VIS
Credit Rating Company Limited

RATING REPORT

SOHAIL TEXTILE MILLS LIMITED

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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	BBB	A2	BBB-	A2
RATING OUTLOOK/WATCH	Stable		Stable	
RATING ACTION	Upgrade		Reaffirmed	
RATING DATE	November 24, 2026		December 23, 2025	

Shareholding (5% or More)	Other Information
Najib Usman: 59.75%	Incorporated in 1981
Tayyab Najib: 40.04%	Public Limited (Unlisted) Company
	CEO: Najib Usman
	External Auditor: Munaf Yusuf and Co.

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/Methodologies-2026/Corporate-Rating-2026.pdf

Rating Scale

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

Rating Rationale

Sohail Textile Mills Limited ('STML' or 'the Company') is a public unlisted company, involved in the business of manufacturing and marketing of yarn. STML is part of Ayesha Group of Companies, which is an industrial group that operates from Lahore, Pakistan. The Group started its textile operations with incorporation of Ayesha Spinning Mills in 1972. The rating reflects favorable peer performance with adequate financial risk indicators, supported by moderate gearing, and stronger debt-servicing capacity on the back of higher cash flow generation. The Company's relatively small scale of operations and challenging conditions in the domestic spinning sector, characterized by subdued demand, input cost volatility, and competitive pressure from imported yarn, have constrained revenues over FY24–FY26, prompting the Company to focus on cost optimization. Driven by workforce realization and integration of a 2MW solar power plant, profitability improved modestly in FY26. Going forward, the Company's ability to revive revenue growth, sustain profitability, maintain gearing and debt coverage metrics will remain key rating considerations.

Company Profile

Sohail Textile Mills Limited ('STML' or 'the Company') is a public unlisted company, involved in the business of manufacturing and marketing of yarn. The Company's registered office is situated in Karachi while the head office is in Lahore. STML's manufacturing facilities are located at Sargodha Road, District Sheikhupura.

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 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

Management and Governance

STML is part of Ayesha Group of Companies, which is an industrial group that operates from Lahore, Pakistan. The Group started its textile operations with incorporation of Ayesha Spinning Mills in 1972. Since its inception, Ayesha Group has expanded into a diversified business group with interests spanning textile spinning, leather, footwear, apparel, and retail. No major changes have occurred in the Group's overall business profile during the review period. While Clikk Tech, the Group's IT venture, remains in the team-building and investment phase and continues to require funding support, Agility Textile (garment stitching) and Cross Stitch (fashion retail) have continued to perform satisfactorily, according to management. Additionally, procurement synergies across the Group's spinning mills enable the Company to source key raw materials at competitive rates. The shareholding of STML is concentrated within the family members, with Najib Usman holding 59.75% and Tayyab Najib holding 40.04% of the company's shares. Najib Usman serves as CEO and Chairman and Tayyab Najib serving as Director.

AUDITOR

The FY26 financial statements were audited by Munaf Yusuf & Co., a QCR-rated audit firm that is not included in the SBP's list of approved auditors. The external auditor issued an unqualified audit opinion.

Business Risk

INDUSTRY UPDATE

Pakistan's textile sector recorded a modest recovery in FY26, with textile and apparel exports reaching USD 18.0bn, up 0.3% YoY. Export momentum strengthened in 4MFY27, with exports increasing by 5.5% to USD 6.75bn, primarily driven by readymade garments, knitwear and home textiles, while intermediate products remained subdued. Despite improving exports, the sector continues to face elevated energy costs, taxation, delayed tax refunds and liquidity constraints, weighing on competitiveness. Domestic cotton arrivals increased by 6.9% to 4.74m bales during 4MFY27, potentially easing local procurement costs for spinning mills. Local cotton prices increased by 14% during 4MFY27 compared to SPLY, which could support improved yarn pricing and revenue realizations for local spinning mills. However, the impact on profitability would remain contingent on the extent of pass-through, working capital management and the prevailing demand environment. Continued reliance on imported cotton further exposes manufacturers to international price and exchange-rate volatility. The gradual shift towards value-added products supports the sector's long-term outlook. Nevertheless, the spinning segment remains exposed to elevated business risk, with recovery contingent upon improved demand, cost competitiveness and improved raw material prices.

PRODUCTION CAPACITY

The Company maintains modest spindle count relative to larger yarn manufacturer firms. Capacity utilization moderated to 81% (FY25: 84%) as production declined by 3.2% during FY26. Capacity expansion is not planned in foreseeable future. The Company's solar power system of 2MW came online in 2QFY26, resulting in a 14% reduction in utility expenses in FY26. Management projects further cost savings during FY27.

SALES & PROFITABILITY

While revenue generation remains constrained by weak demand and intense competition from imported yarn, management has focused on cost optimization and operational efficiencies to mitigate pressure on margins. Net sales decreased by 4% in FY25, followed by a further 2% contraction in FY26, reflecting sustained weakness in the domestic yarn market. While the decrease in FY25 was volume-driven, overall sales volumes rebounded by 18% in FY26; the recovery was offset by lower average selling price. The top 10 customers accounted for 37% of net revenue in FY26 (FY25: 40%). The rebound in gross profit during FY26 was attributable to rationalization of operating expenditures, underpinning a recovery in gross margin to 5.5% (FY25: 4.5%). The increase in operating profit and marginally lower finance costs supported net profit which increased in FY26, with the net margin of 0.9% (FY25: 0.2%) in FY26.

Financial Risk

CAPITAL STRUCTURE

At end-FY26, short-term borrowings increased to support working capital requirements while long-term borrowings were a little higher, mobilized for 2MW solar power plant project, which was funded through a 50:50 debt-to-equity structure. With slight growth in equity, the gearing ratio remained broadly stable at 0.77x (end-FY25: 0.73x; end-FY24: 0.93x). Lower customer advances and other liabilities contributed to a modest improvement in debt leverage, which stood lower at 1.61x (end-FY25: 1.73x, end-FY24: 1.96x). Capitalization metrics are projected to strengthen as long-term borrowings moderate, supported by the absence of any significant planned capital expenditure going forward.

DEBT COVERAGE & LIQUIDITY

While the cash flow capacity remains modest, an increase in FFO led to a notable improvement in DSCR and FFO-to-long-term debt coverage in FY26. The liquidity profile remains underpinned by a consistently adequate current ratio and a lower cash conversion, adequate short-term debt coverage, and a satisfactory receivables aging profile, with 98% (FY25: 97%) of trade debts classified as not past due.

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FINANCIAL SUMMARY				
Balance Sheet (PKR Millions)	**FY23A**	**FY24A**	**FY25A**	**FY26A**
Property, plant and equipment	1,907.3	2,041.8	2,045.1	2,101.3
Stock-in-trade	247.3	384.0	356.7	284.3
Trade debts	82.9	39.5	37.7	69.6
Cash & Bank Balances	15.6	18.3	32.0	32.8
Other Assets	113.2	191.8	122.9	142.9
Total Assets	**2,366.3**	**2,675.3**	**2,594.4**	**2,630.8**
Creditors	74.6	53.3	94.0	98.1
Long-term Debt (incl. current portion)	315.3	274.9	216.6	222.5
Short-Term Borrowings	145.5	241.0	203.9	259.4
Total Debt	460.9	515.8	420.5	482.0
Other Liabilities	392.5	516.7	483.4	423.6
Total Liabilities	**928.0**	**1,085.8**	**998.0**	**1,003.6**
Paid up Capital	69.0	69.0	69.0	69.0
Revenue Reserve	469.6	485.5	508.7	554.9
Equity (excl. Revaluation Surplus)	538.6	554.5	577.7	623.9
Income Statement (PKR Millions)	**FY23A**	**FY24A**	**FY25A**	**FY26A**
Net Sales	3,152.6	3,579.0	3,416.9	3,332.7
Gross Profit	219.5	213.4	153.3	182.7
Operating Profit	142.0	167.1	115.3	145.8
Finance Costs	90.6	84.8	65.3	60.5
Profit Before Tax	51.4	82.3	50.0	85.3
Profit After Tax	0.5	2.2	6.9	30.7
Ratio Analysis	**FY23A**	**FY24A**	**FY25A**	**FY26A**
Gross Margin	7.0%	6.0%	4.5%	5.5%
Operating Margin	4.5%	4.7%	3.4%	4.4%
Net Margin	0.0%	0.1%	0.2%	0.9%
Funds from Operation (FFO) (PKR Millions)	79.2	102.3	40.1	73.7
FFO to Total Debt	17.2%	19.8%	9.5%	15.3%
FFO to Long Term Debt	25.1%	37.2%	18.5%	33.1%
Gearing (x)	0.86	0.93	0.73	0.77
Leverage (x)	1.72	1.96	1.73	1.61
Debt Servicing Coverage Ratio (x)	0.96	1.26	1.00	1.41
Current Ratio (x)	1.04	1.11	1.03	1.06
(Stock in trade + trade debts) / STD (x)	2.48	1.87	2.11	1.51
Return on Average Assets	0.00%	0.10%	0.30%	1.20%
Return on Average Equity	0.10%	0.40%	1.20%	5.10%
Cash Conversion Cycle (days)	39	34	37	32

A: Audited accounts

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REGULATORY DISCLOSURES						Appendix I
Name of Rated Entity	Sohail Textile Mills Limited					
Sector	Textile					
Type of Relationship	Solicited					
Purpose of Rating	Entity Ratings					
Rating History	**Rating Date**	**Medium to Long Term**	**Short Term**	**Outlook / Rating Watch**	**Rating Action**	
	RATING TYPE: ENTITY					
	24-11-2026	**BBB**	**A2**	**Stable**	**Upgrade**	
	23-12-2025	BBB-	A2	Stable	Reaffirmed	
	02-12-2024	BBB-	A2	Stable	Reaffirmed	
	04-12-2023	BBB-	A2	Stable	Reaffirmed	
	19-10-2022	BBB-	A2	Stable	Reaffirmed	
	09-08-2021	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 Meetings Conducted	**S.No.**	**Name**	**Designation**	**Date**		
	1	**Salman Haider**	**CFO**	**13-11-2026**		

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