily supported by Virtualization environment, SAP S/4HANA ERP running on SUSE Linux Enterprise Server, and Windows Server-based administrative systems, enabling centralized operations, real-time reporting, and enterprise resource management. Network security is maintained through Fortinet FortiGate firewall solutions, while Backup & Replication is deployed for data protection and disaster recovery, with regular backups maintained on dedicated repositories.

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

Utilization increased notably in FY25, particularly in knitting, driven by higher sales volumes as the Company focused on generating cashflows. Knitting capacity was further expanded during 9MFY26 through installation of new machinery, resulting in production for 9MFY26 almost matching full-year FY25 levels. Stitching utilization remained broadly stable at 58% in 9MFY26, consistent with historical levels (excluding FY25 spike), and continues to align with the company's order book and delivery requirements. LKPL previously operated a dyeing unit in Landhi, which has since been disposed of to a sister concern, Gadoon Textile Mills Limited.

PROFITABILITY

Following the loss of a key client in FY24, the Company reported a notable recovery in net sales during FY25, primarily to support operational continuity and internal cash generation. During the period, the Company operated with relatively lower margins, resulting in a net loss margin in FY25.

Subsequently, the sponsors revised the Company's strategy and strengthened the management team, with enhanced focus on higher-margin business and customer diversification. The Company also streamlined its customer portfolio by discontinuing low-margin business while onboarding higher-end international clients. Resultantly, during 9MFY26, the Company reported notable increase in net sales, alongside improved profitability, with better gross margin and positive net margin.

Financial Risk

CAPITAL STRUCTURE

The Company's equity declined in FY24 and FY25 due to net losses. However, with the return to profitability, equity started to rebound in 9MFY26.

On the debt side, the Company has continued to repay long-term borrowings in line with scheduled obligations, while short-term debt increased in FY25 amid business stress but has since declined in 9MFY26 with rebound in profitability. More than 1/3rd of long-term debt is interest-free, obtained from related parties and structured over a 25-year repayment period ending June 2040. On the short-term side, the majority comprises subsidized export/import refinance facilities.

Despite some improvement in 9MFY26, the Company's gearing and leverage stayed elevated from the ratings perspective, wherein further improvement in deleveraging capital structure will be important going forward.

DEBT COVERAGE & LIQUIDITY

After experiencing pressure in FY25, LKPL's liquidity position remained adequate in 9MFY26, with the current ratio standing at 1.01x. Short-term borrowing coverage through inventory and receivables also improved, increasing to 2.05x at end-9MFY26. In terms of debt repayment capacity, the Company is maintaining a satisfactory debt service coverage position in relation to its current financial obligations.

REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	Lucky Knits (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				
03-June-2026	A-	A1	Stable	Reaffirmed
18-Apr-2025	A-	A1	Stable	Reaffirmed
17-Nov-2023	A-	A1	Stable	Reaffirmed
04-Oct-2022	A-	A1	Stable	Reaffirmed
16-Aug-2021	A-	A1	Stable	Maintained
29-Apr-2020	A-	A1	Rating Watch-Developing	Maintained
18-Mar-2019	A-	A1	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. Copyright 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Syed Amir	CFO	April 15, 2026
Mr. Mohammad Danish Maniya	Sr. Manager – FP&A	