VIS
Credit Rating Company Limited

MAHMOOD TEXTILES LIMITED

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RATING DETAILS		
RATINGS CATEGORY	Latest Rating	Initial Rating
	Short-term	**Short-term**
INSTRUMENT (STS-2)	**A1**	A1 (plim)
RATING ACTION	**Final**	Preliminary
RATING DATE	**November 7, 2025**	October 9, 2024

Shareholding (5% or More)	Other Information
Directors, Chief Executive Officer, their Spouses and Minor Children – 17.17%	Incorporated in 1970
General Public (local) – 78.15%	Public Listed Company
	Chief Executive Officer: Khwaja M. Younus
	External Auditor: Crowe Hussain Chaudhary & Co. Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/docs/CorporateMethodology.pdf
Instrument Rating
(https://backupsqlvis.s3.us-west-2.amazonaws.com/Methodologies-2025/IRM-Apr-25.pdf)

Rating Scale

https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

Mahmood Textile Mills Limited (MTML), the flagship company of the Mahmood Group, has a longstanding presence in the textile export sector and operates as a fully vertically integrated manufacturer. Over the last five years, the Company has achieved a compounded annual growth rate (CAGR) of around 20% in revenue, supported by sustained demand from export-oriented clients and the favorable impact of PKR depreciation on dollar-denominated sales. Export revenues constitute approximately 75% of total turnover. The broader textile sector continues to face moderate-to-high business risks owing to global competition, energy cost escalation, and policy-related challenges. However, the recent decline in policy rates has eased financial cost pressures. During FY25, MTML's gross margin slightly declined from FY24 due to stable exchange rates, lower selling prices, and higher utility expenses. Despite this, net profitability improved on account of reduced finance costs and lower effective taxation. The Company's gross margin has historically averaged around 13.8%.

To mitigate cost pressures and improve efficiency, MTML has implemented several operational initiatives, including installation of energy-efficient production systems and 13.5 MWh of solar capacity, with an additional 3 MWh under development. Upon completion, the total renewable energy capacity is expected to meet around 30% of the Company's total power requirements. The Company maintains an adequate financial risk profile, supported by improved working capital management and satisfactory coverage metrics. While leverage remains on the higher side, MTML has formulated a deleveraging strategy under which investments in power projects are planned to be offloaded in FY26 to reduce balance sheet gearing. Ratings take comfort from this planned deleveraging initiative and management's commitment to strengthening the capital structure.

Short Term Sukuk - 2

MEHT has issued a privately placed Short-Term Sukuk (STS-2) of PKR 6,000m (inclusive of PKR 2,000m green shoe option) with 6 months tenure, to finance working capital needs during the cotton procurement season. The Sukuk carries repayment of principal at maturity, with profit payable alongside the principal amount. The profit rate will be benchmarked to the three-month Karachi Interbank Offered Rate (KIBOR) plus 45 basis points, fixed on the last working day prior to issuance and applicable for the full tenor.

Security structure STS-2 includes i) ranking charge over company current assets with 25% margin ii) undertaking from Company ensuring that sufficient cushion in assets will be available at all time during Sukuk Tenor iii) Undertaking from company ensuring that Sukuk equivalent (PKR 6,000m) short term banking limits to remain unutilized at any point in time during instrument tenor and iv) Maintenance of Finance Payment Account with an amount equivalent to the Redemption account under lien.

Company Profile

MTML, the flagship entity of the Mahmood Group, is a public listed, vertically integrated textile composite engaged across the whole textile value chain of cotton ginning, spinning and weaving. Recent business updates include a demerger of one of its units. The Board of Directors approved the demerger of the Apparel unit from the Company as well as some leasehold immovable property in Multan Industrial Estate into MG Apparel Limited, a wholly owned subsidiary of the MTML. The demerger was done with aims to enhance operational efficiency, improve the division's performance visibility, and enable it to benefit from value-added incentives provided by statutory authorities, as per PSX notice on May 21, 2025.

Group Profile

Mahmood Group is a diversified business conglomerate engaged primarily in manufacturing across multiple industries. The group's core operations include textile processing, apparel manufacturing, leather production, and food processing. Key companies within the group include Mahmood Textile Mills Limited, Masood Spinning Mills, Multan Fabrics, MG Apparel, and Khawaja Tanneries. Among these, Mahmood Textile Mills serves as the flagship entity within the textile division, overseeing major spinning and weaving operations. The group also has a presence in real estate, retail, and power generation through companies such as Roomi Enterprises and Masood Retail, further strengthening its industrial footprint.

Management and Governance

Mahmood Textile Mills Limited is listed on the Pakistan Stock Exchange. The shareholding structure shows that the general public holds approximately 78.15 %, directors and their families hold around 17.17 %, and joint stock companies own about 4.41 % of the issued shares as of June 30, 2024.

The Board of Directors consists of seven members, including the CEO, Khawaja M. Younus, Chairman Khawaja M. Ilyas, female director Mrs. Farah Ilyas, and independent directors Abdul Rehman Qureshi and Muhammad Asghar.

The Company maintains several board-level committees: an Audit Committee chaired by Abdul Rehman Qureshi; a Human Resource Committee chaired by the same; and a Compensation Committee chaired by Qureshi. An Internal Audit function reports directly to the Audit Committee.

Management Profile

Non-Executive Chairman: Khawaja Muhammad Ilyas

He has been serving as Chairman of Mahmood Textile Mills Limited. His association with the group spans over four decades, during which he has overseen expansion into textiles, ginning, and leather. He is also a member of both the Compensation and HR Committees.

Chief Executive Officer & Executive Director: Khawaja Muhammad Younus

Appointed as CEO and Director in July 2023, he brings considerable experience in project development, plant procurement, and sales. Other seasoned professionals with considerable industry experience also form part of the management team.

Business Risk

INDUSTRY

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. 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.

PRODUCTION PROFILE

The Company has historically maintained high utilization levels, supported by an export-oriented client base. In response to sustained volumetric demand and improvement in export orders, production capacity has been gradually expanded across the core segments of spinning (yarn) and weaving (cloth), despite prevailing economic challenges. In FY22, an apparels division was added, which has since recorded a gradual increase in both installed capacity and utilization. During FY25, this division was carved out as a wholly owned subsidiary under the name MG Apparel. Operating metrics slightly improved during FY25 from SPLY.

Financial Risk

CAPITAL STRUCTURE

The Company's capitalization profile remains elevated though there was slight improvement, as indicated by gearing and leverage ratios of 2.28x (end-FY24: 2.30x; end-FY23: 2.51x) and 2.99x (end-FY24: 3.21x; end-FY23: 3.31x), respectively, at end-FY25. The elevated capital structure is attributable to sustained expansion over the past five years, which has been primarily financed through long-term borrowings. In parallel, the growth in operations has led to increased working capital requirements, resulting in higher utilization of short-term debt. Going forward, the expansionary phase is expected to taper off, with long-term debt accumulation projected to moderate over time, in line with scheduled repayments.

PROFITABILITY

Over the last five years, the Company has recorded a compounded annual growth rate (CAGR) of approximately 20% in revenue, primarily driven by consistent volumetric demand from export-oriented customers. The depreciation of the Pakistani Rupee (PKR) during the period further contributed to growth by enhancing the PKR value of the Company's dollar-denominated revenues. Export sales account for approximately 75% of the Company's total revenue, with the remainder derived from domestic sales. Fluctuations in gross margins are attributed to a combination of factors, including PKR depreciation, rising utility costs, and broader domestic inflationary pressures. The Company has historically maintained gross margins around 13.8%. Gross margin slightly declined in FY25 from FY24, primarily attributed to relatively stable exchange rates, lower selling prices, and higher utility costs. Net profitability improved in FY25 on account of lower finance costs and decline in income tax incidence. In response to cost pressures, management has undertaken cost efficiency initiatives, including the installation of energy-efficient production technologies and 13.5 MWh of solar capacity. An additional 3 MWh is under development, which, upon completion, is expected to meet approximately 30% of the Company's energy requirements.

DEBT COVERAGE & LIQUIDITY

The Company has historically maintained an adequate debt servicing profile, as reflected in a five-year average debt service coverage ratio (DSCR) of 1.19x. In FY25 however, DSCR declined from FY24 but remains sufficient to meet financial obligations. With interest rates easing, coverages are expected to improve. Moreover, the Company has sufficient working capital lines with further room to borrow against stock and receivables. The Company has maintained a current ratio 1.05x on a three-year average while short-term debt coverage remains adequate.

Financial Summary

Balance Sheet (PKR Millions)	**FY22A**	**FY23A**	**FY24A**	**FY25A**
Property, plant and equipment	13,938.79	17,648.96	22,214.64	22,980.12
Long-term Investments	5,114.38	5,538.76	2,073.75	2,394.22
Stock-in-trade	11,638.42	17,736.24	16,830.49	18,800.59
Trade debts	6,281.03	6,144.97	6,724.16	6,174.18
Short-term Investments	324.77	24.8	28.77	51.12
Cash & Bank Balances	46.91	34.61	31.96	98.41
Other Assets	2,441.90	4,232.06	7,091.43	6,792.37
Total Assets	**39,793.12**	**51,370.94**	**55,033.13**	**57,346.73**
Creditors	974.6	2,369.56	2,554.44	6,352.79
Long-term Debt (incl. current portion)	9,231.38	10,905.37	10,570.41	11,673.47
Short-Term Borrowings	12,211.81	17,654.51	16,421.86	18,020.45
Total Debt	**21,443.19**	**28,559.88**	**26,992.27**	**29,693.92**
Other Liabilities	4,724.22	6,686.83	8,081.31	2,846.84
Total Liabilities	**27,142.01**	**37,616.27**	**37,628.02**	**38,893.55**
Paid up Capital	187.5	300	300	300
Revenue Reserve	9,926.51	11,064.82	11,416.99	12,717.67
Equity (excl. Revaluation Surplus)	**10,121.13**	**11,364.82**	**11,716.99**	**13,017.67**
Income Statement (PKR Millions)	**FY22A**	**FY23A**	**FY24A**	**FY25A**
Net Sales	40,969.33	54,627.49	66,583.77	57,071.38
Gross Profit	7,431.14	7,708.49	9,728.53	7,963.51
Operating Profit	4,781.36	5,877.61	7,002.51	5,639.53
Finance Costs	1,783.66	3,952.96	5,631.38	4,110.53
Profit Before Tax	2,997.70	1,924.65	1,371.13	1,529.00
Profit After Tax	**3,178.19**	**1,201.97**	**249.53**	**978.05**
Ratio Analysis	**FY22A**	**FY23A**	**FY24A**	**FY25A**
Gross Margin	18.14%	14.11%	14.61%	13.95%
Operating Margin	11.67%	10.76%	10.52%	9.88%
Net Margin	7.76%	2.20%	0.37%	1.71%
Funds from Operation (FFO) (PKR Millions)	3,709.79	2,687.24	2,660.39	1,977.89
FFO to Total Debt	17.30%	9.41%	9.86%	6.66%
FFO to Long Term Debt	40.19%	24.64%	25.17%	16.94%
Gearing (x)	2.12	2.51	2.30	2.28
Leverage (x)	2.68	3.31	3.21	2.99
Debt Servicing Coverage Ratio (x)	1.75	1.01	1.03	0.90
Current Ratio (x)	1.10	1.00	1.07	1.08
(Stock in trade + trade debts) / STD (x)	1.50	1.43	1.49	1.42
Return on Average Assets	9.54%	2.64%	0.47%	1.74%
Return on Average Equity	36.55%	11.19%	2.16%	7.91%
Cash Conversion Cycle (days)	138	143	130	141

A - Audited Accounts

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EGULATORY DISCLOSURES	Appendix I
Name of Rated Entity	Mahmood Textile Mills Limited
Sector	Textile
Type of Relationship	Solicited
Purpose of Rating	Instrument Ratings

Rating History

Rating Date	Short Term	Rating Action
Rating Type: Short-term Sukuk (STS)		
September 29, 2025	A1	Final
July 2, 2024	A1 (plim)	Preliminary
Rating Type: Short-term Sukuk 2 (STS-2)		
November 7, 2025	**A1**	**Final**
October 9, 2025	A1 (plim)	Preliminary

Instrument Structure

Instrument Name:	Details
Nature of Instrument	Short-term Sukuk (STS-2)
Tenure of Instrument	6 months
Size of the Issue	PKR 6b (PKR 2b green shoe option)
Principle Redemption Schedule	Bullet principal repayment at maturity, with profit payable on the redemption date
Interest Redemption Schedule	365/366-day basis.
Issue Date	13-Oct-25
Grace Period	n/a
Redemption Date	13-Apr-26
Nature of Security (in case of secured instrument)	Ranking charge over current assets with a 25% margin, an undertaking to maintain sufficient current asset coverage, equivalent short-term funded facilities (PKR 6b) throughout the tenor, A dedicated Debt Payment Account (DPA) under lien is established for repayment under lien with Investment Agent.
Rating	A1
Name of Trustee	Pak Oman Investment Company

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

Name	Designation	Date
N/A		