

MAGNA TEXTILE INDUSTRIES (PVT) LIMITED

Analyst:

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RATING DETAILS

| RATINGS CATEGORY | Latest Rating | |
|----------------------|---------------|------------|
| | Long-term | Short-term |
| ENTITY | A- | A2 |
| RATING OUTLOOK/WATCH | Stable | |
| RATING ACTION | Initial | |
| RATING DATE | June 12, 2026 | |

Shareholding (5% or More)

| |
|---------------------------------|
| Mr. Sheikh Saeed Ullah - ~25.0% |
| Mr. Muhammad Abdullah - ~15.0% |
| Mr. Zeeshan Saeed - ~15.0% |
| Mr. Farhatullah Sheikh - ~15.0% |
| Mr. Farhan Saeed - ~15.0% |
| Ms. Nomana Zulfiqar - ~15.0% |

Other Information

| |
|--|
| Incorporated in 1993 |
| Private Limited Company |
| Chief Executive: Mr. Zeeshan Saeed |
| 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://vis.com.pk/docs/VISRatingScales.pdf>

Rating Rationale

The assigned ratings reflect MTIL's established presence in the textile sector, with operations in weaving and processing of fabric and home textile made ups and a growing focus on the local market amid subdued export demand. The Company's revenue is supported by higher local sales, although margins at the gross and operating levels are decreasing on a timeline basis, reflecting raw material and energy cost pressures. However, profitability improved on the back of increasing sales, lower finance costs and effective taxation. at the net level is adequate.

The liquidity profile remained sound, supported by an adequate current ratio and a negative operating cycle. Debt servicing capacity, despite some fluctuations, remained at a comfortable level. The debt profile comprises entirely long-term borrowings, including facilities under SBP refinance schemes, with no reliance on short-term bank borrowings since FY24. Short-term funding is sourced from interest-free support from an associated concern despite availability of unutilized bank lines. On a net debt basis, gearing declined materially by end-1HFY26, underscoring the Company's enhanced financial flexibility.

Going forward, planned machinery CAPEX is expected to be financed through a debt-equity mix of ~60:40 over the next two years, with anticipated reliance on long-term floating rate borrowings. The ratings are constrained by exposure to raw material price volatility due to high import dependence, increasing energy costs and governance framework. Going forward, the ratings will remain dependent on improvement in margins, maintenance of sound coverages and a low leveraged capital structure.

Company Profile

Magna Textile Industries (Pvt) Limited ('MTIL' or 'the Company'), a family-owned company, was incorporated in 1993 and is engaged in weaving and processing of fabric and home textile made-ups for both local and export markets. The Company operates two manufacturing facilities located in Khurrianwala and Allama Iqbal Industrial City, Faisalabad, Punjab. Both units are vertically integrated and undertake weaving, processing and stitching operations. The registered office is situated in Faisalabad.

Group Profile

The Magna Group was founded in 1965 by Mr. Mohammad Abdullah and remains family owned. The Group is engaged in textile manufacturing and trading activities through its subsidiaries, Magna Textile Industries (Pvt) Limited ('MTIL'), Magna Processing Industries (Pvt) Limited ('MPIL') and Abdullah Collections Private Limited ('ACPL'). MTIL and MPIL are engaged in weaving and processing of fabric and home textile made-ups for both local and export markets, with MPIL having a higher export orientation. ACPL is engaged in the local sale of value-added fabrics.

Management and Governance

The Group is managed by members of the sponsoring family, with Mr. Sheikh Saeed Ullah as Chairman and Mr. Zeeshan Saeed serving as CEO. They are supported by a team of experienced professionals, providing oversight across key operational and strategic functions. Shareholding remains concentrated within the sponsoring family, several of whom also serve on the Board of Directors. The governance structure may benefit from further strengthening through the introduction of enhanced oversight mechanisms and formal Board-level committees to improve governance effectiveness.

The Company operates an in-house Oracle-based ERP system, which integrates key functions including processing, stitching, accounting, payroll and procurement, thereby supporting operational control and information flow.

Business Risk

INDUSTRY UPDATE

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 and salary expenses, tight liquidity and absence of rupee depreciation. Structurally, the sector tries to shift more towards 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. However, margins are expected to remain under pressure amid elevated cost structures, intensified regional competition, the absence of notable rupee depreciation, and the shift towards the normal tax regime. Moreover, following the recent 100bps increase in the policy rate, the possibility of further monetary tightening cannot be ruled out, which may place additional pressure on textile manufacturers' margins.

OPERATIONAL PERFORMANCE

| Installed Capacity | FY22 | FY23 | FY24 | FY25 |
|--|--------------|--------------|--------------|--------------|
| Processing | | | | |
| No. Rotary machines installed | 4 | 4 | 4 | 5 |
| No. Rotary machines worked | 4 | 4 | 4 | 5 |
| Standard cloth production (Million Meters) | 135.51 | 135.51 | 74.63 | 85.00 |
| Actual Production (Million Meters) | 103.08 | 103.08 | 39.62 | 67.40 |
| Capacity Utilization | 76.1% | 76.1% | 53.1% | 79.3% |

| Weaving | | | | |
|---|-------------|--------------|--------------|--------------|
| No. of Looms installed | - | 132 | 132 | 132 |
| Standard production of looms (Million Meters per day) | - | 0.08 | 0.08 | 0.08 |
| Actual production of looms (Million Meters per day) | - | 0.07 | 0.06 | 0.06 |
| Capacity Utilization | 0.0% | 93.3% | 76.0% | 78.7% |

Operational performance in the processing segment improved during FY25, with actual production increasing to 67.4 million meters from 39.6 million meters in FY24, primarily driven by improved local demand. Correspondingly, capacity utilization increased to 79.3% (FY24: 53.1%). During the year, the Company also enhanced its production capability through the installation of an additional rotary machine with improved technology and efficiency, increasing the total number of machines installed to five. Meanwhile, the weaving segment, established as part of the Company's backward integration strategy, maintained utilization levels of 78.7% (FY24: 76.0%) as production remained broadly stable. Overall, operational performance reflected improved production activity during FY25.

The Company's power requirement of ~ 8-10 MW is met through a diversified energy mix comprising SNGPL, FESCO, corn cobs/shells (agricultural residue), coal and biomass, supplemented by a 7 MW solar power system installed in October-November 2023.

PROFITABILITY

In FY25, revenue increased to PKR 9.4 billion (FY24: PKR 5.7 billion), primarily driven by higher local sales of fabric and made ups supported by improved average selling prices. The sales mix shifted towards the local market, with local-to-export ratio of 91:9 (FY24: 72:28), reflecting reduced export demand and a corresponding shift in sales focus.

Gross profit increased to PKR 711 million (FY24: PKR 514 million), reflecting higher revenue, however, gross margins moderated to 7.9% (FY24: 9.0%) due to elevated raw material costs, driven by increased reliance on imported yarn, the proportion of which rose to 53% from 22% in FY24. Operating profit increased to PKR 550 million (FY24: PKR 358 million), while operating margins contracted slightly to 5.9% (FY24: 6.3%).

Net profit increased significantly to PKR 424 million (FY24: PKR 91 million), with net margins improving to 4.5% (FY24: 1.6%), further driven by a lower effective tax charge primarily due to prior-year adjustments and deferred tax movements.

During 1HFY26, the Company reported revenue of PKR 5.4 billion, primarily driven by sustained local demand. Profitability improved during the period, supported by a reduction in fuel and power costs, resulting in gross and operating margins of 8.5% and 6.5%, respectively. Net profit of PKR 280 million, translated into a net margin of 5.2%. Lower finance costs in line with the reduction in overall debt levels also contributed towards higher profitability.

Going forward, revenue is expected to remain contingent on sustained domestic demand, while margins are expected to remain broadly stable.

Financial Risk

CAPITAL STRUCTURE

At-end FY25, equity increased to PKR 2.8 billion (FY24: PKR 2.4 billion), and further to PKR 3.1 billion by end-1HFY26 primarily supported by improved profitability. Total debt declined to PKR 1.6 billion (FY24: PKR 1.8 billion) and further to PKR 1.4 billion at end-1HFY26 due to ongoing repayments.

The debt profile comprises entirely long-term borrowings, including facilities under SBP refinance schemes, with no reliance on short-term bank borrowings since FY24. Short-term funding is sourced from interest-free support from MPIL, amounting to PKR 112 million, despite availability of unutilized bank lines.

Accordingly, gearing and leverage improved further to 0.46x (FY24: 0.55x) and 1.21x (FY25: 1.31x) respectively at end-1HFY26, reflecting gradual strengthening in capitalization, supported by lower reliance on external debt. On a net debt basis, gearing declined materially to 0.14x at end-1HFY26 from 0.37x in FY25 (FY24: 0.62x), underscoring the Company's strong liquidity position and enhanced financial flexibility.

Currently, construction of a ~30,000 sq ft facility is underway, being financed through internal cash flows and expected to be complete by June/July 2026. Going forward, planned machinery CAPEX of ~PKR 2.0 billion is expected to be financed through a debt-equity mix of ~60:40

over the next two years, with anticipated reliance on long-term floating rate borrowings. The ratings will be dependent upon maintenance of gearing in line with rating benchmarks.

DEBT COVERAGE & LIQUIDITY

The liquidity profile remained sound, supported by a current ratio of 1.54x (FY24: 1.57x) at end-FY25, which improved to 1.62x at end-1HFY26. The net operating cycle remained at comfortable levels.

Debt servicing capacity improved to 2.43x (FY24: 1.66x) during FY25, supported by higher profitability, before moderating to 1.34x in 1HFY26, though remained at a comfortable level.

Going forward, debt coverage is expected to remain dependent on profitability and financing costs, with exposure to floating-rate borrowings under planned expansion.

| FINANCIAL SUMMARY | | (Amounts in PKR Million) | | | | |
|---|-------|--------------------------|-------|-------|---------|--|
| BALANCE SHEET | FY22A | FY23A | FY24A | FY25A | 1HFY26M | |
| Property, Plant, & Equipment | 3,216 | 3,332 | 3,246 | 3,238 | 3,133 | |
| Stock-in-Trade | 71 | 347 | 328 | 906 | 842 | |
| Trade Debts | 822 | 1,173 | 894 | 697 | 886 | |
| Short-term Investment | 271 | 246 | 256 | 420 | 749 | |
| Cash & Bank Balances | 73 | 90 | 90 | 112 | 269 | |
| Total Assets | 5,345 | 6,530 | 6,000 | 6,578 | 6,908 | |
| Trade and Other Payables | 786 | 1,332 | 1,360 | 1,668 | 1,867 | |
| Long Term Debt (Inc. Current Maturity) | 1,945 | 1,945 | 1,838 | 1,575 | 1,448 | |
| Short-term Debt | 220 | 314 | - | - | - | |
| Short-term Debt from Directors/Associate Companies | 25 | 364 | 12 | 112 | 112 | |
| Total Debt | 2,165 | 2,259 | 1,838 | 1,575 | 1,448 | |
| Total Liabilities | 3,127 | 4,244 | 3,593 | 3,729 | 3,779 | |
| Paid Up Capital | 200 | 200 | 200 | 200 | 200 | |
| Total Equity | 2,240 | 2,308 | 2,407 | 2,849 | 3,129 | |
| | | | | | | |
| INCOME STATEMENT | | | | | | |
| Net Sales | 3,263 | 4,025 | 5,718 | 9,351 | 5,410 | |
| Gross Profit | 488 | 443 | 514 | 711 | 461 | |
| Operating Profit | 291 | 320 | 358 | 550 | 352 | |
| Finance Cost | 28 | 82 | 99 | 63 | 29 | |
| Profit Before Tax | 263 | 238 | 259 | 487 | 323 | |
| Profit After Tax | 221 | 80 | 91 | 424 | 280 | |
| | | | | | | |
| RATIO ANALYSIS | | | | | | |
| Gross Margin (%) | 14.9% | 11.0% | 9.0% | 7.6% | 8.5% | |
| Operating Margin (%) | 8.9% | 7.9% | 6.3% | 5.9% | 6.5% | |
| Net Margin (%) | 6.8% | 2.0% | 1.6% | 4.5% | 5.2% | |
| Net Working Capital | 979 | 950 | 993 | 1,163 | 1,431 | |
| Trade debts/Sales * | 25.2% | 29.1% | 15.6% | 7.5% | 8.2% | |
| FFO | 275 | 375 | 490 | 728 | 360 | |
| FFO to Total Debt (%) * | 0.13 | 0.17 | 0.27 | 0.46 | 0.25 | |
| FFO to Long Term Debt (%) * | 0.14 | 0.19 | 0.27 | 0.46 | 0.25 | |
| Debt Servicing Coverage Ratio (x) * | 10.18 | 2.66 | 1.66 | 2.43 | 1.34 | |
| Current Ratio (x) | 1.86 | 1.43 | 1.57 | 1.54 | 1.62 | |
| Stock + Trade Debts/STD | 4.06 | 4.85 | - | - | - | |
| Gearing (x) | 0.97 | 0.98 | 0.76 | 0.55 | 0.46 | |
| Leverage (x) | 1.40 | 1.84 | 1.49 | 1.31 | 1.21 | |
| ROAA (%) * | N/A | 1.4% | 1.5% | 6.7% | 8.2% | |
| ROAE (%) * | N/A | 3.5% | 3.9% | 16.1% | 19.9% | |
| Net Operating Cycle * | (2) | 6 | (15) | (5) | (8) | |
| Inventory Days * | 9 | 35 | 23 | 38 | 31 | |
| Receivable Days * | 92 | 106 | 57 | 27 | 30 | |
| Payable Days * | 103 | 136 | 95 | 70 | 69 | |
| *Annualized, if required A - Audited Accounts M - Management Accounts P - Projected Accounts | | | | | | |

| REGULATORY DISCLOSURES | | | | | Appendix II |
|----------------------------------|---|---------------------|-------------|----------------|----------------|
| Name of Rated Entity | Magna Textile Industries (Pvt) Limited | | | | |
| Sector | Textile Composite | | | | |
| Type of Relationship | Solicited | | | | |
| Purpose of Rating | Entity Ratings | | | | |
| Rating History | Rating Date | Medium to Long Term | Short Term | Rating Outlook | Rating Action |
| | RATING TYPE: ENTITY | | | | |
| | 06/12/2026 | 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 Meetings Conducted | Name | | Designation | | Date |
| | Mr. Shahzad Abbasi | | CFO | | April 29, 2026 |