

AKRAM COTTON MILLS LIMITED

Analyst:

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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	BBB	A2	BBB	A2
RATING OUTLOOK/ WATCH	Negative		Stable	
RATING ACTION	Maintained		Reaffirmed	
RATING DATE	January 29, 2026		December 6, 2024	

Shareholding (5% or More)

Mr. Ali Pervaiz – 76.24%

Mrs. Shaista Pervaiz – 21.96%

Other Information

Incorporated in 1993

Public Limited Company (Unlisted)

Chief Executive: Mr. Ali Pervaiz

External Auditor: Yousaf Adil 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/docs/VISRatingScales.pdf>

Rating Rationale

The assigned rating reflects Akram Cotton Mills Limited's ('ACML or 'the Company') long operating history in the spinning sector and its experienced sponsor-led management along with heightened business and financial risk pressures. The Company continues to operate in a highly competitive and cyclical industry that remains sensitive to energy costs, raw material availability, and policy distortions, which have constrained demand for locally produced yarn and imparted pressure on margins. During the review period, subdued profitability, weaker capacity utilization, and elevated competition adversely affected operating performance, while a sizable build-up in working capital requirements led to increased reliance on short-term borrowings and a deterioration in liquidity and capitalization metrics. Although finance costs moderated and management has demonstrated commitment through equity support and planned efficiency initiatives, overall cash flow generation remains strained, limiting debt servicing capacity in the near term. Going forward, the rating will depend on the Company's capacity to restore sustainable profitability, strengthen operating margins, and effectively manage energy-related cost pressures. Continued financial support and demonstrated commitment from the sponsors provide some comfort.

Company Profile

Akram Cotton Mills Limited ('ACML or 'the Company') is engaged in the business of manufacturing and sale of yarn. It specializes in the production of 100% carded and combed cotton yarn, with a count range of 20/1 to 30/1, mainly for hosiery purposes.

Its Head Office is located in Block-M, Gulberg III, Lahore and the operational mill is situated in Pattoki, Punjab, at a distance of 90-km from Lahore on the Lahore-Multan National Highway. ACML has been providing yarn variants, under the brand name 'Anmol', 'Super Anmol' and 'Mahnoor,' mainly to local customers. The main raw material, cotton, is procured from the local market.

Sponsor Profile

ACML is a family-owned business with shareholding of the Company being held with Mr. Ali Pervaiz having 76.24%, Mrs. Shaista Pervaiz having 21.96% and Mrs. Sara Ali Pervaiz having 1.79%, who are actively involved in the business operations. Mr. Ali Pervaiz also serves as a Federal Minister of Energy (Petroleum Division).

Management and Governance

CEO PROFILE

Mr. Ali Pervaiz serves as the CEO of ACML. He is a seasoned business leader with extensive experience across textiles, retail pharmacy, and banking. With a background in corporate and investment banking, he brings expertise in finance, risk management, and strategic leadership, supported by an MSc in Finance from Imperial College London and a BSc (Hons) in Economics from LUMS.

BOARD & SENIOR MANAGEMENT

The Board comprises three members, with Mr. Ali Pervaiz serving as Chief Executive Officer, while Mrs. Sara Ali Pervaiz and Mr. Mushtaq Ahmed serve as Directors. Decision-making is largely centralized at the Board, with Mr. Mushtaq Ahmed and Mr. Javed Ilyas, Chief Financial Officer, providing key input on strategic and leadership matters to the CEO. No vacancies were reported at the Board or senior management level during the review period.

AUDIT OPINION

Yousuf Adil Chartered Accountants, categorized as 'Category A' on the SBP's Panel of Auditors and with satisfactory QCR rating from ICAP, has provided an unqualified and unmodified opinion, affirming that the Company's financial statements comply with accounting standards and accurately portray the Company's financial position as of FY25.

Business Risk

INDUSTRY UPDATE

Pakistan's textile spinning sector operates within a high-to-medium business risk environment, characterized by demand cyclicity, 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 2.04mn hectares (FY24: 2.42mn hectares) due to a shift toward higher-margin crops and adverse weather conditions. As a result, cotton production fell sharply to around 5.5mn bales (FY24: ~8.4mn bales), significantly below the industry's estimated requirement of ~12mn 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 17.9bn (FY24: USD 16.7bn). 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 PERFORMANCE

Production Capacity and Utilization	FY23A	FY24A	FY25A
No. of Spindles Installed	23,220	23,220	23,220
No. of Spindles Worked	23,220	23,220	23,220
Installed Capacity converted into 20s' count Tonnes	10.29	10.29	10.29
Actual Production converted into 20s' count Tonnes	5.89	10.10	8.01
Utilization	57.2%	98.2%	77.8%

ACML's current installed spindles capacity remains constant at 23,220 spindles. Yarn production witnessed a significant decline of 20.69% to 8.01 tons (FY24: 10.10 tons) in FY25, bringing down utilization rate to 77.8% (FY24: 98.2%). This is mainly due to preference of imported yarn under Export Facilitation Scheme (EFS) which led to a decline in the demand of locally produced yarn.

PROFITABILITY

Yarn sales accounted for 96.1% of total sales (FY24: 95.4%), while waste contributed 3.9% (FY24: 4.6%) in FY25. Overall, gross sales value declined to PKR 4,973.1mn (FY24: PKR 6,599.0mn), reflecting a decrease of 24.6% compared to the previous year. Net sales during the year were recorded at PKR 4,214.5mn (FY24: 5,675.7mn). As per management, the Company recorded gross sales of PKR 1,967.0mn in the H1FY26 and expects to surpass FY25 sales figure by the end of FY26. The concentration of top 10 customers declined to 33% (FY24: 41%) in FY25 but remains range-bound with majority being in long term relation.

During FY25, gross margin declined significantly to 1.8% (FY24: 5.8%), primarily due to intense competition in the local market, including pressure from low-priced imports, adversely impacting selling prices and volume. The average selling price per bag of ACML's yarn decreased to PKR 38,187 (FY24: PKR 39,213 per bag) in FY25. In addition, total sales volume declined to 106,029 bags during FY25, down from 138,123 bags in the previous year. On the cost side, the proportion of raw material consumed and fuel costs increased as a percentage of cost of goods consumed. Operating expenses declined by 4.4% year-on-year in FY25, largely due to a 21.0% reduction in distribution costs in line with lower sales. Furthermore, other income declined by 51.8%, primarily due to the absence of non-recurring income recognized in the previous year. The Company reporting an operating loss of PKR 42.0mn (FY24: Operating Profit: PKR 228.7mn) in FY25. During FY25, finance costs decreased to PKR 140.3mn (FY24: PKR 213.4mn), reflecting the reduction in the policy rate. As a result, the Company recorded loss before levy and tax of PKR 182.3mn (FY24: Profit before levy and tax PKR 15.3mn) in FY25. Looking ahead, the Company intends to curtail costs through the installation of a 1 MW solar power system, while simultaneously carrying out Balancing, Modernization & Replacement (BMR) to enhance the product quality in terms of contamination control.

Financial Risk

CAPITAL STRUCTURE

Total debt increased sharply to PKR 1,234.9mn (Jun'24: PKR 565.8mn) as of Jun'25, primarily due to a significant drawdown of short-term borrowings amounting to PKR 1,130.7mn (Jun'24: PKR 401.2mn), to meet working capital requirements amid a substantial inventory build-up by year-end. Short-term borrowings subsequently decreased to PKR 927.8mn as of Dec'25.

Long-term borrowings decreased to PKR 104.2mn (Jun'24: PKR 164.5mn) as of Jun'25 following scheduled loan repayments. However, as of Dec'25, the Company was sanctioned a new long-term loan of PKR 100mn for a tenure of five years, including a one-year grace period, to support its working capital needs. Additionally, a new long-term loan of PKR 50mn for a tenure of five years, including a six-month grace period to support BMR to enhance product quality in terms of contamination control.

Equity declined to PKR 561.4mn (Jun'24: PKR 803.3mn) as of Jun'25 due to the recognition of considerable losses during the period. Consequently, as of Jun'25, the Company's gearing and leverage ratios increased to 2.2x (June 2024: 0.7x) and 2.9x (June 2024: 1.1x), respectively. Subsequent to the year ended Jun'25, the Company's sponsor injected PKR 82mn to strengthen the Company's capitalization profile. Going forward, improvement in leverage indicators is important from ratings perspective.

DEBT COVERAGE & LIQUIDITY

The Company's profitability remained under pressure in FY25, which adversely impacted its coverage metrics during the period. Funds from operations (FFO) remained negative at PKR 207.3mn (FY24: PKR -12.1mn).

The Company's liquidity profile weakened during the year. The current ratio declined to 1.04x (Jun'24: 1.40x) as of Jun'25, while short-term coverage decreased to 1.23x (June 2024: 2.31x). Additionally, the cash conversion cycle (CCC) increased to 78 days in FY25 (FY24: 58 days), primarily mainly due to inventory build-up. The ratings remain sensitive to the improvement in the overall financial risk profile of the company.

Financial Summary	(PKR Millions)			
Balance Sheet	FY22A	FY23A	FY24A	FY25A
Property, plant and equipment	649.33	637.20	612.20	554.65
Right-of-use Assets	6.30	4.30	2.37	0.44
Intangible Assets	0.18	0.24	0.16	0.11
Stock-in-trade	568.21	772.42	494.93	1,078.74
Trade debts	287.06	289.15	371.88	238.74
Short-term Investments	-	-	-	16.52
Cash & Bank Balances	27.50	20.72	47.20	5.22
Other Assets	118.28	161.36	157.70	312.34
Total Assets	1,656.86	1,885.39	1,686.44	2,206.76
Creditors	181.30	46.47	146.09	274.59
Long-term Debt (incl. current portion)	315.67	225.67	164.54	104.20
Short-Term Borrowings	82.61	545.34	401.26	1,130.71
Total Debt	398.28	771.01	565.80	1,234.91
Other Liabilities	141.90	213.57	171.32	135.91
Total Liabilities	721.48	1,031.05	883.21	1,645.41
Paid up Capital	139.34	139.34	139.34	139.34
Revenue Reserve	796.05	715.03	663.92	422.03
Equity (excl. Revaluation Surplus)	935.39	854.37	803.26	561.37
Income Statement (PKR Millions)	FY22A	FY23A	FY24A	FY25A
Net Sales	4,444.76	2,998.90	5,675.71	4,214.46
Gross Profit	642.93	176.29	329.03	73.99
Operating Profit	479.04	78.49	228.72	(42.00)
Finance Costs	114.58	190.47	213.45	140.33
Profit Before Tax	364.46	(111.98)	15.27	(182.33)
Profit After Tax	238.60	(66.36)	(51.10)	(241.89)
Ratio Analysis	FY22A	FY23A	FY24A	FY25A
Gross Margin (%)	14.46	5.88	5.80	1.76
Operating Margin (%)	10.78	2.62	4.03	(1.00)
Net Margin (%)	5.37	(2.21)	(0.90)	(5.74)
Funds from Operation (FFO) (PKR Millions)	383.10	(75.91)	(12.05)	(207.31)
FFO to Total Debt* (%)	96.19	NM	NM	NM
FFO to Long Term Debt* (%)	121.36	NM	NM	NM
Gearing (x)	0.43	0.90	0.70	2.20
Leverage (x)	0.77	1.21	1.10	2.93
Debt Servicing Coverage Ratio* (x)	2.26	0.25	0.69	(0.46)
Current Ratio (x)	2.63	1.52	1.40	1.04
(Stock in trade + trade debts) / STD (x)	10.77	2.01	2.31	1.23
Return on Average Assets* (%)	16.35	NM	NM	NM
Return on Average Equity* (%)	28.63	NM	NM	NM
Cash Conversion Cycle (days)	52	108	58	78
*Annualized, if required				
A - Actual Accounts				
P - Projected Accounts				
M - Management Accounts				

*NM – Not Meaningful

REGULATORY DISCLOSURES

Appendix I

Name of Rated Entity	Akram Cotton Mills 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				
	29-Jan-2026	BBB	A2	Negative	Maintained
	06-Dec-2024	BBB	A2	Stable	Reaffirmed
	27-Feb-2024	BBB	A2	Stable	Initial
	05-Jul-2023	-	-	-	Withdrawn
	17-Jun-2022	BBB	A2	Stable	Reaffirmed
	29-Jun-2021	BBB	A2	Stable	Maintained
	24-Apr-2020	BBB	A2	Rating Watch - Negative	Maintained
	16-Dec-2019	BBB	A2	Stable	Upgrade
	03-Jul-2019	BBB-	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 Meeting Conducted	Name	Designation		Date	
	Mr. Javed Ilyas	Chief Financial Officer		7th January 2026	