VIS
Credit Rating Company Limited

INDUS HOME LIMITED

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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
OUTLOOK/RATING WATCH	Stable		Negative	
RATING ACTION	Maintained		Maintained	
RATING DATE	August 20, 2026		August 07, 2025	

Shareholding (5% or More)	Other Information
Indus Dyeing & Manufacturing Company Ltd – ~99.99%	Incorporated in 2006
	Public Limited Company (Unlisted)
	Chief Executive: Irfan Ahmed
	External Auditor: Yousuf Adil 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 rating reflects the Company's established operating profile, strong association with the Indus Group, established export customer base and diversified product portfolio. The Company has also demonstrated recovery in operating performance, supported by improved margins and a return to profitability, while ongoing product diversification, including the synthetic sportswear segment, is expected to provide further support.

The rating remains constrained by the challenging textile sector environment, elevated leverage, high working capital requirements and relatively weak debt-servicing capacity. Governance structure has room for improvement, given the absence of independent directors and Board committees and the significant representation of family members on the Board, resulting in limited independent oversight. Nevertheless, adequate liquidity, improving internal cash generation and the absence of major planned CAPEX provide some mitigation.

The Stable Outlook reflects the expectation that the Company's established business profile and improving operating performance will broadly offset the prevailing sector, financial and governance-related constraints. Further strengthening of the rating profile would remain contingent upon sustained improvement in profitability, internal cash generation, working capital management and deleveraging.

Company Profile

Indus Home Limited ('IHL' or 'the Company') established in 2006, is an Unlisted Public Company and a wholly owned subsidiary of Indus Dyeing & Manufacturing Company Limited, which is rated A+/A1 by VIS Credit Rating Company. The Company manufactures and exports greige and finished terry cloth, along with other textile products, supported by its U.S. based marketing subsidiary, Indus Home USA Inc. Its manufacturing facility and registered office are located in Lahore.

Management and Governance

SPONSOR PROFILE

IHL is a wholly owned subsidiary of Indus Dyeing & Manufacturing Company Limited (IDMC), the flagship and holding company of the Indus Group. Established over five decades ago, the Indus Group is a diversified industrial conglomerate with operations spanning textiles and energy, generating annual turnover of PKR 106 billion in FY25.

In addition to IHL, IDMC owns Indus Wind Energy Limited, which operates a 50 MW wind power plant supplying electricity to the national grid, and Indus Lyallpur Limited, a yarn manufacturing company. The Group also holds a minority stake in Sunrays Textile Mills Limited, which is classified as an associate due to common directorship.

BOARD & MANAGEMENT

The Company is an unlisted public limited company with a seven-member Board of Directors, which holds meetings quarterly. Given the unlisted status, the Company is not subject to the same corporate governance requirements applicable to listed entities, and its governance framework remains relatively less formalized. The Board primarily comprises nominees of the major shareholders of IDMC, with no independent directors and a significant proportion of family members. The Board includes one female director, while no Board committees are constituted.

Day-to-day operations are overseen by the CEO, and his son, who joined the business during the previous year. The remaining directors are not actively involved in day-to-day operations, with their role primarily limited to the Board level. The Board structure, characterized by the absence of independent directors and Board committees, provides limited independent oversight.

IT INFRASTRUCTURE

The Company has transitioned from Microsoft-based systems to Lucrum, a local ERP solution, following operational issues encountered with AX after its migration from on-site to cloud-based operations, particularly within the production function. Lucrum integrates production, inventory and finance, including invenotry movement through to finished goods, supporting greater integration across key operational functions.

AUDITOR

The FY25 annual financial statements were audited by Yousuf Adil Chartered Accountants, a 'A' category audit firm on the State Bank of Pakistan's approved panel of auditors. The auditors expressed an unqualified opinion.

Business Risk

INDUSTRY UPDATE

VIS assesses the business risk profile of the textile industry as moderate to high, given its cyclical nature, dependence on global economic conditions and export demand, exposure to cotton and energy price volatility, and sensitivity to changes in consumer spending. The sector also remains exposed to exchange rate movements, evolving trade dynamics and intense competition across regional textile-producing countries.

The operating environment remains challenging, with global demand yet to recover fully following the disruption of recent years. Economic weakness in key export markets, particularly Europe, together with persistent inflationary pressures, has constrained consumer demand and order volumes. The US market has also remained challenging, while slower movement of goods in international markets has resulted in cautious order placement for the upcoming year. Pakistan's overall export environment has similarly remained subdued.

Domestic competitive intensity in the towel segment has increased, particularly in Punjab, following the entry of several new manufacturers over the last four to five years. At the same time, elevated energy costs and supply constraints continue to weigh on the sector, following the withdrawal of subsidies on electricity and gas and higher fuel costs. Geopolitical developments, including the ongoing conflict in the Middle East, have added to uncertainty in international trade, with demand remaining uneven across customers and markets.

Pakistan's textile exporters continue to diversify their geographic and product exposure in response to these conditions. The Company's own export destination mix has shifted materially, with South Africa emerging as a significant market, while established international brands continue to form part of its customer base.

Looking ahead, the sector outlook is expected to remain challenging, with recovery in export demand, input cost trends and global economic conditions are likely to remain key determinants of industry performance. Continued cost pressures and competitive intensity are expected to persist, although a recovery in international demand would provide support to sector activity.

OPERATIONAL PERFORMANCE

Units in Millions	FY22	FY23	FY24	FY25	FY26
Spinning					
Installed Capacity (lbs.)	3.3	19.5	23.7	23.7	23.7
Actual Production (lbs.)	2.7	19.3	19.7	18.8	18.5
Capacity Utilization	**81.8%**	**98.9%**	**83.0%**	**79.1%**	**78.1%**
*Spinning after conversion into 15/s					
Weaving					
Installed Capacity (lbs.)	29.1	29.1	29.1	29.1	29.1
Actual Production (lbs.)	24.5	20.6	21.5	20.7	19.9
Capacity Utilization	**84.3%**	**70.7%**	**73.9%**	**71.2%**	**68.3%**

Capacity utilization moderated during FY25 and further dropped in FY26 amid subdued international demand and lower order volumes. The continued moderation in utilization reflects the challenging demand environment, while available capacity provides scope to accommodate higher volumes as demand conditions improve.

Operating costs also remained elevated, particularly energy costs, following the withdrawal of subsidies for electricity and gas. In response, the Company has progressively increased reliance on solar power, with ~5 MW installed over the past five years. Management is evaluating an additional 1-2 MW installation, subject to space availability, while also exploring a shift from gas to biofuel to manage energy costs.

The Company has completed installation of its synthetic sportswear facility, with trial production currently underway. Operations are expected to scale up progressively, with the facility targeted to become fully operational in FY28.

PROFITABILITY

During FY25, revenue increased to PKR 22.3 billion (FY24: PKR 20.5 billion) despite subdued international demand, supported by local yarn sales of PKR 6.0 billion (FY24: PKR 2.9 billion). The increased contribution from local sales shifted the export-to-local sales mix to 71:29 (FY24: 84:16). The product mix remained concentrated in Body Sheet, Bath Robe and Bath Towel, contributing 20%, 15% and 12% of sales, respectively (FY24: 19%, 17% and 17%). Customer concentration remained moderate, with the top ten customers accounting for 58% of sales (FY24: 56%). Geographic mix also changed, with Singapore and the UK each contributing 20% of sales in FY25, compared with France and the UK at 19% and 18%, respectively, in FY24.

Despite topline growth, higher cotton prices placed pressure on margins, with gross margin declining to 7.4% in FY25 (FY24: 10.2%). The resulting operating margin stood at 3.8%, with lower dividend income from mutual funds providing additional pressure. Consequently, despite marginally lower finance cost and lower tax expense, the Company reported a net loss of PKR 165 million (FY24: profit of PKR 230 million), translating into a net margin of -0.7% (FY24: 1.1%). The decline in profitability primarily reflected higher input costs and limited pass-through of cost increases, while the shift in sales mix towards local sales amid weak international demand also moderated margins.

During FY26, revenue remained broadly stable at PKR 21.8 billion (FY25: PKR 22.3 billion), while the export-to-local sales mix shifted further in favor of local sales to 67:33 (FY25: 71:29), reflecting continued weakness in international demand. Despite slight drop in topline, gross margin improved to 10.9% (FY25: 7.4%), supported by lower stores and spares cost and moderation in employees related costs. The improvement in gross margin translated into an operating margin of 6.0% (FY25: 3.8%). However, the impact at the bottom line was moderated by a significant decline in other income. Nonetheless, the Company returned to profitability, reporting net profit of PKR 129 million (FY25:

loss of PKR 165 million), with net margin improving to 0.6% (FY25: -0.7%). The recovery in operating margins supported a return to profitability, although the net margin remained modest, indicating limited bottom-line cushion.

Going forward, to support profitability, management is gradually reprofiling the product mix toward higher-margin and specialized terry products, including bath robes, swimming towels and embroidered towels, where competitive intensity is comparatively lower. The recently added synthetic sportswear segment is also expected to provide further diversification and margin support as operations scale up. Sustained improvement in profitability will remain dependent on recovery in export demand, input cost trends and execution of the Company's product-mix strategy and synthetic sportswear expansion.

Financial Risk

CAPITAL STRUCTURE

The Company's capital structure remained debt-led at end-FY25, with short-term borrowings comprising a mix of export-linked and working capital facilities. Short-term borrowing increased to PKR 8.3 billion (FY24: PKR 7.2 billion) and further to PKR 8.5 billion at end-FY26, reflecting continued working capital requirements. Also, long-term borrowings increased to PKR 6.8 billion in FY25 to fund completion of the synthetic sportswear segment before declining to PKR 6.1 billion at end-FY26 with scheduled repayments.

The FY25 loss weakened the equity base, resulting in a marked increase in gearing and leverage to 2.24x and 2.54x, respectively (FY24: 1.67x and 1.98x). While the return to profitability in FY26 supported a modest improvement in gearing to 2.13x, leverage remained elevated at 2.53x, reflecting increased trade and other payables. With no major CAPEX planned, incremental debt requirements are expected to remain limited, however, sustained deleveraging remains important to strengthen the financial risk profile.

DEBT COVERAGE & LIQUIDITY

Liquidity remained adequate at end-FY26, although the current ratio continued its gradual decline to 1.07x (FY25: 1.09x; FY24: 1.13x). The softening primarily reflects higher working capital requirements, with inventory days increasing as the Company maintained higher cotton inventory to partially offset the impact of further price increases, resulting in an elongation of the net operating cycle.

Debt coverage improved to 0.93x (FY25: 0.60x; FY24: 1.09x) during FY26 on the back of stronger funds from operations, although it remained below 1.0x. While the current liquidity position remains adequate, the continued softening in liquidity indicators and elevated working capital requirements will remain important considerations going forward. Sustained improvement in internal cash generation, alongside effective working capital management, would support further strengthening of liquidity and debt-servicing capacity.

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Indus Home Limited
Sector	Textile Composite
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
Rating History	see table below

Rating Date	Medium to Long Term	Short Term	Outlook/Rating Watch	Rating Action
RATING TYPE: ENTITY				
08/20/2026	A-	A2	Stable	Maintained
08/07/2025	A-	A2	Negative	Maintained
08/08/2024	A-	A2	Stable	Reaffirmed
07/24/2023	A-	A2	Stable	Reaffirmed
08/01/2022	A-	A2	Stable	Maintained
05/25/2021	A-	A2	Positive	Maintained
04/29/2020	A-	A2	Rating Watch – Developing	Maintained
05/08/2019	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. Ahmad Fraz	CFO	August 03, 2026