

RAJBY INDUSTRIES (PVT) LIMITED

Analyst:

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RATING DETAILS

RATINGS CATEGORY	Initial Rating	
	Long-term	Short-term
ENTITY	A-	A2
RATING OUTLOOK/ WATCH	Stable	
RATING ACTION	Initial	
RATING DATE	September 29, 2026	

Shareholding (5% or More)**Other Information**

Nafees Sultan – 50%	Incorporated in 2024
Hamad Nafees – 10%	Private Limited Company
Muddassir Nafees – 10%	Chief Executive: Mr. Mudassir Nafees
Taha Nafees – 10%	External Auditor: Muniff Ziauddin & Co. Chartered Accountants
Shamaila Nafees – 10%	
Zainab Salman – 10%	

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 the established market presence of Rajby Industries (Pvt.) Limited (formerly Rajby Industries) in the denim segment, supported by longstanding industry experience and an established customer base across export markets. The Company reported strong topline growth during FY25, however, profitability margins came under pressure amid inflationary cost pressures and the absence of exchange gains. Performance remained broadly stable during FY26.

The ratings also factor in the Company's relatively modest equity base and elevated leverage following the transfer of operations, while liquidity remains adequate. Capitalization and liquidity are supported by significant subordinated loans from sponsors, with debt coverages remaining satisfactory.

Going forward, the Company is undertaking backward integration into denim manufacturing, followed by sizeable investments in spinning and solar power capacity over next 5 years. These initiatives are expected to enhance operational integration, improve cost efficiencies, and support profitability over the medium term. However, the planned capex and its funding plan will remain key rating considerations alongside continued sponsor support, successful execution of the expansion program, and a sustained recovery in profitability.

Company Profile

Rajby Industries (Pvt.) Limited ('RIPL' or the "Company") was incorporated on 2 December 2024 as a private limited company to acquire and continue the business operations of Rajby Industries (RI), a partnership firm established in 1990. The Company is primarily engaged in the export-oriented manufacturing of ready-to-wear (RTW) apparel, with a specialization in denim garments. Its product portfolio comprises jeans, trousers, shorts, jeggings, pants, jackets, and shirts.

RIPL was incorporated as part of the process to convert RI from a partnership structure to a private limited company, involving the winding-up of RI's operations and the progressive transfer of its business and operations to RIPL during FY25 – FY26. The transfer of business was fully completed as of January 1, 2026.

The Company's manufacturing facilities and registered office are located in the Korangi Industrial Area, Karachi.

Group Profile:

RIPL forms part of the Rajby Group, established in 1988, which is a prominent player in the textile sector with a core focus on denim manufacturing. The Group operates through two key entities, namely RIPL (previously operations with RI) and Rajby Textiles (Pvt) Limited.

Previously, Mr. Saleem Sultan and Mr. Nafees Sultan were co-owners of both entities, however, their business partnership was dissolved in June 2023. Following the dissolution, Mr. Saleem Sultan became the majority owner of Rajby Textiles (Pvt) Limited, while Mr. Nafees Sultan became the majority owner of RIPL. The remaining ownership in both entities is held by other family members.

Management and Governance

The Company is owned by Mr. Nafees Sultan and his family, with the Board comprising five directors, including the Chairman, all represent the sponsoring family. Sponsor involvement in the business remains significant, with family members actively overseeing key operational and financial functions.

Mr. Mudassir Nafees, son of Mr. Nafees Sultan, serves as the Chief Executive Officer and is involved in the overall management of the Company. Mr. Hamad Nafees oversees supply chain operations as Supply Chain Director, while Mr. Taha Nafees is responsible for finance and planning. All three are sons of Mr. Nafees Sultan, a founding member of RI, who currently serves as Chairman of RIPL's Board.

The financial accounts of the Company are audited by 'Muniff Ziauddin & Co. Chartered Accountants' who are in category A of SBP's Panel of auditors. The auditor has issued an unqualified opinion on FY25 accounts.

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, remained 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, 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 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 towards value-added and compliant exports, though growth is expected to remain measured rather than linear.

Operational Performance

During FY25, the Company recorded an increase in production levels, resulting in overall capacity utilization of approximately 90%, broadly in line with levels recorded in FY22. Capacity utilization, however, moderated to around 77% during FY26, as Company's shifted away from lower-margin customers previously served for fixed cost absorption, towards higher-paying and strategic customers.

The Company has extensive expansion plans, comprising three key phases focused on denim manufacturing, spinning, and solar power. The first phase involves backward integration into denim fabric manufacturing. For this purpose, the Company has acquired a land and building in Hyderabad and ordered necessary machinery.

The Company has an installed power capacity of 4MW, with operational capacity ranging between 2.5MW and 3.5MW. Power requirements are primarily met through a grid connection, supplemented by an 800kW solar power system. Meanwhile, the upcoming denim mill is estimated to have a power requirement of approximately 5.5MW. The requirement is expected to be met through a combination of grid electricity and solar power.

PROFITABILITY

During FY25, the Company reported a strong 23% YoY growth in topline despite moderation in exchange rate during the period. Growth was primarily driven by an 18% increase in sales volumes, broadly in line with the growth trajectory witnessed in FY24.

Product-wise, sales remained concentrated across three key categories, namely Jeans, Trousers, and Shorts, contributing 64%, 20%, and 6% of total sales, respectively (FY24: 47%, 21%, and 16%). The increased contribution of Jeans, a relatively higher-priced product category, also supported overall topline growth. Client-wise concentration remained elevated, with the top 10 customers accounting for approximately 83% of sales, albeit improving to 78% during FY26.

Geographically, exports remained predominantly concentrated in Europe, which accounted for 77% of total export volumes during FY25 (FY24: 76%), while the remaining volumes were directed towards the USA and other markets.

While topline showed strong growth, gross margin compressed significantly primarily due to absence of exchange gains and inflationary cost pressures that could not be fully passed on to customers amid competitive pressure in export markets. Consequently, net profitability was adversely impacted, further exacerbated by a higher effective tax rate during the period.

During FY26, consolidated revenue of RI and RIPL, remained stable while gross margin improved marginally. However, elevated cost pressures, absence of exchange gains and higher tax rate on exporters, continued to constrain bottom-line performance, with net margin moderating lower. The transfer of all business operations has been completed as of January 1, 2026.

Going forward, management expects operating performance and profitability to improve following completion of the transfer of business to RIPL, with FY25-FY26 viewed as transitional periods impacted by the ongoing conversion process, particularly by taxation. Margin improvement is also expected from managements plan to take exposure in forward contracts and potentially lock in foreign exchange gain.

Financial Risk

CAPITAL STRUCTURE

Following the transfer of operations to RIPL, the directors have opted to maintain a relatively low equity base, with share capital standing at PKR 800mn as of end-FY26, compared to partners' capital of PKR 4.9bn in RI, as of FY24. The remaining financial support is primarily provided through interest-free, subordinated loans from the directors. At end-FY26, these comprised a PKR 2.2bn long-term loan (FY25: PKR 5.6bn), repayable at the Company's discretion, and a PKR 2.4bn short-term loan (FY25: PKR 51mn), repayable on demand. The long-term loan is treated as equity given its subordinated nature, while the short-term loan is included in leverage due to its on-demand repayment terms but excluded from gearing as it carries no interest.

Accordingly, total equity stood at PKR 3.42bn as of FY26 (FY25: PKR 6.4bn; FY24: PKR 5.3bn). The relatively low equity base has resulted in an elevated capitalization profile, with gearing and leverage recorded at 1.72x and 3.82x, respectively.

Going forward, the Company has significant capex plans, although the funding plan has yet to be finalized. Continued sponsor support, particularly in the form of subordinated loans, will therefore remain important in supporting the Company's capitalization and cushioning the equity base.

DEBT COVERAGE & LIQUIDITY

The Company maintains an adequate liquidity profile, with the current ratio approximately 1.0x. Funding requirements are largely supported through loans from directors, while short-term liquidity is further supplemented through bill discounting against export receivables. The working capital cycle stood at 72 days during FY26, broadly in line with the historical range (FY24: 75 days).

Funds from Operations (FFO) declined during FY25 and FY26, in line with the moderation in profitability margins. Nevertheless, debt servicing capacity remained satisfactory, with DSCR recorded at 3.9x in FY25 and 2.03x in FY26 (FY24: 6.9x).

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	Rajby Industries (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				
	29-Sept 2026	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 Meetings Conducted	S.No.	Name	Designation	Date	
	1.	Mr. Muhammad Shahbaz	CFO	28-August-26	
	2.	Mr. Muhammad Ilyas Qazi	GM - Taxation & Internal Audit		
	3.	Mr. Muhammad Zohaib Khan	DGM - Accounts		