

MAHMOOD TEXTILE MILLS LIMITED

Analyst:

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RATING DETAILS

RATINGS CATEGORY	Latest Rating	Initial Rating
	Short-term	Short-term
INSTRUMENT (STS-3)	A1	A1 (plim)
RATING ACTION	Final	Preliminary
RATING DATE	January 23, 2026	January 1, 2026

Shareholding (5% or More)

Directors, Chief Executive Officer, their Spouses and Minor Children – 18.48%

General Public (local) – 80.30%

Other Information

Incorporated in 1970

Public Listed Company

Chief Executive Officer: Muhammad Anees

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://backupsq1vis.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 14.2%. While gross margin dipped slightly in 1QFY26, net margin improved compared to 1QFY25.

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, satisfactory coverage metrics, and healthy cash flows. 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 - 3

MEHT has issued a privately placed Short-Term Sukuk (STS-3) amounting to PKR 4,000 million (inclusive of PKR 1,000 million green shoe option) with 6 months tenure, to finance working capital needs. The Sukuk carries single bullet repayment of principal at maturity, with profit payable alongside the principal amount. The profit rate is 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 of the STS 3 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 short term banking limits to remain unutilized at any point in time during Sukuk Tenor and iv) A dedicated Debt Payment Account (DPA) under lien is to be established for repayment under lien with Investment Agent, to be built up in the last 20 days of instrument maturity and complete funding to be arranged 7 working days before maturity date.

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.

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, Muhammad Anees, 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: Muhammad Anees

Appointed as CEO on November 6th 2025, he brings considerable experience in project development, plant procurement, and sales. He led the MG Apparel Project, which achieved LEED Platinum certification, making it a benchmark for sustainable textile production in South Punjab. 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 by 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 relatively lower US tariffs on Pakistani textiles offers some relief. In addition, the exclusion of raw cotton, cotton yarn, and grey cloth from Pakistan's Export Facilitation Scheme (EFS) is an area of concern in the domestic textile industry along with the imposition of a 18% sales tax on these imports, which previously had a zero-rating, threatening companies across the value chain and reducing demand for local produce. Refund delays under the scheme also continue to strain exporter liquidity.

The performance in the ongoing year reflects a muted recovery in the sector, though it continues to face structural challenges such as energy costs and regional competition. The US, UK, Germany, and Netherlands remain major export destinations for Pakistani textiles. Textile shipments in 5MFY26 increased by 2.73% YoY to USD 7.81 billion, supported by volume growth in value-added segments, Readymade Garments (+14%) and Bedwear (+15%), improved 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.

Financial Risk

CAPITAL STRUCTURE

The Company's capitalization profile remains elevated, as indicated by gearing and leverage ratios of 2.33x (end-FY24: 2.30x; end-FY23: 2.51x) and 3.07x (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. This increase in borrowings also caused gearing (2.43x) and leverage (3.12x) to deteriorate slightly by end-1QFY26. 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 14.2%. 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.

Gross margin stood slightly lower in 1QFY26 due to higher input costs, despite a modest increase in net sales from 1QFY25. Net profit increased in 1QFY26 compared to SPLY mainly due to lower finance costs. Profit margins are projected to improve on the energy savings and reduction in financial charges.

DEBT COVERAGE & LIQUIDITY

The Company has historically maintained an adequate debt servicing and liquidity profile, as reflected in a five-year average debt service coverage ratio (DSCR) of 1.19x. In FY25, the DSCR was similar to FY24 and sufficient to meet financial obligations. Debt coverage metrics modestly improved on the back of higher cash flows. With interest rates easing, coverages are expected to improve together with planned deleveraging of balance sheet. The Company has maintained a current ratio 1.05x on a three-year average.

FINANCIAL SUMMARY

BALANCE SHEET (PKR in millions)	FY23A	FY24A	FY25A	1QFY26I	FY26P	FY27P
Property, plant and equipment	17,649	22,215	22,980	22,627	17,024	16,852
Stock-in-Trade	17,736	16,830	18,801	21,586	20,673	21,542
Trade Debts	6,145	6,724	6,174	6,662	6,261	6,452
Cash & Bank Balances	35	32	98	68	82	26
Total Assets	51,371	55,033	57,347	60,339	50,493	51,730
Trade and other Payables	6,350	7,482	6,355	6,281	6,506	6,552
Long Term Debt	10,905	10,570	11,673	12,599	9,682	8,997
Short Term Debt	17,655	16,422	18,091	19,752	11,871	11,406
Total Debt	28,560	26,992	29,764	32,351	21,552	20,403
Total Liabilities	37,616	37,628	39,154	41,636	30,563	29,335
Paid Up Capital	300	300	300	300	300	300
Total Equity	13,755	17,405	18,193	18,703	19,930	22,394
INCOME STATEMENT (PKR in millions)	FY23A	FY24A	FY25A	1QFY26I	FY26P	FY27P
Net Sales	54,627	66,584	57,071	14,766	63,481	65,414
Gross Profit	7,708	9,729	7,964	2,035	9,510	9,801
Operating Profit	5,878	7,003	5,587	1,271	5,758	5,857
Profit Before Tax	1,925	1,371	1,527	434	2,765	3,446
Profit After Tax	1,202	250	736	250	1,813	2,465
RATIO ANALYSIS	FY23A	FY24A	FY25A	1QFY26I	FY26P	FY27P
Gross Margin	14.1%	14.6%	14.0%	13.8%	15.0%	15.0%
Operating Margin	10.8%	10.5%	9.8%	8.6%	9.1%	9.0%
Net Margin	2.2%	0.4%	1.3%	1.7%	2.9%	3.8%
Funds from Operation (FFO) (PKR Millions)	2,687	2,261	2,188	890	3,837	4,041
FFO to Total Debt*	9%	8%	7%	11%	18%	20%
FFO to Long Term Debt*	25%	21%	19%	28%	40%	45%
Gearing (x)	2.51	2.30	2.33	2.43	1.50	1.21
Leverage (x)	3.31	3.21	3.07	3.12	2.13	1.73
Debt Servicing Coverage Ratio* (x)	1.01	0.98	0.98	1.16	1.28	1.39
Current Ratio (x)	1.00	1.07	1.07	1.13	1.36	1.47
(Stock in trade + trade debts) / STD (x)	1.35	1.43	1.38	1.43	2.27	2.45
Return on Average Assets*	2.6%	0.5%	1.3%	1.7%	3.2%	4.8%
Return on Average Equity*	11.2%	2.2%	6.0%	7.7%	13.5%	15.8%
Cash Conversion Cycle (days)*	143	130	141	139	131	131

A: Audited accounts

I: Interim accounts

P: Projected accounts

*Annualized

REGULATORY 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 Type: Short-term Sukuk 3 (STS-3)	
		January 23, 2026	A1
		January 1, 2026	A1 (plim)
		Rating Type: Short-term Sukuk 2 (STS-2)	
		November 7, 2025	A1
Instrument Structure		Rating Action	Final
		October 9, 2025	A1 (plim)
		Preliminary	
		Instrument Name:	Details
		Nature of Instrument	STS-3
		Tenure of Instrument	6 months
		Size of the Issue	PKR 4 Bn (PKR 1 bn green shoe option)
		Principle Redemption Schedule	Bullet
		Interest Redemption Schedule	Bullet
		Nature of Security	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 short term banking limits to remain unutilized at any point in time during Sukuk Tenor and iv) Maintenance DPA account under lien for repayment under lien with Investment Agent, to be built up in the last 20 days of instrument maturity and complete funding to be arranged 7 working days before maturity date.
		Rate	3M KIBOR + 0.45%
		Name of Trustee	Pak Oman Investment Company
		Instrument Name:	Details
		Nature of Instrument	STS-2
		Tenure of Instrument	6 months
		Size of the Issue	PKR 6 Bn (PKR 2 bn green shoe option)
		Principle Redemption Schedule	Bullet
		Interest Redemption Schedule	Bullet
		Nature of Security	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.
		Rate	3M KIBOR + 0.45%
		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.		

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
		N/A		