VIS
Credit Rating Company Limited

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

PKR MILLION	FY23	FY24	FY25
Net Sales	5,192	4,736	6,538
PBT	455	128	203
PAT	404	81	72
Equity (incl. surplus on PPE)	2,156	1,813	1,849
Total Debt	885	1,293	1,550
Leverage (x)	0.65	1.15	1.43
Gearing (x)	0.41	0.71	0.84
FFO	542	212	234
FFO/Total Debt (x)	0.61	0.16	0.15
NP Margin	7.8%	1.7%	1.1%

RIZWAN ENTERPRISES

Managing Partner: Mr. Rizwan Ihsan

RATING DETAILS

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A-	A1	A-	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	September 19, 2025		August 21, 2024	

RATING RATIONALE

The assigned ratings reflect the shift in sales mix during FY24 more towards local sales, which partially mitigated the adverse impact of the export market slowdown. Elevated energy costs leading to reduced profitability resulted in squeezed margins, though liquidity remained satisfactory while debt coverage also remained comfortable. However, weakening in the capital structure due to partner's drawings and higher short-term borrowings are noted, which led to a notable rise in gearing and leverage. The ratings remain sensitive to improvements in capitalization, with an emphasis on prudent management of partner drawings and a recovery in equity. In FY25, performance improved on the back of export recovery and enhanced capacity utilization, supporting a rebound in gross and operating margins. Net margin contracted to 1.1% (FY24: 1.7%), primarily due to elevated finance costs and taxation. Going forward, ratings will remain sensitive to margin recovery, maintenance of liquidity and coverage metrics as well as the execution of expansion plans.

COMPANY PROFILE

Rizwan Enterprises ('RE' or 'the Company'), registered as an Association of Persons (AOP) in 2001, is engaged in weaving, sizing and stitching operations, while fabric processing including bleaching and printing is outsourced to third-party vendors. The product portfolio comprises of greige fabric, finished fabrics and made-ups such as bedwear, pillow covers and curtains, mostly for export to Europe. The registered office and manufacturing facility are located in S.I.T.E, Karachi.

INDUSTRY PROFILE & BUSINESS RISK

Pakistan's textile sector continues to be a vital contributor to the economy, accounting for ~55% of total exports and 8.5% of GDP in 9MFY25. The industry's vertically integrated value chain is supported by local cotton cultivation. However, domestic cotton production fell to 5.5 million bales in FY25 (FY24: 8.4 million bales). This shortfall, caused by climate-related challenges, reduced cultivation area, water scarcity and rising input costs, has increased the sector's reliance on imports, however, the same is currently offering both cost and quality advantages.

Textile exports grew 7.9% YoY to USD 17.9 billion in FY25 (FY24: 16.7 billion) driven by value-added segments. Recent policy changes, such as the imposition of an 18% sales tax on imported cotton, yarn and greige fabric under the Export Facilitation Scheme, aim to support the local spinning industry by encouraging the use of domestic raw materials. This is expected to strengthen the textile value chain, boost local production and reduce dependence on imports. However, the policy also raises costs for exporters, potentially squeezing their margins. These pressures are compounded by external challenges, such as a 19% US tariff on Pakistani textiles, which intensifies competitive pressures in an already high-cost production environment.

The industry faces significant challenges, including increased economic cyclicality, rising cost structures and higher minimum wages all of which are expected to exert downward pressure on profitability. However, companies that have invested in renewable energy and other lower-cost power sources may mitigate the impact of elevated energy expenses to some extent. Additionally, the anticipated Pakistani Rupee depreciation is likely to offer some relief to exporters by enhancing their price competitiveness.

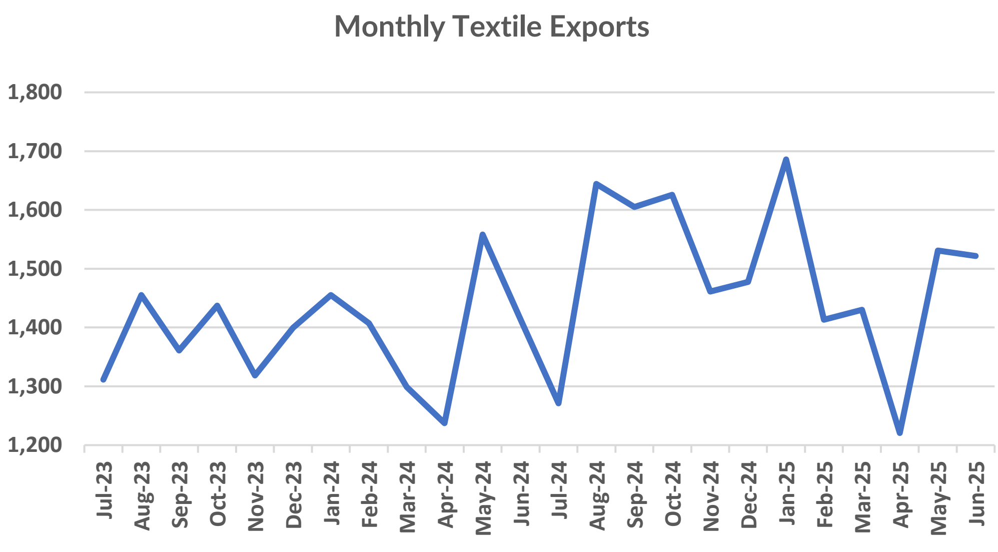

Figure 1: MoM Textile Exports (USD Million)
Source: PBS

Opertional Update

	FY23	FY24	FY25
Number of Looms Installed	250	250	250
Number of Looms Worked	250	250	250
Number of working days	31	31	31
Number of shifts per day	3	3	3
Installed capacity (meters M)	24	21	20
Actual production (meters M)	16	20	19
Capacity Utilization	**67%**	**93%**	**94%**

In FY24, capacity utilization improved notably to 93%, driven by higher production volumes and remained stable at 94% in FY25.

The Company presently operates from its facilities located at S.I.T.E, Karachi. Going forward, the management plans to expand weaving operations through setting up of new production facility at Nooriabad, near Karachi during FY26, with the proposed installation of 40-45 additional looms.

The Company's average energy requirement of 2.3 MW is currently met through a diversified energy mix comprising of four gas-fired generators, two diesel-powered units, a dedicated grid connection and solar power installations with capacities of 424 KW and 361 KW.

FINANCIAL RISK

Capital Structure

The Company's capital structure weakened by end-FY24 due to partner drawings, simultaneously, total debt increased by 46%, due to higher short-term borrowings to support working capital needs. As a result, gearing rose to 0.71x (FY23: 0.41x), while leverage increased to 1.15x (FY23: 0.65x).

While equity improved moderately by end-FY25 relative to FY24, continued partner drawings curtailed its recovery potential. On the debt side, short-term borrowings rose further, leading to a rise in gearing to 0.84x (FY24: 0.71x) and leverage to 1.43x (FY23: 1.15x).

Looking ahead, management has estimated a capital requirement of PKR 450 million in FY26 for the construction of the Nooriabad facility. Approximately 50% of the funding is expected from partner contributions, PKR 100-150 million through long-term borrowings and the remainder through internal cash. Consequently, a modest uptick in gearing is expected; albeit remaining within the benchmark range for the assigned ratings. The ratings remain sensitive to improvements in capitalization, with an emphasis on prudent management of partner drawings and a recovery in equity.

Profitability

In FY24, RE's topline declined to PKR 4.7 billion (FY23: PKR 5.6 billion), primarily due to a slowdown in export demand, particularly from Europe, which remains the Company's principal export market. As a result, the export-to-local sales mix shifted to 67:33 (FY23: 92:8), with inventory redirected to the local market amid soft international demand. The decline was most pronounced in greige fabric exports – the Company's core product – which fell by 40% (FY23: 25% decline), while local greige fabric sales surged by 370% (FY23: 5% increase).

Elevated energy costs which increased by 170% further weighed on profitability. Gross profit declined to PKR 0.5 billion, translating into a margin of 10.4% (FY23: 16.6%), with operating and net margins reducing to 4.2% (FY23: 10.0%) and 1.7% (FY23: 7.8%), respectively.

In FY25, export demand showed signs of recovery, supporting a rebound in topline performance. Total sales increased to PKR 6.5 billion (FY24: PKR 4.7 billion), with greige fabric continuing to represent the largest share of the product mix standing at 71% (FY24: 72%). While the share of made-ups increased marginally (FY25: 8%; FY24: 3%), the segment remained relatively small. The improvement in sales, alongside relatively stable input costs, supported a rebound in gross and operating margins during the year. However, net margin contracted to 1.1% (FY24: 1.7%), primarily due to elevated finance costs and taxation. Going forward, management has indicated plans to expand the higher value-added made-ups product line.

Debt Coverage & Liquidity

RE's debt coverage and liquidity indicators weakened at end-FY24 but remained at satisfactory levels. The Debt Service Coverage Ratio (DSCR) declined to 1.53x (FY23: 3.85x), primarily due to a reduction in Funds from Operations (FFO) reflecting lower profitability during the year. Consequently, the FFO-to-short-term borrowings ratio declined to 0.32x from 2.70x at end-FY23. Liquidity remained at a satisfactory level, though the current ratio decreased to 1.64x (FY23: 2.74x). The net operating cycle lengthened to 109 days (FY23: 93 days), driven by a higher share of local sales, while trade receivables increased relative to topline, with the trade debt-to-sales ratio rising to 18% (FY23: 14%).

In FY25, debt coverage indicators saw a further tapering, with DSCR dropping to 1.32x (FY24: 1.53x) and the FFO-to-short-term borrowings ratio declining to 0.26x (FY24: 0.32x). However, liquidity improved, supported by normalization in inventory levels and better working capital management. The current ratio strengthened to 2.30x (FY24: 1.64x), while the net operating cycle shortened to 83 days (FY24: 109 days). Nevertheless, the trade debt-to-sales ratio continued to rise, reaching 21% (FY24: 18%), attributable to the sustained increase in local sales.

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Rizwan Enterprises				
Sector	Textile				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Watch/ Outlook	Rating Action
	Rating Type: Entity				
	09/19/2025	A-	A1	Stable	Reaffirmed
	08/21/2024	A-	A1	Stable	Reaffirmed
	05/29/2023	A-	A1	Stable	Reaffirmed
	05/17/2022	A-	A1	Stable	Upgrade
	07/19/2021	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 Meeting Conducted	Name	Designation	Date		
	Mr. Muhammad Umair	Finance Manager	September 01, 2025		