

**Analysts:**

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**DYNAMIC SPORTSWEAR (PVT) LIMITED****Chairman & Chief Executive: Mr. Mobeen Ahmed****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 28, 2025		July 01, 2024	

**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>**RATING RATIONALE**

The assigned ratings take into consideration the medium business risk profile of textile sector in Pakistan, 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.

Moreover, the ratings incorporate the financial risk profile of DSPL characterized by manageable capitalization profile, recovery in profitability following depressed demand in FY23, a healthy liquidity profile and coverage metrics with an adequate Debt Service Coverage Ratio (DSCR). However, high client concentration remains a concern from the ratings perspective. Looking ahead, the management is making efforts to diversify and expand its clientele.

**COMPANY PROFILE**

Dynamic Sportswear (Pvt) Limited ('DSPL' or 'the Company') is a private limited company incorporated in March, 1992 as a family-owned textile manufacturer. The Company has an operational history of more than three decades of producing and exporting sports, athletics, medical and casual socks for men, women, and children.

It has a vertically-integrated unit that produces various types of heel formats (y-heel, reciprocated/real, pouch, tube) using modern knitting, toe linking, over-locking, dyeing and finishing machines. The head office and factory of the Company are located in Lahore.

RS. MILLION	FY23	FY24	FY25(M)
Net Sales	5,021	6,818	7,271
PBT	337	347	390
PAT	287	274	254
Paid up call	700	700	700
Equity (incl. surplus on PEE)	3,455	3,712	3,962
Total Debt	1,881	2,049	1,936
Debt Leverage	1.10	1.19	1.10
Gearing	0.72	0.71	0.61
FFO	728.5	510.7	497.65
FFO/Total Debt (x)*	0.39	0.25	0.26
NP Margin	5.7%	4.0%	3.5%

## 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 are creating a challenging environment for the sector.



### Operational Update

During the review period 3 new knitting machines have been added, while capacity utilization recovered to 65% in FY24 (FY23: 52%) after a major dip in FY23 due to macroeconomic conditions and depressed demand.

The installed capacity of socks as mentioned below, is an estimated figure since actual output of machines is dependent on the type of socks being produced.

	FY21	FY22	FY23	FY24	9MFY25
<b>Operational Capacity</b>					
No. of knitting machines	711	711	711	714	714
Installed Capacity (DZN/ day)	15,000	15,000	15,000	15,200	15,200
Actual Production	3,667,976	4,173,372	2,388,665	3,238,722	2,595,645
<b>Capacity Utilization</b>	<b>64.0%</b>	<b>61.0%</b>	<b>52.0%</b>	<b>65.0%</b>	<b>75.0%</b>

Meanwhile, the Company's power requirement of approximately 2 MW is primarily met through a dedicated grid connection. A 450-kW solar power system and a 3–3.5 MW backup generator is also present to ensure uninterrupted operations.

## FINANCIAL RISK

### Capital Structure

Capitalization metrics stayed in the same ranges with gearing and leverage standing at 0.61x and 1.10x at end-FY25 (FY24: 0.71x & 1.19x, FY23: 0.72x & 1.10x). Short term debt witnessed an increase due to higher working capital requirements amid growth in business, while long-term debt continued to decline with scheduled repayments. Going forward, capitalizaion indicators are expected to improve gradually on the back of expected internal cash generation.

### Profitability

During FY24, DSPL recorded a 36% YoY increase in topline, reaching PKR 6.8 Bn (FY23: PKR 5.02 Bn), driven by recovery in demand following macroeconomic stabilization. Client concentration remained high, with the top ten clients accounting for 98% of total sales (FY23: 96%).

Sales were primarily made to US (55%, FY23: 58%), whereas the share to Europe increased to 42% (FY23: 37%). Gross margin normalized to 23% after peaking at 33% in FY23, due to currency depreciation, while higher fuel and finance costs reduced net margin to 4.0% (FY23: 5.7%).

As per FY25 management accounts, revenue stands at PKR 7.2 Bn. Top ten client concentration remained unchanged. Gross margin reported stable at 23%, while higher effective tax slightly lowered net margin to 3.5%

Looking ahead, the management is actively working to expand its client base.

### Debt Coverage & Liquidity

Company's current ratio remained stable at 1.53x in FY24 (FY23: 1.56x) while cash conversion cycle improved to 139 days (FY23: 205 days) supported by a recovery in sales and inventory turnover.

Funds from Operations (FFO) declined by 30% YoY (FY24: PKR 511 Mn, FY23: PKR 729 Mn) due to normalized margins, leading to a drop in FFO to short-term and total debt coverages to 0.29x and 0.25x, respectively (FY23: 0.52x and 0.39x). However, FFO to long-term debt improved to 1.66x (FY23: 1.49x), reflecting repayments during the year. DSCR fell to 1.74x (FY23: 2.53x) albeit considered at adequate levels from the ratings perspective.

During FY25, FFO stood at PKR 498 Mn, thus FFO coverages remained stable, while DSCR inched up to 1.90x, also supported by consistent decline in long term borrowings and finance cost.

### IT Infrastructure

The Company operates an in-house developed ERP system using PHP and SQL technologies, to manage key factory and administrative functions. The system includes integrated modules for Human Resource Management, Production Planning, Inventory Management, Sampling & Marketing Workflow, and Reporting.

For financial reporting and statutory compliance, DSPL employs an off-the-shelf accounting software called 'QuickBooks'. Data from the ERP system is manually transferred to QuickBooks to support financial consolidation and compliance requirements.

FINANCIAL SUMMARY <i>(amounts in PKR millions)</i>					Appendix I
<b>BALANCE SHEET</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25(M)</b>
Property, plant and equipment	2,624	2,698	2,587	2,440	2,398
Stock-in-trade	1,122	1,823	2,147	2,373	2,742
Trade debts	315	510	813	1,077	1,170
Advances, deposits & other rec	1,170	766	706	1,090	1,127
Cash & Bank Balances	33	187	55	173	15
<b>Total Assets</b>	<b>5,264</b>	<b>5,984</b>	<b>6,308</b>	<b>7,153</b>	<b>7,451</b>
Creditors	548	884	812	1,200	1,350
Long-term Debt (incl. current portion)	585	561	488	307	156
Short-Term Borrowings	1,136	1,247	1,393	1,742	1,780
<b>Total Debt</b>	<b>1,721</b>	<b>1,808</b>	<b>1,881</b>	<b>2,049</b>	<b>1,936</b>
<b>Total Liabilities</b>	<b>2350</b>	<b>2812</b>	<b>2853</b>	<b>3441</b>	<b>3489</b>
Paid up Capital	700	700	700	700	700
Unappropriated profits	1,255	1,565	1,895	2,194	2,482
Surplus on revaluation	959	907	860	818	780
Tier-1 Equity	1,955	2,265	2,595	2,894	3,182
<b>Total Equity</b>	<b>2,914</b>	<b>3,172</b>	<b>3,455</b>	<b>3,712</b>	<b>3,962</b>
<b>INCOME STATEMENT</b>					
Net Sales	3,877	5,168	5,021	6,818	7,271
Gross Profit	944	1,344	1,675	1,575	1,688
Operating Profit	426	748	707	714	746
Finance Costs	(66)	(108)	(180)	(348)	(309)
Profit Before Tax	344	325	337	347	390
Profit After Tax	306	273	287	274	254
<b>RATIO ANALYSIS</b>					
Gross Margin (%)	24%	26%	33%	23%	23%
Operating Margin (%)	11%	14%	14%	10%	10%
Net Margin (%)	8%	5%	6%	4%	3%
Funds from Operation (FFO)*	503	847	729	511	498
FFO to Total Debt* (x)	0.29	0.47	0.39	0.25	0.26
FFO to Long Term Debt* (x)	0.86	1.51	1.49	1.66	3.19
Gearing (x)	0.88	0.80	0.72	0.71	0.61
Leverage (x)	1.20	1.24	1.10	1.19	1.10
Debt Servicing Coverage Ratio* (x)	2.90	3.72	2.53	1.74	1.90
Current Ratio (x)	1.44	1.43	1.56	1.53	1.56
(Stock in trade + trade debts) / STD (x)	1.27	1.87	2.12	1.98	2.20
Return on Average Assets* (%)	6%	5%	5%	4%	3%
Return on Average Equity* (%)	16%	13%	12%	10%	8%
Cash Conversion Cycle (days)*	101	126	205	139	150
* Annualized, (M) Management Accounts					

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Dynamic Sportswear (Pvt) 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				
	28-07-2025	A-	A2	Stable	Reaffirmed
	01-07-2024	A-	A2	Stable	Reaffirmed
	25-05-2023	A-	A2	Stable	Reaffirmed
	16-05-2022	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.	Mr. Rao M Shahbaz Khan	Manager Finance & Corporate Affairs	11-July, 2025	