VIS
Credit Rating Company Limited

DRAFT RATING REPORT

# KAMAL TEXTILE MILLS (PVT.) 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 | September 18, 2026 | | July 21, 2025 | |

| Shareholding (5% or More) | Other Information |
|---|---|
| Abid Kamal – 84.80% | Incorporated in 2011 |
| Mehreen Abid – 7.60% | Private Limited Company |
| Ayyan Abid – 7.60% | Chief Executive: Mr. Abid Kamal |
| | External Auditor: RSM Avais Hyder Liaquat Nauman 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 ratings reflect Kamal Textile Mills (Pvt.) Limited's established presence in the textile sector, supported by its diversified product portfolio across made-ups and garments. The ratings reflect the Company's predominantly export-oriented revenue base, improved customer diversification, and stable profitability; however, the concentration of exports in Europe continues to expose the Company to demand conditions in the region as well as any changes to Pakistan's status under the GSP+ regime. Profitability remained stable during FY25, with net margin improving modestly, supported by lower finance costs and other income. Performance during 9MFY26 remained adequate, with gross margin improving on the back of lower raw material costs and operating efficiencies, while net margin also strengthened primarily due to lower finance costs.

The ratings also incorporate the Company's manageable financial risk profile, with gearing remaining somewhat elevated, reflecting the funding requirements associated with working capital needs. Capitalization strengthened through profit retention and related-party support, while gearing and leverage improved during 9MFY26. Liquidity remained adequate, with the relatively extended cash conversion cycle reflecting ongoing working capital requirements. Maintaining stable margins, prudent working capital management, adequate liquidity and coverage indicators, and realizing the expected benefits from solar investments will remain important from a ratings perspective.

## Company Profile

Kamal Textile Mills (Pvt.) Limited ('KTML' or 'the Company') is a vertically integrated textile manufacturer and exporter based in Faisalabad. The Company manufactures and exports home textile made-ups, garments and processed fabrics to international markets. Its integrated production facility encompasses knitting, dyeing, printing, processing, stitching and finishing. KTML's product portfolio includes bed sheets, duvet covers, pillowcases, kitchen linen, casual and loungewear, and dyed and printed fabrics in cotton and poly-cotton blends. Its manufacturing operations are supported by a solar power facility, which supplements its energy requirements.

## Management and Governance

**CEO Profile**

Mr. Abid Kamal serves as the Chief Executive Officer of Kamal Textile Mills (Private) Limited. He holds a Master's in Business Administration from the University of the Punjab and has extensive experience in the textile industry. He oversees the Company's strategic direction and operations.

**Board & Senior Management**

KTML is a family-owned business, with majority shareholding held by Abid Kamal. The Board comprises two family members, including the CEO. Board composition and governance oversight may be strengthened through the inclusion of independent directors.

## 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 relatively 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 installed capacity in the made-ups division remained unchanged during FY26, while capacity utilization improved compared to the previous year. However, utilization remained below historical levels, reflecting subdued export demand, particularly from the European market. Meanwhile, the apparel division maintained its existing dyeing and processing and knitting capacities, although utilization declined amid lower production volumes and weaker export demand. The existing dyeing and processing capacity continues to support the Company's apparel operations and provides in-house processing capabilities.
The Company has installed a 3.2 MW solar power plant at its Faisalabad facilities, which is expected to generate annual savings of approximately PKR 100 million, thereby providing support to operating margins and partially mitigating the impact of elevated energy costs.

| Millions | FY23 | FY24 | FY25 | FY26 |
|---|---|---|---|---|
| **Made-ups division** | | | | |
| **Processing Fabrics** | | | | |
| **Installed Capacity (Meters)** | 72.5 | 72.5 | 72.5 | 72.5 |
| **Actual Production (Meters)** | 36.3 | 33.5 | 28 | 31 |
| ***Capacity Utilization*** | ***50%*** | ***46%*** | ***39%*** | ***43%*** |
| **Apparel Division** | | | | |
| **Dyeing and Processing of the Knitted Fabric** | | | | |
| **Installed Capacity - Kgs** | 2.7 | 2.7 | 3.1 | 3.1 |
| **Actual Production - Kgs** | 2.1 | 1.9 | 2.4 | 1.9 |
| ***Capacity Utilization*** | ***78%*** | ***72%*** | ***77%*** | ***60%*** |
| **Knitting Machines Capacity** | | | | |
| **Installed Capacity - Kgs** | 2.9 | 2.9 | 2.9 | 2.9 |
| **Actual Production - Kgs** | 0.8 | 1.0 | 1.1 | 0.8 |
| ***Capacity Utilization*** | ***28%*** | ***36%*** | ***36%*** | ***28%*** |

### Profitability

Net sales increased marginally by 3% YoY during FY25, primarily supported by higher selling prices, while volumes declined. The revenue base remained predominantly export-oriented, with exports accounting for over 90% of sales. Made-ups remained the principal revenue segment, contributing around 62% of total sales, while garments continued to gain share. Customer concentration also improved, with the top customers accounting for 33% of sales compared with 37% in FY24. The Company's export base remained concentrated in Europe, resulting in continued exposure to demand conditions in the region.

Gross margin remained relatively stable at 13.7%while operating expenses increased moderately, mainly due to higher distribution and selling costs, including freight, clearing and forwarding, and bank charges. However, these were offset by lower finance costs, following the decline in interest rates, provided support to bottom-line earnings, while other income remained supportive. Consequently, net margin also remained stable at 1.4%.

During 9MFY26, sales amounted to PKR 10.3bn, reflecting an almost 12% decrease on an annualized basis due to a decline in exports to Europe. The product mix also continued to shift toward made-ups, which accounted for approximately 71% of product sales, while garments contributed around 7%. Gross margin and net margin remained in the same range as the past 2 years.

## Financial Risk

### Capital Structure

The Company's capitalization profile strengthened modestly during FY25, with equity excluding revaluation surplus increasing to PKR 5.8bn from PKR 5.5bn, primarily supported by retained earnings, while paid-up capital remained unchanged at PKR 2.25bn. Financial flexibility also continues to be supported by a PKR 280mn interest-free loan from the director and PKR 170mn of share deposit money. Total borrowings increased to PKR 8.16bn at end-FY25 from PKR 7.04bn, driven largely by higher short-term financing to support working capital requirements, while long-term borrowings declined through scheduled repayments. As of 9MFY26, equity strengthened further to PKR 6.0bn, while total borrowings remained broadly stable at PKR 8.10bn. The Company's funding profile remains predominantly short-term, with PKR 7.84bn in short-term borrowings against PKR 264mn in long-term debt, consistent with the Company's working capital funding requirements. The gearing and leverage accordingly stood at 1.36x and 1.84x respectively, as at 9MFY26, against 1.42x and 1.90x at FY25.

### Debt Coverage & Liquidity

The Company's coverage profile remained adequate during FY25, with FFO of PKR 352mn compared with PKR 496mn in FY24, while DSCR stood at 1.27x compared with 1.37x in FY24. The movement in FFO primarily reflected lower operating profit, coupled with higher income tax paid during the year. The current ratio stood at 1.47x, while the cash conversion cycle increased to 219 days from 205 days in FY24, mainly reflecting higher inventory and trade receivables levels.

During 9MFY26, FFO stood at PKR 317mn, supported by continued internal cash generation despite lower sales. DSCR improved marginally to 1.32x, supported by lower debt servicing requirements. Despite continued repayments of long-term debt, higher short-term borrowings kept total debt broadly stable. The cash conversion cycle further extended to 267 days, mainly due to higher trade receivables, while inventory levels remained elevated and continued to support the Company's working capital requirements.

| FINANCIAL SUMMARY | | | | | (Rs. in millions) |
|---|---|---|---|---|---|
| **BALANCE SHEET** | **FY22** | **FY23** | **FY24** | **FY25** | **9MFY26** |
| Property, plant and equipment | 3,588 | 3,392 | 3,178 | 3,065 | 2,908 |
| Stock-in-Trade | 5,716 | 6,162 | 6,832 | 7,216 | 6,979 |
| Trade Debts | 2,770 | 2,413 | 2,751 | 2,928 | 3,771 |
| Cash & Bank Balances | 476 | 438 | 410 | 639 | 294 |
| Total Assets | 15,687 | 15,821 | 16,566 | 17,777 | 18,008 |
| Trade Payables | 1,374 | 1,260 | 1,494 | 1,286 | 1,377 |
| Long Term Debt | 615 | 517 | 434 | 354 | 264 |
| Short Term Debt | 6,082 | 6,173 | 6,610 | 7,808 | 7,835 |
| Total Debt | 6,697 | 6,690 | 7,044 | 8,162 | 8,099 |
| Total Liabilities | 8,927 | 8,944 | 9,994 | 10,914 | 10,988 |
| Paid Up Capital | 950 | 2,250 | 2,250 | 2,250 | 2,250 |
| Total Equity | 6,760 | 6,877 | 6,572 | 6,864 | 7,020 |
| **INCOME STATEMENT** | **FY22** | **FY23** | **FY24** | **FY25** | **9MFY26** |
| Net Sales | 13,139 | 11,138 | 15,215 | 15,620 | 10,303 |
| Gross Profit | 2,061 | 1,827 | 2,133 | 2,139 | 1,429 |
| Operating Profit | 952 | 1,024 | 1,316 | 1,156 | 778 |
| Profit Before Tax | 665 | 284 | 468 | 428 | 315 |
| Profit After Tax | 517 | 113 | 199 | 217 | 156 |
| **RATIO ANALYSIS** | **FY22** | **FY23** | **FY24** | **FY25** | **9MFY26** |
| Gross Margin (%) | 15.7% | 16.4% | 14.0% | 13.7% | 13.9% |
| Operating Margin (%) | 7.2% | 9.2% | 8.7% | 7.4% | 7.6% |
| Net Margin (%) | 3.9% | 1.0% | 1.3% | 1.4% | 1.5% |
| Funds from Operation (FFO) (PKR Millions) | 864.6 | 546.1 | 496.0 | 351.7 | 316.8 |
| FFO to Total Debt* (%) | 13% | 8% | 7% | 4% | 5% |
| FFO to Long Term Debt* (%) | 141% | 106% | 114% | 99% | 160% |
| Gearing (x) | 1.38 | 1.31 | 1.29 | 1.42 | 1.36 |
| Leverage (x) | 1.84 | 1.75 | 1.83 | 1.90 | 1.84 |
| Debt Servicing Coverage Ratio* (x) | 2.57 | 1.32 | 1.37 | 1.27 | 1.32 |
| Current Ratio (x) | 1.45 | 1.47 | 1.49 | 1.47 | 1.49 |
| (Stock in trade + trade debts) / STD (x) | 1.40 | 1.39 | 1.45 | 1.30 | 1.37 |
| Return on Average Assets* (%) | 4.0% | 0.7% | 1.2% | 1.3% | 1.2% |
| Return on Average Equity* (%) | 11.3% | 2.3% | 3.8% | 3.9% | 3.5% |
| Cash Conversion Cycle (days) | 187 | 266 | 205 | 219 | 267 |

## 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 |
| Sep 18, 2026 | A- | A2 | Stable | Reaffirmed |
| 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. |
| **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 | Amjad Iqbal | CFO | 31st Aug 2026 |
| 2 | Zahid Saleem | GM Finance | |