VIS
Credit Rating Company Limited

M.K. SONS (PRIVATE) LIMITED

Analyst:
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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		Reaffirmed	
Rating Date	August 31, 2026		July 11, 2025	

Shareholding (5% or More)	Other Information
Javed Akhtar – 34%	Incorporated in 1985
Mohammad Babar – 30%	Private Limited Company
Fareeha Javed – 16%	Chief Executive: Mr. Javed Akhtar
Mohammad Erkan – 10%	External Auditor: Kreston Hyder Bhimji & Co. Chartered Accountants
Mohammad Aneeq – 10%	

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 ratings reflect M.K. Sons (Pvt.) Limited's established operating profile in the value-added textile segment, supported by a predominantly export-oriented revenue base and a diversified product portfolio comprising made-ups, processed fabrics, and denim garments. The Company's strong export orientation and presence in established international markets provide support to the business profile, while continued sales growth has been supported by higher selling prices and modest volume growth. The Company is also undertaking renewable energy projects to meet its energy requirements and mitigate the impact of elevated energy costs.

The ratings also incorporate the Company's financial risk profile, characterized by positive internal cash generation, adequate debt-servicing capacity, and a moderate capitalization profile. While borrowings increased for working capital needs, capitalization metrics improved through debt repayments and continued profit retention. Liquidity and coverage indicators remained adequate.

Going forward, the ratings will remain sensitive to the Company's ability to sustain revenue growth and profitability, successfully execute its renewable energy initiatives, effectively manage energy costs and working capital requirements, as well as sustain its position in key export markets.

Company Profile

M. K. Sons (Private) Limited ('MKS' or 'the Company') was incorporated in Pakistan in June, 1985 as a private limited company. The Company is engaged in textile manufacturing, with operations covering weaving, bleaching, dyeing, printing, stitching, and the manufacture and export of value-added textile products. Its product portfolio primarily comprises value-added fabrics, home textile products, and denim garments. The Company's operations encompass various stages of textile processing, enabling it to offer a diversified range of finished and value-added products. The Company's registered office as well as its production facilities are located in Faisalabad.

Management and Governance

CEO Profile

Javed Akhtar serves as the Chief Executive Officer of M. K. Sons (Private) Limited and has extensive experience in the textile manufacturing and export industry. He holds an educational background from Government College University, Faisalabad, and possesses significant experience in value-added textile products, including fabrics, home textiles, and denim garments.

Board & Senior Management

M. K. Sons (Private) Limited's governance framework is overseen by a Five-member Board of Directors, comprising the Chief Executive Officer and four other directors, including one female director. The Board does not include any independent directors, and no separate Board-level committees have been established, reflecting the Company's privately held ownership structure.

Industry Profile & Business Risk

Pakistan's textile exports rose to USD 17.8bn in FY25, marking a 7.4% increase from FY24, with monthly peaks averaging around USD 1.6– 1.7bn. FY26, while showing signs of stabilization, including a high of ~USD 1.74bn in January 2026, remain volatile, with recent months dipping to around USD 1.3bn. This uneven recovery reflects sensitivity to global demand, inventory adjustments in key markets, and pricing pressures. The challenges of 2025, particularly high energy costs, tight liquidity amid high interest rates, and currency volatility, forced widespread efficiency gains, including greater reliance on renewable energy, operational rationalization, and stricter working capital discipline, resulting in a leaner and more resilient industry structure. Structurally, the sector continues to shift toward higher value-added segments such as knitwear and garments, reducing reliance on low-margin yarn and grey cloth exports and improving margin profiles. At the same time, sustainability has become a key competitive factor, with increased investment in renewable energy, water recycling, and traceability systems to meet stringent international buyer requirements. However, constraints persist in the form of high interest rates, energy cost pressures, reliance on imported cotton, and freight volatility. Overall, the industry outlook remains cautiously optimistic, supported by gradual demand recovery and strategic repositioning toward value-added and compliant exports, though growth is expected to remain measured rather than linear.

Operational Update

The Company's production facilities include weaving, processing and stitching units. Weaving capacity utilization remained stable at around 80% in FY25 and FY26, reflecting consistent operations amid sustained demand. Processing performance strengthened, with utilization increasing from 82% in FY24 to 91% in FY25 and remaining strong at 90% in FY26. Denim garments recorded the most notable improvement, with utilization rising from 45% in FY24 to 52% in FY25 and further to 60% in FY26, driven by an increase in export demand.

The Company has installed 4.5MW of solar capacity in the first phase, while an additional 3MW is currently being installed and is expected to be operational by October 2026. Upon completion, the total solar capacity will reach 7.5MW, broadly meeting the Company's day time energy requirements. However, solar generation efficiency remains relatively low. The remaining major energy requirements are met through captive generators on private gas supply.

		FY24	FY25	FY26
Weaving (square meters)	Installed capacity	59,822,972	59,822,972	59,822,972
	Actual production	47,260,148	47,874,708	47,874,708
	Utilization	**79.0%**	**80.0%**	**80.0%**
Processing (meters)	Installed capacity	56,400,000	56,400,000	56,400,000
	Actual production	46,248,000	51,400,000	50,760,000
	Utilization	**82.0%**	**91.1%**	**90.0%**
Denim garments (pieces)	Installed capacity	3,000,000	3,000,000	3,000,000
	Actual production	1,350,000	1,549,084	1,800,000
	Utilization	**45.0%**	**51.6%**	**60.0%**

Profitability

In FY25, net sales grew by 20% to PKR 25.38bn (FY24: PKR 21.19bn), supported by higher selling prices and a modest increase in sales volumes, while the revenue mix remained predominantly export-oriented, with export sales accounting for around 97% of total sales. Europe and North America remained the key export markets, collectively accounting for around 87% of export sales. Made-ups continued to be the key revenue contributor at approximately 67% of total sales, followed by processed fabrics at around 18% and denim garments at 13%. Customer concentration remained manageable despite the top-10 customer share increasing to 37.4% (FY24: 28.7%). Profitability remained broadly stable at the gross margin level despite elevated fuel and power costs and higher labor expenses. The increase in distribution and selling expenses, which rose by 57% to PKR 1.54bn, mainly due to higher sea and air freight costs and selling commissions, was partly offset by a decline in finance costs to PKR 1.0bn (FY24: 1.23bn) on account of lower interest rates despite higher short-term borrowings. Consequently, net profit increased to PKR 502m in FY25 (FY24: PKR 376m).

During 10MFY26, net sales increased by 10% YoY to PKR 23.16bn (10MFY25: 21.19bn), supported primarily by higher selling prices. Europe continued to represent the largest export market, accounting for approximately 75% of export sales, while North America contributed around 14%, indicating continued concentration in these key markets. Made-ups remained the key revenue contributor at approximately 66% of total sales, followed by denim garments at 19% and processed fabrics at 13%. Gross margin moderated slightly due to higher fuel and power costs and increased salary expenses, while operating expenses remained elevated due to higher distribution and selling costs. Finance costs stood at PKR 791m amid lower long-term borrowings, while the Company reported a net profit of PKR 491m during the period. Going forward, the Company is expected to maintain its growth trajectory, supported by continued demand for value-added textile products and its established presence in key export markets.

Financial Risk

Capital Structure

Total equity, excluding revaluation surplus, strengthened to PKR 5.4bn in FY25, supported by profit retention, while paid-up capital remained unchanged at PKR 1.0bn. The equity base also includes PKR 206m in loans from related parties, treated as equity. Equity further strengthened during 10MFY26 on the back of continued profit retention, while related-party loans declined to PKR 193m. Total borrowings increased to PKR 8.9bn in FY25 (FY24: PKR 7.6bn), primarily driven by higher short-term borrowings to finance working capital requirements. By 10MFY26, total borrowings moderated marginally to PKR 8.8bn, as scheduled repayments of long-term debt largely offset the continued utilization of short-term financing facilities for working capital needs. The capitalization metrics weakened in FY25, with gearing and leverage increasing to 1.66x (FY24: 1.59x) and 2.55x (FY24: 2.20x), respectively, primarily due to higher borrowings. The metrics subsequently improved during 10MFY26, with gearing and leverage declining to 1.48x and 2.36x, respectively, supported by continued equity accretion through profit retention and scheduled repayments of long-term borrowings, despite higher utilization of short-term financing facilities.

Debt Coverage & Liquidity

Despite continued growth in net sales and profit before tax, FFO declined to PKR 856m in FY25 (FY24: PKR 999m), mainly reflecting higher income tax payments. The Company maintained a stable liquidity position, with the current ratio standing at 1.22x, while improved debt-servicing capacity was reflected in DSCR of 1.56x (FY24: 1.44x), supported by lower debt-servicing requirements. Similarly, short-term debt coverage strengthened to 1.46x (FY24: 1.39x) with elevated inventory level and increase in outstanding trade debt, despite higher short-term borrowings. The cash conversion cycle remained broadly stable at 144 days (FY24: 146 days).

During 10MFY26, FFO stood at PKR 826m, remaining broadly in line with the FY25 full-year indicating strong cash-generation capacity during the period. DSCR improved further to 1.66x, supported by lower finance costs, while short-term debt coverage further increased to 1.52x. Liquidity remained adequate, with the current ratio improving to 1.24x (FY25: 1.22x), while the cash conversion cycle shortened to 134 days (FY25:144 days), supported by improved receivable conversion and higher payable days, although inventory continued to absorb a significant portion of working capital.

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	M. K. Sons (Private) Limited
Sector	Textiles
Type of Relationship	Solicited
Purpose of Rating	Entity Rating

Rating History

RATING TYPE: ENTITY				
Rating Date	**Medium to Long Term**	**Short Term**	**Rating Outlook**	**Rating Action**
31-Aug-26	A-	A2	Stable	Reaffirmed
11-Jul-25	A-	A2	Stable	Reaffirmed
14-Jun-24	A-	A2	Stable	Reaffirmed
29-May-23	A-	A2	Stable	Reaffirmed
22-Apr-22	A-	A2	Stable	Reaffirmed
5-Mar-21	A-	A2	Stable	Maintained
27-Apr-20	A-	A2	Rating Watch - Negative	Maintained
30-Dec-19	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.
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Due Diligence Meeting Conducted

S.No.	Name	Designation	Date
1	Asif Nadeem	CFO	13th August 2026
2	Usman Yaseen	DMG Finance	