

KAMAL TEXTILE MILLS (PVT.) 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
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	July 21, 2025		July 03, 2024	

RATING RATIONALE

Kamal Textile Mills (Pvt.) Limited (KTML) is a vertically integrated textile manufacturer with core operations encompassing knitting, dyeing, printing, processing, stitching, and finishing. The Company primarily caters to export markets across Europe, North America, and the Middle East with a diversified product range comprising home textile made-ups, garments, and processed fabrics. The assigned ratings continue to incorporate KTML's long-standing presence in the industry, integrated operations, and established relationships with international clients.

Business risk profile of textile sector remained elevated amid persistent challenges driven by economic cyclicalities, increased cost pressures, intense competition and structural constraints. The industry remains highly sensitive to demand fluctuations, exposing it to broader economic pressures.

The assigned ratings are supported by the Company's consistent topline growth; however, profitability margins remained thin due to elevated cost pressures and the absence of rupee depreciation during the review period. Overall financial risk profile remained largely stable with no material changes wherein ratings incorporate adequate liquidity and debt service coverages. However, capitalization profile remained elevated. Going forward,

APPLICABLE METHODOLOGY(IES):

VIS Entity Rating Criteria Methodology –Corporates
(<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>)

Rating Scale:

(<https://docs.vis.com.pk/docs/VISRatingScales.pdf>)

PKR. MILLION	FY23	FY24	9MFY25
Net Sales	11,138	15,215	12,729
PBT	284	468	433
PAT	113	199	215
Paid up capital	2,250	2,250	2,250
Equity (incl. surplus on PPE)	6,877	6,572	6,825
Total Debt	6,690	7,044	7,504
Debt Leverage	1.75	1.83	1.80
Gearing	1.31	1.29	1.30
FFO	546.1	496.0	334.7
FFO/Total Debt (x)*	0.08	0.07	0.06
NP Margin (%)	1.0%	1.3%	1.7%

maintaining liquidity and debt coverages will remain important from the ratings perspective.

COMPANY PROFILE

Kamal Textile Mills (Pvt.) Limited ('KTML' or 'the Company') is a vertically integrated textile manufacturing and exporting company. Based in Faisalabad, KTML specializes in the production and export of home textile made-ups, garments, and processed fabrics, catering to international markets across Europe, North America, and the Middle East. The Company operates a fully integrated facility in Faisalabad, covering Knitting, dyeing, printing, processing, stitching and finishing. Its product range includes home textiles like bed sheets, duvet covers, pillowcases, and kitchen linen, as well as casual and loungewear in woven and knitted fabrics. It also produces dyed and printed fabrics in blends such as 100% cotton and poly-cotton, with various finishing options.

INDUSTRY PROFILE & BUSINESS RISK

The business risk profile of Pakistan's textile sector is shaped by economic cyclicity, intense competition and structural challenges. The sector is highly sensitive to domestic and international demand fluctuations, making it vulnerable to broader economic conditions. In FY24, Pakistan's cotton production surged by 79% compared to FY23, though this increase was largely due to the low base in FY23. However, cotton production decreased by 59.4% YoY by October 2024, with a total of 2.04 million bales. The USDA forecasts a rebound to 5.55 million bales in FY25, contingent on overcoming several challenges, including a declining area under cotton cultivation, rising energy costs, and adverse climatic conditions such as heatwaves, floods, and pest infestations that have further pressured yields.

Pakistan's textile exports in 3QFY25 demonstrated growth, primarily fueled by the value-added segment, despite challenges in domestic cotton production necessitating reliance on imported cotton. Exporter profitability remains vulnerable to cotton market volatility, inflationary pressures, and exchange rate fluctuations, while persistently high energy costs continue to strain overall cost structures. Furthermore, rising input costs and regulatory changes with respect to tax are creating a challenging environment for the sector.

Monthly Textile Exports

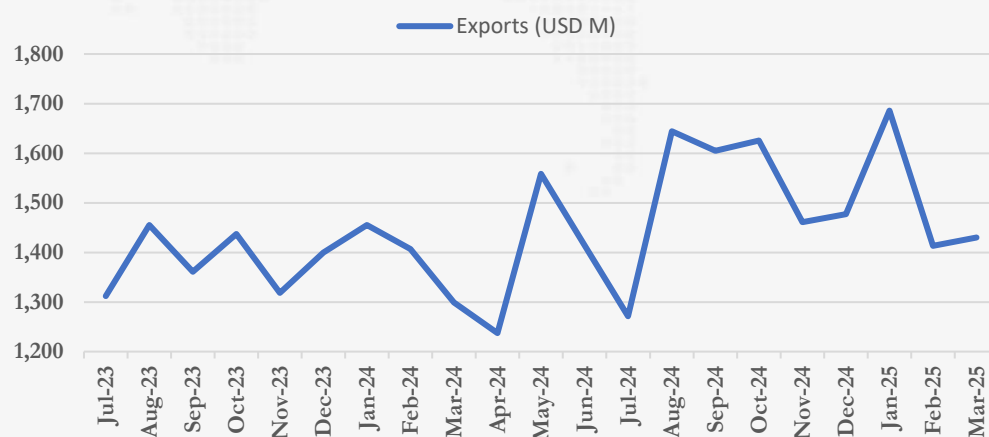


Figure 1: MoM Textile Exports (USD Million)

Source: PBS

Operational Update

Units in Millions	FY23	FY24	9MFY25
Home Textile Made-ups Division			
Processing Fabrics			
Installed Capacity (Meters)	72.5	72.5	72.5
Actual Production (Meters)	36.3	33.5	23
Capacity Utilization	50%	46%	43%
Apparel Division			
Dyeing and Processing of the Knitted Fabric			
Installed Capacity - Kgs	2.7	2.7	2.7
Actual Production - Kgs	2.1	1.9	1.7
Capacity Utilization	78%	72%	83%
Knitting Division			

Installed Capacity - Kgs	2.9	2.9	2.9
Actual Production - Kgs	0.8	1.04	1.14
Capacity Utilization	28%	36%	39%

After a slowdown in FY24, the on-going year witnessed an increase in utilization levels amid rebound in demand. Resultantly, both Apparels and Madeups divisions utilization levels registered an uptick during 9MFY25.

FINANCIAL RISK

Capital Structure

The Company's total debt registered an increase during FY24 and 9MFY25 mainly due to increase in short-term borrowings for working capital support. Nevertheless, equity grew at the same pace, keeping the capitalization ratios largely intact at around historical levels. Gearing and leverage stood at 1.28x and 1.80x as at 9MFY25 (end-FY24: 1.29x and 1.83x). The capitalization profile remains on the higher side from a ratings perspective; any further increase may pose potential pressure on the assigned ratings.

Profitability

The Company recorded a 37% year-on-year growth in net sales during FY24, reaching PKR 15.21 billion, while sale for 9MFY25, sales stood at PKR 12.72 billion. Revenue remained predominantly export-driven, with international markets contributing 93% of total sales. The product mix led by made-ups, garments, and fabrics, accounted for around 93% of total revenues; made-ups contributed 64%, garments 15%, and fabrics 14%. Client concentration remained moderate, with the top 10 customers accounting for 40% of sales in 9MFY25 compared to 37% in FY24. The European market continued to be the primary export destination, accounting 87% of total sales in 9MFY25, up from 85% in FY24.

Regarding margins, gross margins came under pressure due to elevated energy tariffs and increased raw material costs. Operating expenses rose moderately, primarily driven by higher freight charges. However, a reduction

in finance costs, attributable to scheduled debt repayments and a lower effective markup rate provided some relief and partially offset overall cost pressures. As a result, net margins improved to 1.7% in 9MFY25 from 1.3% in FY24. The Company remains focused on cost optimization, particularly in energy efficiency, supported by the installation of a 3.25 MW solar system to enhance future profitability.

Debt Coverage & Liquidity

The Company's liquidity profile remained adequate, with the current ratio sustained at 1.48x as of end-9MFY25 (FY24: 1.49x; FY23: 1.47x). During FY24, the Company also enhanced its liquidity buffer by establishing a short-term investment portfolio, which stood at Rs. 309 million by end-9MFY25. However, the short-term debt coverage—measured through inventory and receivables—moderated slightly to 1.38x as of end-9MFY25 (FY24: 1.45x; FY23: 1.39x), which is considered modest relative to the current rating benchmarks. Consistent with the Company's historical trend, cash flow coverage metrics remained low with Funds from Operations (FFO) to total borrowings at 0.06x (FY24: 0.07x; FY23: 0.08x). Nonetheless, debt servicing capacity remains adequate, with the Debt Service Coverage Ratio (DSCR) improving marginally to 1.40x at end-9MFY25 (FY24: 1.37x; FY23: 1.32x), indicating sufficient internal cash generation to meet debt repayment obligations. Going forward, sustaining a prudent liquidity position alongside improvements in cash flow-based coverage ratios will be important.

FINANCIAL SUMMARY			(Rs. in millions)		
BALANCE SHEET	FY21	FY22	FY23	FY24	9MFY25
Property, plant and equipment	1,418	3,588	3,392	3,178	3,137
Stock-in-Trade	4,629	5,716	6,162	6,832	6,757
Trade Debts	1,545	2,770	2,413	2,751	3,121
Cash & Bank Balances	273	476	438	410	612
Total Assets	10,187	15,687	15,821	16,566	17,225
Trade Payables	1,271	1,374	1,260	1,494	1,435
Long Term Debt	559	615	517	434	346
Short Term Debt	3,528	6,082	6,173	6,610	7,158
Total Debt	4,087	6,697	6,690	7,044	7,504
Total Liabilities	5,906	8,927	8,944	9,994	10,400
Paid Up Capital	950	950	2,250	2,250	2,250
Total Equity	4,281	6,760	6,877	6,572	6,825
INCOME STATEMENT	FY21	FY22	FY23	FY24	9MFY25
Net Sales	10,574	13,139	11,138	15,215	12,729
Gross Profit	1,654	2,061	1,827	2,133	1,780
Operating Profit	1,000	952	1,024	1,316	986
Profit Before Tax	917	665	284	468	433
Profit After Tax	721	517	113	199	215
RATIO ANALYSIS	FY21	FY22	FY23	FY24	9MFY25
Gross Margin (%)	15.6%	15.7%	16.4%	14.0%	14.0%
Operating Margin (%)	9.5%	7.2%	9.2%	8.7%	7.7%
Net Margin (%)	6.8%	3.9%	1.0%	1.3%	1.7%
Funds from Operation (FFO)	914.3	864.6	546.1	496.0	334.7
FFO to Total Debt* (%)	22%	13%	8%	7%	6%
FFO to Long Term Debt* (%)	164%	141%	106%	114%	129%
Gearing (x)	0.95	1.38	1.31	1.29	1.28
Leverage (x)	1.38	1.84	1.75	1.83	1.80
Debt Servicing Coverage Ratio* (x)	4.90	2.57	1.32	1.37	1.40
Current Ratio (x)	1.62	1.45	1.47	1.49	1.48
(Stock in trade + trade debts) / STD (x)	1.75	1.40	1.39	1.45	1.38
Return on Average Assets* (%)	9.0%	4.0%	0.7%	1.2%	1.7%
Return on Average Equity* (%)	18.3%	11.3%	2.3%	3.8%	5.1%
Cash Conversion Cycle (days)	148.31	186.79	266.09	204.81	196.57

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REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Kamal Textile Mills (Pvt.) Limited				
Sector	Textile				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Type: Entity				
	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	July 21, 2025	A-	A2	Stable	Reaffirmed
	July 03, 2024	A-	A2	Stable	Reaffirmed
	June 20, 2023	A-	A2	Stable	Reaffirmed
	May 25, 2022	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.				
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Due Diligence Meetings Conducted	S.No.	Name	Designation	Date	
	1	Amjad Iqbal	CFO	July 10, 2025	
	2	Zahid Saleem	GM Finance		