VIS

Credit Rating Company Limited

RATING REPORT

METCO TEXTILES (PRIVATE) LIMITED

Analysts:

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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		Maintained	
RATING DATE	January 22, 2026		November 06, 2024	

Shareholding (5% or More)	Other Information
Mr. Asad R. Premjee - 33.3%	Incorporated in 2008
Mr. Miqdad Muhammad - 33.3%	Private Limited Company
Others - 33.3%	Chairman & CEO: Mr. Asad R. Premjee
	External Auditor: M/s M. Saleem Associates Chartered Accountants

Applicable Rating Methodology

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

Rating Scale

https://docs.vis.com.pk/do cs/VISRatingScales.pdf

Rating Rationale

The assigned ratings reflect Metco Textile (Pvt.) Limited ('MTPL' or 'the Company') presence in the domestic spinning sector, supported by a diversified yarn product portfolio catering to both local and export markets. The Company benefits from operational efficiency, as evidenced by improved capacity utilization and stable production performance in recent periods. Ongoing investments in renewable energy, including solar installations and a forthcoming wind power project, are expected to provide partial mitigation against elevated energy costs, which remain a key challenge for the textile spinning industry. Business risk is influenced by cyclical demand patterns, intense competition, volatility in raw material availability, and sensitivity to energy tariffs and exchange rate movements. Profitability indicators show modest improvement, supported by higher sales volumes and lower finance costs, although margins remain under pressure due to competitive pricing and cost inflation. The financial risk profile is characterized by elevated reliance on short-term borrowings to meet working capital requirements, resulting in constrained liquidity and moderate leverage. Nevertheless, adequate debt servicing ability and internal capital generation provide comfort. Going forward, the ratings remain sensitive to the Company's ability to maintain its operational performance, gradually benefit from energy efficiency initiatives, and manage its capital structure prudently amid a challenging operating environment.

Company Profile

Metco Textile (Pvt.) Limited ('MTPL' or 'the Company'), incorporated in 2008, is a private limited company primarily engaged in the spinning of yarn for the local market & export. The product line includes various types of yarn such as Cotton Carded Hosiery Yarn, Cotton Carded Weaving Yarn, Chief Value Cotton (CVC) yarn, Polyester-Cotton (PC) yarn and open-end yarn for the weaving and knitting industry. The Company has four yarn manufacturing units two units for cotton carded ring spun yarn, one unit for CVC & PC yarn and one unit for open-end yarn with total spindle count of about 59,840 at end-of FY25. The Company's head office is located in Karachi while the manufacturing unit is situated in S.I.T.E Nooriabad, near Karachi.

Management and Governance

The Company has three major shareholders with equal shareholding. Mr. Asad Riaz Premjee, who is also the CEO; Mr. Shabbir Muhammad, the uncle of Mr. Asad, who has transferred his shareholding to his son, Mr. Miqdad Muhammad; and the Parekh family, represented by Mr. Bashir Parekh, who is a family friend.

CHAIRMAN PROFILE

Mr. Asad is associated with the Company from 2004 and possesses more than 20 years of textile management business experience.

BOD and COMMITTEES:

The Board of Directors consists of three members, all of whom represent the sponsor family. The Company does not have any board committees or independent directors.

Auditor

M. Saleem Associates, Chartered Accountants, is not included in the SBP's Panel of Auditors; however, it has a satisfactory QCR rating from ICAP and has issued an unmodified opinion and an unqualified audit report for FY25.

Business Risk

INDUSTRY

Pakistan's textile spinning sector operates within a high-to-medium business risk environment, characterized by demand cyclicality, intense competition, regulatory challenges, and high sensitivity to energy costs. The textile industry contributes around 8.5% to GDP and employs nearly 45% of the national labor force, with spinning forming a critical upstream segment that converts raw cotton and man-made fibers into yarn for downstream value-added processes. Sector performance remains closely linked to domestic and global economic conditions, exposing spinners to volatility in both demand and input availability. The FY25 cotton season remained challenging, with planted area declining to approximately 2.04 million hectares (FY24: 2.42 million hectares) due to a shift toward higher-margin crops and adverse weather conditions. As a result, cotton production fell sharply to around 5.5 million bales (FY24: ~8.4 million bales), significantly below the industry's estimated requirement of ~12 million bales, increasing reliance on imports and exposing spinners to foreign exchange and pricing risks.

Alongside cotton yarn, polyester yarn has emerged as an increasingly important input for Pakistan's textile value chain, driven by global demand for blended fabrics, cost considerations, and supply reliability. Polyester yarn production is less exposed to agricultural risks but remains highly sensitive to petrochemical feedstock prices, energy costs, and exchange rate volatility, given reliance on imported PTA and MEG. In FY25, volatility in international crude oil prices and elevated domestic energy tariffs continued to exert pressure on polyester yarn producers, constraining margins. Nevertheless, polyester yarn provides some input diversification for the spinning sector, partially offsetting the risks associated with domestic cotton shortages. Despite input constraints, textile exports recorded a modest recovery in FY25, increasing by approximately 7.2% to USD 17.9 billion (FY24: USD 16.7 billion). However, domestic spinners continued to face structural challenges stemming from earlier distortions under the Export Facilitation Scheme and the persistence of sales tax on locally produced cotton. The FY2025/26 budget's imposition of 18% sales tax on imported cotton and cotton yarn has somewhat improved competitive dynamics for local spinners, though broader issues related to taxation, energy costs, and regional competition remain.

Competitive pressures from India, China, and Bangladesh persist, supported by superior scale, technology, and product diversification. Elevated energy tariffs, despite some moderation following monetary easing, continue to weigh on both cotton and polyester yarn producers. Going forward, global demand conditions, policy consistency, access to competitively priced energy, and investment in technology and fiber diversification will remain important for long-term competitiveness.

OPERATIONAL UPDATE:

Total Production Capacity and Utilization	FY23A	FY24A	FY25
Installed capacity	23,677,920	25,310,880	25,310,880
Actual production	13,348,408	22,282,025	24,639,874
Utilization (%)	**56.37%**	**88.03%**	**97.35%**

<table>
<tr><th>Product</th><th>Capacity Utilization FY23</th><th>Capacity Utilization FY24</th><th>Capacity Utilization FY25</th></tr>
<tr><td>Hosiery</td><td rowspan="2">64.30%</td><td rowspan="2">97.30%</td><td rowspan="2">95.81%</td></tr>
<tr><td>Weaving</td></tr>
<tr><td>CVC</td><td rowspan="2">70.30%</td><td rowspan="2">95.90%</td><td rowspan="2">97.41%</td></tr>
<tr><td>PC</td></tr>
<tr><td>Open End</td><td>67.50%</td><td>84.40%</td><td>95.72%</td></tr>
</table>

The Company's operational performance reflected an improvement during FY25, with overall capacity utilization increasing to 97.35% (FY24: 88.03%). The increase was driven by higher production across major yarn categories. Product-wise utilization also strengthened, with most product lines operating at higher utilization levels compared to the previous year, attributable to increased operational intensity aimed at generating higher production volumes. Installed capacity remained unchanged during the review period.

The Company has installed 4.2 MW of solar capacity over the past two years. A 7.5 MW wind turbine project is in progress; the survey has been completed and the project is expected to be completed and become operational within the next 6 to 8 months. The major capital expenditure in FY25 relates to solar installations and the enhancement of a 5 MW feeder to increase the WAPDA-allotted load from 2.5 MW to 7.5 MW. The total internal power requirement is 7.2 MW.

PROFITABILITY:

The Company's net revenue increased by around 9.3% in FY25, primarily due to higher sales volumes, which rose by approximately 14.5%, while average selling prices declined by about 4% in line with competitive conditions in the spinning segment. Hosiery yarn remained the largest contributor to revenue, representing 40.5% of total sales (FY24: 39.5%), supported by higher volumes, although average prices declined year-on-year. A notable increase was observed in PC yarn, with its value and volume share rising to 10.4% (FY24: 2.4%) and 11.8% (FY24: 2.8%), respectively, reflecting improved market traction for this product line. Conversely, CVC and weaving yarn recorded lower proportional contributions compared to the prior period, while open-end yarn posted a marginal increase in both value and volume share. Overall, the sales mix indicates continued concentration in hosiery yarn, supplemented by a gradual pickup in PC and open-end categories. In terms of client concentration, the share of the top ten customers declined to 45.0% (FY24: 47.5%). The customer base primarily comprises established counterparties with longstanding commercial relationships with the Company, supporting stability in recurring sales.

The gross margin declined to 8.89% (9.40%), reflecting the impact of higher energy costs following an increase in gas tariffs, which offset the benefit from lower raw material prices during the period. The net margin improved to 0.29% (-1.91%), supported by a reduction in finance costs in line with lower policy rates and higher other income.

Financial Risk

CAPITAL STRUCTURE

The capitalization profile reflected pressure during FY25, with both gearing and leverage ratios rising to 1.51x (1.29x) and 1.94x (1.80x), respectively. The deterioration was driven by higher reliance on short-term borrowings to bridge working capital requirements. Although long-term debt obligations declined due to scheduled repayments, the reduction was insufficient to offset the incremental drawdown in short-term facilities. Equity, excluding the surplus on revaluation, increased by approximately 3% on account of retained earnings, which provided limited support to overall capitalization.

DEBT COVERAGE & LIQUIDITY:

In FY25, the coverage profile reflected improvement, with the debt service coverage ratio rising to 1.29x (FY24: 1.15x). The Company's liquidity profile remained constrained during FY25, as reflected in a decline in the current ratio to 1.20x (FY24: 1.28x) and short-term coverage to 1.59x (FY24: 1.99x). Current assets also expanded; however, the increase was concentrated in stock-in-trade and sales tax receivables, while cash balances declined considerably during the year. Trade and other payables reduced, necessitating additional cash outflows for settlement of liabilities. Operating cash flows turned negative due to higher working capital absorption. As a result, the Company remained reliant on bank lines to meet its short-term funding needs.

Financial Summary				(PKR Million)
Balance Sheet	FY22A	FY23A	FY24A	FY25A
Property, plant and equipment	5,697.81	6,317.56	6,492.76	6,554.24
Stock-in-trade	2,311.40	3,191.03	2,969.51	3,738.24
Trade debts	1,574.33	3,351.01	3,242.19	3,338.99
Short-term Investments	79.40	63.66	107.82	159.77
Cash & Bank Balances	11.01	9.11	34.09	4.61
Other Assets	257.30	891.56	663.88	681.93
Total Assets	9,931.25	13,823.93	13,510.25	14,477.78
Creditors	737.69	178.07	651.83	210.39
Long-term Debt (incl. current portion)	1,844.30	2,191.23	2,324.51	2,091.36
Short-Term Borrowings	1,083.13	3,854.12	3,160.82	4,524.24
Total Debt	2,927.43	6,045.35	5,485.33	6,615.60
Other Liabilities	98.12	1,496.82	1,542.66	1,715.82
Total Liabilities	3,763.24	7,720.24	7,679.82	8,541.81
Paid up Capital	3.00	3,000.00	3,000.00	3,000.00
Revenue Reserve	4,543.84	1,558.05	1,293.23	1,393.16
Other Equity (excl. Revaluation Surplus)	-66.66	-82.40	-38.24	0.00
Sponsor Loan	0.00	0.00	0.00	0.00
Equity (excl. Revaluation Surplus)	4,480.18	4,475.65	4,254.99	4,393.16

Income Statement (PKR Millions)	FY22A	FY23A	FY24A	FY25A
Net Sales	8,703.43	10,438.30	16,642.21	18,197.39
Gross Profit	1,738.23	1,037.15	1,565.15	1,618.15
Operating Profit	1,170.78	653.90	1,006.41	1,044.37
Finance Costs	92.42	598.07	1,104.87	778.87
Profit Before Tax	1,078.36	55.83	-98.46	265.50
Profit After Tax	960.08	-48.61	-317.41	53.61

Ratio Analysis	FY22A	FY23A	FY24A	FY25A
Gross Margin (%)	19.97%	9.94%	9.40%	8.89%
Operating Margin (%)	13.45%	6.26%	6.05%	5.74%
Net Margin (%)	11.03%	-0.47%	-1.91%	0.29%
Funds from Operation (FFO) (PKR Millions)	1,055.87	140.72	437.81	594.30
FFO to Total Debt* (%)	36.07%	2.33%	7.98%	8.98%
FFO to Long Term Debt* (%)	57.25%	6.42%	18.83%	28.42%
Gearing (x)	0.65	1.35	1.29	1.51
Leverage (x)	0.84	1.72	1.80	1.94
Debt Servicing Coverage Ratio* (x)	8.72	1.10	1.15	1.29
Current Ratio (x)	2.27	1.37	1.28	1.20
(Stock in trade + trade debts) / STD (x)	3.64	1.72	1.99	1.59
Return on Average Assets* (%)	11.85%	-0.41%	-2.32%	0.38%
Return on Average Equity* (%)	23.86%	-1.09%	-7.27%	1.24%
Cash Conversion Cycle (days)	141.64	175.15	136.83	130.35

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES	**Appendix II**
Name of Rated Entity	Metco Textiles (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				
01/22/2026	A-	A2	Stable	Reaffirmed
11/06/2024	A-	A2	Stable	Maintained
10/06/2023	A-	A2	Negative	Maintained
07/04/2022	A-	A2	Stable	Reaffirmed
05/07/2021	A-	A2	Stable	Maintained
16/04/2020	A-	A2	Rating Watch Developing	Maintained
02/08/2019	A-	A2	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.
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Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Ali Raza	Finance Manager	19th Nov 2025