

MAGNA PROCESSING INDUSTRIES (PVT) LIMITED

Analyst:

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RATING DETAILS

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

Shareholding (5% or More)

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

Other Information

Incorporated in 2005
Private Limited Company
Chief Executive: Mr. Farhatullah Sheikh
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 the Company's established presence in the textile sector, supported primarily by export-oriented revenue base. The ratings are further supported by satisfactory liquidity, reflected in a stable current ratio and improved operating cycle. Debt coverage remained sound despite lower profitability mainly due to lower long-term borrowings and finance costs.

Capital structure remained adequate, with low level of gearing, though short-term borrowing fluctuated in line with working capital requirements. However, the ratings are constrained by declining margins, 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 along with stable demand in exports.

Company Profile

Magna Processing Industries (Pvt) Limited ('MPIL' or 'the Company'), a family-owned company, was incorporated in 2005 and is engaged in the weaving and processing of fabric and home textile made ups, primarily for the export market. The manufacturing facility is located in Tehsil Jaranwala, Faisalabad, Punjab. The unit is vertically integrated with weaving, processing and stitching operations. The registered office is in Faisalabad, Punjab.

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 companies, 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 MTIL's primary focus on the local market. 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. Farhatullah Sheikh 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 continue to evolve through further strengthening of governance practices and the introduction of formal Board-level committees.

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. of Rotary machines installed	4	4	4	4
No. of Rotary machines worked	4	4	4	4
Standard cloth production (Million Meters)	56.16	56.16	56.16	56.16
Actual Production (Million Meters)	52.73	39.52	43.41	43.41

Capacity Utilization	93.9%	70.4%	77.3%	77.3%
Weaving				
Auto				
No. of Looms installed	564	564	564	564
No. of Looms worked	564	538	538	538
No. of shifts per day	3	3	3	3
Installed production capacity converted into 80 pick (Million Meters)	11.40	8.82	8.82	8.82
Actual production converted into 80 picks (Million Meters)	9.24	8.63	8.44	8.44
Capacity Utilization	81.1%	97.8%	95.7%	95.7%
Water Jet				
No. of Looms installed	272	272	272	332
No. of Looms worked	272	272	272	332
No. of shifts per day	3	3	3	3
Installed production capacity (Million Meters)	45.26	37.65	37.65	47.52
Actual production (Million Meters)	34.09	33.13	35.62	44.61
Capacity Utilization	75.3%	88.0%	94.6%	93.9%

During FY25, the Company installed 60 additional water jet looms to cater to higher demand for microfiber products in export markets, increasing total installed looms to 332. Consequently, installed capacity and production levels in the water jet segment increased during the year, while utilization levels remained high, reflecting continued demand for microfiber products. Utilization in the auto loom segment also remained strong. Meanwhile, processing operations continued to operate at relatively moderate utilization levels.

PROFITABILITY

In FY25, revenue remained broadly stable at PKR 11.6 billion (FY24: PKR 11.1 billion), supported by improved average selling prices despite a marginal decline in volumes. Export sales continued to dominate the revenue mix, contributing 86% (FY24: 87%), while local sales accounted for 14% (FY24: 13%). Customer concentration moderated during the year, with contributions from top ten customers decreasing to 51% (FY24: 61%). The Company primarily exports to the United Kingdom and European markets.

Gross margin declined to 11.3% (FY24: 19.9%), primarily due to higher raw material costs amid increased reliance on imported fabric. The import-to-local raw material procurement mix shifted to 77:23 (FY24: 64:36), reflecting volumetric growth in fabric imports during the year. Operating margin compressed further to 4.6% (FY24: 14.5%), owing to higher salary expenses and lower dividend income. Net margin stood at 3.2% (FY24: 8.9%), supported by relatively lower taxation and finance costs during the year.

During 1HFY26, the Company reported revenue of PKR 7.5 billion (1HFY25: PKR 7.2 billion). Gross margin decreased further to 9.2% (1HFY25: 12.8%), primarily due to continued reliance on higher imported fabric procurement. Consequently, operating margin declined to 3.8% (1HFY25: 7.1%). However, lower finance costs and taxation during the period provided partial support to profitability, with net margin recorded at 2.6% (1HFY25: 3.4%).

Financial Risk

CAPITAL STRUCTURE

At end-FY25, the Company's capital structure remained adequate, supported by expanding equity base and low reliance on long-term borrowings. Total debt decreased to PKR 2.0 billion (FY24: PKR 2.2 billion) at end-FY25. Debt composition remained largely short-term oriented, with long-term debt at PKR 89 million (FY24: PKR 118 million) and short-term borrowings at PKR 1.9 billion (FY24: PKR 2.0 billion). At end-1HFY26, total debt increased to PKR 2.8 billion, driven by higher utilization of short-term borrowings to support working capital requirements, while long-term debt reduced further to PKR 79 million.

Equity enhanced to PKR 6.4 billion (FY24: PKR 6.0 billion) at end-FY25 and to PKR 6.6 billion by end-1HFY26, supported by profit retention. Consequently, gearing and leverage improved to 0.30x and 0.84x (FY24: 0.36x and 0.89x), before increasing to 0.43x and 1.03x at end-1HFY26, reflecting higher short-term borrowings.

Going forward, the capital structure is expected to remain broadly stable, with movements in gearing primarily linked to working capital requirements and internal cash generation.

DEBT COVERAGE & LIQUIDITY

At end-FY25, the liquidity profile remained satisfactory, with current ratio largely stable at 1.87x (FY24: 1.88x), followed by slight moderation at end-1HFY26. Net operating cycle improved to 110 days (FY24: 138 days) and further to 97 days by end-1HFY26, primarily due to lower inventory days. Debt coverage, while remaining strong, decreased to 3.07x (FY24: 6.82x) in FY25 amid lower internal cash generation; however, it improved to 5.86x in 1HFY26, supported by slightly improved FFO and lower finance costs. Going forward, liquidity indicators are expected to remain adequate in the absence of major expansion plans; however, any increase in working capital borrowings and financing costs may exert pressure on coverage metrics.

FINANCIAL SUMMARY		(Amounts in PKR Million)				
BALANCE SHEET		FY22A	FY23A	FY24A	FY25A	1HFY26M
Property, Plant, & Equipment		1,766	1,753	2,130	2,422	2,446
Stock-in-Trade		2,273	2,373	3,443	3,408	3,613
Trade Debts		1,436	3,307	3,208	2,938	3,841
Short-term Investments		111	568	370	978	311
Cash & Bank Balances		286	201	250	94	484
Total Assets		7,628	11,712	11,368	11,781	13,329
Trade and Other Payables		1,475	2,903	2,636	2,913	3,491
Long Term Debt (Inc. Current Maturity)		143	143	118	89	79
Short Term Debt		2,125	3,351	2,035	1,843	2,727
Total Debt		2,268	3,494	2,153	1,932	2,806
Total Liabilities		3,956	6,679	5,355	5,391	6,747
Paid Up Capital		200	200	200	200	200
Total Equity		3,672	5,033	6,013	6,391	6,582
INCOME STATEMENT						
Net Sales		6,945	9,633	11,129	11,604	7,502
Gross Profit		1,313	2,219	2,211	1,314	693
Operating Profit		893	1,701	1,612	530	283
Profit Before Tax		776	1,458	1,393	404	250
Profit After Tax		693	1,360	995	371	192
RATIO ANALYSIS						
Gross Margin (%)		18.9%	23.0%	19.9%	11.3%	9.2%
Operating Margin (%)		12.9%	17.7%	14.5%	4.6%	3.8%
Net Margin (%)		10.0%	14.1%	8.9%	3.2%	2.6%
Net Working Capital		2,132	3,478	4,323	4,350	4,504
Trade debts/Sales		20.7%	34.3%	28.8%	25.3%	25.6%
FFO		885	1,562	1,416	345	212
FFO (Annualized)		885	1,562	1,416	345	424
FFO to Total Debt (%)		0.39	0.45	0.66	0.18	0.15
FFO to Long Term Debt (%)		6.20	10.93	12.02	3.86	5.40
Debt Servicing Coverage Ratio (x) *		8.48	6.56	6.82	3.07	5.86
Current Ratio (x)		1.57	1.54	1.88	1.87	1.71
Stock + Trade Debts/STD		1.97	1.95	3.55	3.76	3.00
Gearing (x)		0.62	0.69	0.36	0.30	0.43
Leverage (x)		1.08	1.33	0.89	0.84	1.03
ROAA (%) *		N/A	14.1%	8.6%	3.2%	3.1%
ROAE (%) *		N/A	31.2%	18.0%	6.0%	6.0%
Net Operating Cycle *		127	99	138	110	97
Inventory Days *		147	117	141	121	97
Receivable Days *		75	125	105	92	93
Payable Days *		96	143	108	103	94
*Annualized, if required A - Audited Accounts M - Management Accounts P - Projected Accounts						

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Magna Processing 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	Outlook/Rating Watch	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		