SAYA WEAVING MILLS (PVT) LIMITED

Chief Executive Officer: Mr. Mohammad Ajaz Saya

Analysts:
Abdul Ahad Jamsa
ahad.jamsa@vis.com.pk

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

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

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

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 12, 2025		April 17, 2024	

RATING RATIONALE

Assigned ratings reflect Saya Weaving Mills' consistent revenue growth supported by stable financial performance. The Company operates across both domestic and international markets, offering a diversified product range focused on fabric and towel segments.

Despite top-line gains, profitability indicators have been constrained by rising raw material costs, increased energy tariffs, and higher manufacturing overheads. These factors have led to compression in gross and net margins during the review period. Management expects profitability to improve, supported by the expansion of solar energy capacity and enhanced procurement efficiencies.

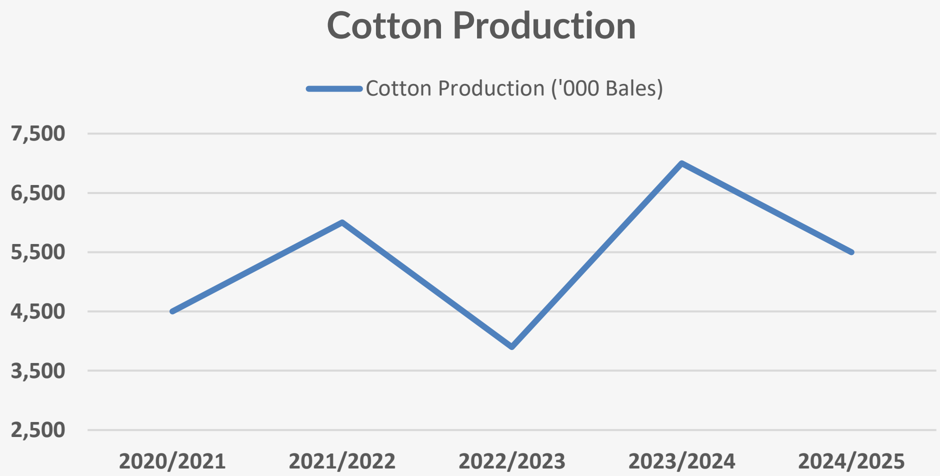
Ratings also incorporate overall financial risk profile of the Company wherein borrowings remain at manageable levels keeping the gearing ratio conservative, however, leverage stayed elevated amid higher trade payables. Liquidity and debt service coverage remained adequate while FFO coverages witnessed a drop in line with the profitability. Ratings will remain sensitive to improvement and sustainability in profitability indicators.

COMPANY PROFILE

Saya Weaving Mills (Pvt.) Limited ("SWML" or "the Company") is a privately held textile manufacturing firm engaged in producing and selling greige fabrics, finished fabrics, home textiles, and apparel. The Company is family-owned, with equity distributed among family members. SWML operates two manufacturing units located in the Sindh Industrial Trading Estate (SITE), Karachi. These units consist of weaving and stitching facilities, enabling the Company to manage multiple stages of textile manufacturing in-house.

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. Exporter profitability remains vulnerable to cotton market volatility, inflationary pressures, and exchange rate fluctuations, while persistently high energy costs continue to strain overall cost structures. Furthermore, rising input costs and regulatory changes are creating a challenging environment for the sector.

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

Portfolio and Capacity

Year	Weaving (Sq. Meters)			Stitching (Sq. Meters)		
	Capacity	Production	Utilization	Capacity	Production	Utilization
2024	103,241,348	94,775,557	92%	8,208,900	7,059,654	86%
2023	103,241,348	95,498,250	93%	6,840,750	5,883,045	86%
2022	98,448,000	90,572,160	92%	6,515,000	5,668,050	87%

The weaving segment maintained 92% utilization in FY24, with output stable at 94.78 million sq. meters. The capacity increase to 103.24 million in FY23, up from 98.45 million in FY22 and unchanged in FY24, aligned with demand from the local and European markets.

The stitching segment recorded steady utilization at 86% in FY23–FY24, with output rising to 7.06 million units, supported by a capacity increase to 8.21 million.

The Company is also in the proces of adding a processing facility at Nooriabad with a capacity of 2.5-3 million meters per month. The project is expected to largely cover the processing requirments of the Company post completion planned for FY26. In addition, the Company has initiated "weaving a sustainable future" program to reduce its climate impact by adopting sustainable manufacturing practices, investing in renewable energy, ensuring a sustainable supply chain, and monitoring and reducing its carbon impact. Furthermore, the Company has installed solar panels, covering almost 33% of its total energy needs towards a more sustainable future.

FINANCIAL RISK

Capital Structure

During the review period, the Company's total debt increased, primarily due to higher short-term borrowings to fund elevated working capital needs, especially for raw material procurement. Operational support was also provided through interest-free short-term loans from related parties. Long-term debt declined steadily with scheduled repayments, while equity strengthened through retained earnings. The adjusted gearing (adjusted for related party loans) dipped slightly by end-FY24 but rose marginally in 1HFY25, remaining broadly stable.

Profitability

The Company recorded a 13% year-on-year increase in net sales during FY24. Revenues largely remain evenly split between international and local markets. Fabric continues to dominate the product mix, contributing around 80% of total sales, while the export towel fabric segment has been gaining momentum, gradually increasing its share. Client concentration also improved, easing to 50% in 1HFY25 from 53% in FY24.

On the margins front, gross and net margins registered a marginal decline during the review period (FY24 & 1HFY25) despite topline growth. The contraction was primarily driven by elevated energy tariffs, higher imported raw material costs, and increased manufacturing overheads. Operating expenses rose moderately due to higher export-related selling costs, while a decline in finance charges, owing to scheduled repayment of borrowings provided some relief and partially offset overall cost pressures. The profitability declined in line with margin compression, although revenue growth and reduced financial costs continued to lend support.

Looking ahead, the Company is prioritizing cost-efficiency initiatives, including the expansion of solar energy capacity and optimization of raw material sourcing.

Debt Coverage & Liquidity

In FY24, Saya Weaving Mills' funds from operations declined due to increased energy and raw material costs, adversely impacting profitability. The reduced profitability, combined with higher borrowings, led to a drop in FFO coverage; however, it remained at an adequate level. Liquidity and the Debt Service Coverage Ratio (DSCR) also remained satisfactory, with short-term borrowings well-covered by inventory and receivables. The Company's cash conversion cycle was recorded shorter due to payable period extension. Going forward, maintaining a strong liquidity and coverage profile will remain important.

REGULATORY DISCLOSURES	**Appendix II**
Name of Rated Entity	Saya Weaving Mills (Pvt) Limited
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
12-June-2025	A-	A2	Stable	Reaffirmed
04-17-2024	A-	A2	Stable	Reaffirmed
02-22-2023	A-	A2	Stable	Reaffirmed
01-10-2022	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.
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. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2025 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

Due Diligence Meetings Conducted

S.No.	Name	Designation	Date
1	Mr. Murtaza Ajaz Saya	Director	May 14, 2025
2	Mr. Nadeem ul Haq	CFO	