VIS
Credit Rating Company Limited

RATING REPORT

UTOPIA INDUSTRIES (PRIVATE) 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	Positive		Stable	
Rating Action	Maintained		Reaffirmed	
Rating Date	January 02, 2026		September 10, 2024	

Shareholding (5% or More)	Other Information
Mr. Jabran Niaz – 50%	Incorporated in 2018
Mr. Adnan Niaz – 50%	Private Limited Company
	Chief Executive: Mr. Adnan Niaz
	External Auditor: Kreston Hyder Bhimji & Co 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 Utopia Industries (Private) Limited's ('UIPL' or 'Utopia' or 'the Company') established position in the export-oriented home textile segment, supported by its strong relationship with its key customer and group company, Utopia Towels Inc., USA ('UTI'). The Company was established to serve as backward integration or production arm for UTI which primarily distributes the products through Amazon to customers across the United States, the United Kingdom, and Canada. Based on UTI's marketing strength, Utopia has emerged as one of the top 20 exporters in Pakistan over the past 3 years.

The ratings also reflect UIPL's conservative financial risk profile and sponsor support. The capital structure is supported by strong profitability, retained funds and frequent capital injections by the sponsors to incur capital expenditure to expand operations. Future ratings will remain sensitive to the Company's ability to sustain profitability margins and maintain a low risk profile through an appropriate mix of debt and equity to support planned expansions aligned with UTI's marketing strategy. The revision to a 'Positive' Outlook is contingent on demonstrable improvement in profitability, supported by satisfactory financial performance going forward.

Company Profile

Utopia Industries (Private) Limited, a company of Utopia Group, is a privately owned manufacturer established in 2018 and owned by two brothers. The sponsors have a strong history of marketing at Amazon through sourcing goods from China. UIPL was set up to serve as their production arm to improve margins, and have better control on quality and supply lines. UIPL produces on order from the USA based company and future expansions are dependent upon the marketing success in new products at Amazon's online platform for selling products to end customers in the United States, the United Kingdom, Europe and Canada. Utopia Towels Inc. handles order fulfillment, ensuring seamless delivery, effective customer service, and timely access to international markets while leveraging the manufacturing capabilities of Utopia Industries.

The Company mainly produces and exports a broad range of home textiles and apparel while they have also setup production units for plastics, metals, and cookware. The Company's head office and main manufacturing complex are both located on Super Highway, Karachi.

- Unit 1: Weaving and Cut-to-Pack for home textile products.
- Unit 2: Knitting, air jet weaving, and Cut-to-Pack towel and knit products.
- Unit 3: Waterjet weaving, storage, and Cut-to-Pack bedding production.
- Unit 4: Plastic molding, cookware manufacturing, and machine fabrication.
- Unit 5: Air jet weaving, carton manufacturing, and Cut-to-Pack pillow production.
- Unit 6: Polyester staple fiber and textured yarn manufacturing, and comforter assembly.
- Unit 7: Warehousing and finished goods storage, weaving & dying.

Industry Profile & Business Risk

Pakistan's textile sector continues to face structural pressures amid declining domestic cotton availability and elevated cost structures. Cotton production fell sharply to 5.5 million bales in FY25 (FY24: 8.4 million bales), driven by climate shocks, water shortages, and rising input costs, thereby increasing reliance on imports, which currently provide both cost and quality advantages. Textile exports, however, grew 7.9% YoY to USD 17.9 billion in FY25, supported by value-added segments, though profitability remained constrained by high energy tariffs and rising minimum wages. The recent reduction in US tariffs on Pakistani textiles offers some relief. The imposition of an 18% sales tax on imported cotton and yarn under the Export Facilitation Scheme is aimed at strengthening the local spinning industry. Nevertheless, refund delays under the scheme continue to strain exporter liquidity.

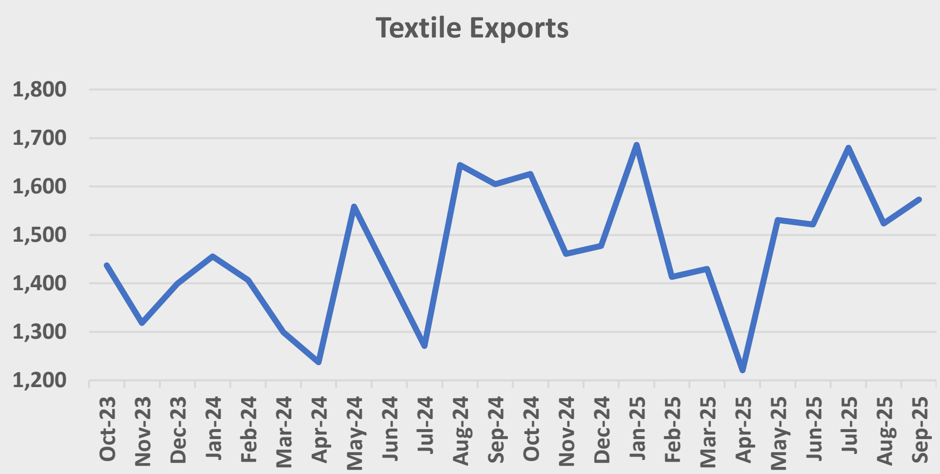

Figure 1: MoM Textile Exports (USD Million)

Export momentum carried into FY26, with textile shipments in July 2025 rising 32.1% YoY to USD 1.68 billion, driven by strong demand in the US retail market, carryover orders from June, and tariff disadvantages for competing suppliers. On the supply side, cotton production for FY26 is projected at 4.8 million bales, down 4% YoY, reflecting reduced cultivated area, weaker yields in Sindh, and significant flood-related damage in Punjab. Cotton consumption is expected to ease to 10.5 million bales, with rising cost pressures, while imports are projected at 5.6 million bales to bridge the supply gap. Looking ahead, the government's approval of hybrid seed imports is expected to support yield recovery over the medium term, offering partial mitigation against recurring structural challenges.

Operational Update

(In millions)	FY22	FY23	FY24	FY25
Textile				
Installed Capacity (kgs)	27.62	39.05	53.08	54.49
Actual Production (kgs)	26.73	32.01	49.16	49.63
Capacity Utilization	***96.78%***	***82.03%***	***92.61%***	***91.08%***
Plastic Ware				
Installed Capacity (lbs)	3.92	5.15	5.45	5.45
Actual Production (lbs)	3.39	3.82	4.12	4.01
Capacity Utilization	***86.48%***	***74.17%***	***75.60%***	***73.57%***
Kitchen Ware				
Installed Capacity (kgs)	0.05	0.22	0.76	1.17
Actual Production (kgs)	0.04	0.21	0.71	1.05
Capacity Utilization	***80.00%***	***95.45%***	***93.42%***	***89.74%***

The textile segment remains the Company's core business, contributing around 91% of total sales, with the remaining share from the plastic and kitchenware segments. The Company's total operational load is approximately 9.9 MW, primarily supplied through K-Electric, which provides a connection capacity of 12.7 MW. By FY2024–25, a total of 6 MW solar power system had been installed, enhancing cost efficiency and supporting sustainable operations.

In line with its growth strategy, the Company has acquired a new 252-acre facility in Nooriabad, now in the final stages of development, with 47 acres scheduled to become operational in 2026, significantly increasing production capacity across multiple segments. This 47-acre facility will house a vertically integrated manufacturing unit for Terry Towels and Knits Manufacturing Complex, featuring 100 towel looms and 144 circular knits machines, with terry towel capacity reaching 60,000 lbs/day and Knits output of 36000 Kgs/day of Knitted Fabric. The total estimated project cost of USD 28 million will be financed through mix of debt and equity, with project completion targeted for June 2026. It will feature hybrid power solutions combining Grid, Solar, Rankine Cycle Power Plant and HFO Gensets, along with an Effluent Treatment Plant for processed water treatments, to include plans to increase power capacity by an additional 5 MW to support the new facilities. The development also incorporates essential utilities, warehousing, and worker facilities.

Financial Risk

Capital Structure

Total equity has steadily increased during the five years through strong profitability which was retained for growth as well as sponsor injection of funds to support the growing operations. A major injection came in FY2023 of PKR 5.88 bn for plant expansion and a further injection of PKR 90 mn in FY2024 in the form of sponsor loans. During FY2025, the Company issued right shares amounting to Rs. 4.34 bn, of which Rs. 0.94 bn was credited to paid-up capital, while Rs. 3.40 bn was recognized as share premium. Total Equity (adjusted for surplus) increased to Rs. 17.93 bn at end-FY25 (FY24: Rs. 14.56 bn).

Total debt stood at Rs. 9.15 bn at end-Jun'25 (Jun'24: Rs. 6.52 bn). Long-term borrowings under subsidized ILTFF schemes (5–10% p.a.) declined to PKR 1.2 bn in FY25 (FY24: PKR 1.4 bn) due to scheduled repayments, while short-term borrowings increased to PKR 7.93 bn in FY25 (FY24: PKR 5.12 bn), in line with higher working capital requirements, primarily under export refinance and foreign currency financing (FE-25) facilities. Consequently, gearing and leverage ratios inched up to 0.51x (FY24: 0.45x) and 1.19x (FY24: 0.93x), respectively. It is a point to note that the entire borrowings are under subsidized facilities which is not only a current advantage but also insulates the company as interest rates start moving upwards in medium term.

Profitability

The Company reported net sales of Rs. 47.75 bn in FY25, reflecting a marginal 2% year-on-year decline, primarily due to lower selling prices despite higher volumetric sales, which were supported by improved export competitiveness driven by currency depreciation. Revenue remained predominantly export-oriented, with international sales contributing 99% of the total. The Company markets its products through its affiliated entity, Utopia Towels Inc. USA, which sells primarily on Amazon's online platform to customers in the Europe, UK and Canada. The product mix remained concentrated in the home textile subsegment, with pillows (19.6%), bed sheets (18.7%), towels (17.8%), mattress protectors (13.4%), and comforters (12%) together accounting for 82% of total sales.

Gross margins have been facing pressure since past three years and declined to 18.3% (FY24: 18.9%) with increase in input costs and higher wage expenses. However, operating margins declined by a greater extent as selling and distribution expenses increased, primarily due to higher export-related charges, including clearing and handling fees and sea freight costs. Finance costs increased slightly in FY25with increase in short term borrowings to meet working capital requirements.

Overall profitability declined to PKR 1.3 bn in FY25 (FY24: 3.04 bn), with the Company reporting a net margin of 2.8% as the company was unable to pass on the increased costs onwards. Going forward, management expects topline growth supported by increased production capacity and a broader product portfolio. Continued focus on research and development, along with in-house cost optimization measures, is expected to aid margin recovery and support overall profitability.

Debt Coverage & Liquidity

In FY25, the Company's Funds from Operations (FFO) declined due to constrained profitability, resulting in lower FFO coverage of both long-term and total borrowings. The FFO-to-total borrowings ratio remains strong, albeit at a lower level of 0.24x in FY25 (FY24: 0.59x) as reliance on short-term financing increased with shortfall in profitability. Liquidity remained adequate, with a current ratio of 1.10x. Short-term borrowings were sufficiently backed by inventory and receivables coverage of 1.76x.

The net operating cycle remained broadly stable at 74 days in FY25, as the increase in inventory days to 114 from 76, driven by higher stocking in anticipation of upcoming quarter demand, was offset by a significant reduction in receivable days to 5 from 26. The Debt Service Coverage Ratio (DSCR) stands at 3.08x, which provide sufficient cushion. However, the planned CAPEX will require additional funding, which is expected to moderate future DSCR levels, though they would remain strong. Maintaining a stable liquidity position and prudent cash flow management, particularly in view of the upcoming CAPEX, will remain important from a ratings perspective.

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Utopia Industries (Private) Limited
Sector	Textile
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
Rating History	see table below
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	see table below

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
02-01-2026	**A-**	**A2**	Positive	Maintained
10-09-2024	A-	A2	Stable	Reaffirmed
06-06-2023	A-	A2	Stable	Initial

Due Diligence Meeting Conducted

S.No.	Name	Designation	Date
1	Abdul Hannan Qureshi	GM Accounts & Finance	22nd October 2025
2	Danyal Touheed	Manager Treasury	