

MAHMOOD TEXTILE MILLS LIMITED

Analyst:

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RATING DETAILS

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RATINGS CATEGORY	PRELIMINARY SUKUK RATING
INSTRUMENT (STS-6)	A1 (Plim)
RATING ACTION	Preliminary
RATING DATE	JUNE 4, 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 Khawaja

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://docs.vis.com.pk/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, the favorable impact of PKR depreciation on dollar-denominated sales though in FY25 and 9MFY26, sales mix shifted to domestic market from exports on account of softened international demand.

The broader textile sector continues to face elevated pressures from global competition, energy cost escalation, and policy-related challenges. Assigned rating takes into account the Company's largely stable financial profile, despite these pressures. Gross margins have historically averaged 14.2%, net profitability improved due to reduced finance costs and taxation. Profit margins remains largely stable in 9MFY26. The Company is enhancing efficiency through energy initiatives, including solar capacity expected to mitigate utility cost pressures. Financial risk remains adequate, supported by better working capital management and sufficient cash flows. Although leverage is elevated, planned divestment of power assets by end of 2026, is expected to support deleveraging.

MEHT intends to issue a privately placed Short-Term Sukuk (STS-6) of PKR 3,000 million (inclusive of PKR 1,000 million green shoe option) with 6 months tenure, to finance working capital needs. The Sukuk will carry a single bullet 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 100 basis points, set on the last working day prior to issuance with quarterly base rate revision. Assigned rating reflects its security structure, which includes a ranking charge over company current assets with 25% Margin, undertaking from Company ensuring that sufficient cushion in assets will be available at all time during Sukuk Tenor, undertaking from Company ensuring that Sukuk Equivalent short term banking limits to remain unutilized at any point in time during Sukuk Tenor and 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 export earnings, 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.

Proposed Sukuk Structure

MEHT intends to issue a privately placed Short-Term Sukuk (STS-6) of PKR 3,000 million (inclusive of PKR 1,000 million green shoe option) with 6 months tenure, to finance working capital needs. The Sukuk will carry a single bullet 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 100 basis points, set on the last working day prior to issuance with quarterly base rate revision. Security of the proposed STS 6 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.

Management and Governance

Mahmood Textile Mills Limited is listed on the Pakistan Stock Exchange. The shareholding structure shows that the general public holds approximately 80.30%, directors and their families and joint stock companies own the rest of the issued shares as of June 30, 2025. The Board of Directors consists of seven members, including the CEO, Muhammad Anees Khawaja, Director Khawaja M. Younus, Chairman Khawaja M. Ilyas, female director Mrs. Filza Mumtaz and independent directors Mr. Farid Khan and Muhammad Asghar. The Company maintains several board level committees: an Audit Committee chaired by Mr. Farid Khan; a Human Resource Committee chaired by the same; and a Compensation Committee chaired by Ms. Filza. An Internal Audit function reports directly to the Audit Committee.

Management Profile

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 cotton sector remained under pressure in FY25, with area under cultivation declining by 15% YoY to 2.0 mln hectares and yield falling to 0.6 MT/ha (FY24: 0.7 MT/ha), resulting in a 30.7% YoY drop in production. Cotton arrivals stood at ~7.1 mln bales, well below the target of 10.8m bales, largely due to adverse weather conditions, alongside pest infestations. Additionally, the imposition of 18% sales tax on local cotton, compared to duty-free imported cotton, dampened early-season demand for domestic output. For FY26, while the production target is set at 10.2m bales, actual output is estimated at only 6.85m bales, as cultivation reached just 2.0mn hectares, about 11.5% below the target. The shortfall in domestic supply has been offset by a sharp increase in cotton imports, which rose ~234% YoY to meet industry demand.

During FY25, Pakistan's textile exports grew by 7.4% YoY to USD 17.9bn, driven mainly by higher demand from North America and Europe for value-added products such as knitwear, bedwear, garments, and towels. In volumes, knitwear, bedwear, and garments posted mid-single-digit growth, while exports of traditional segments, yarn and cotton cloth, declined sharply due to higher domestic energy and manufacturing costs relative to regional peers. Textile imports surged by about 54% YoY to USD 4.2bn in FY25, primarily on account of a sharp rise in raw cotton imports amid a significant drop in domestic cotton production. However, during 5MFY26, export growth moderated to ~2.7% YoY, while imports rose modestly by ~5.0%, with raw cotton imports declining as local arrivals partially recovered.

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.

SALES & 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 remained largely stable in 9MFY26 due to better cost management, despite an uptick in net sales. Net profit increased in 9MFY26 compared to SPLY mainly due to higher gross profit and other income. Profit margins are projected to improve on the energy savings and reduction in financial charges.

Financial Risk

CAPITAL STRUCTURE

The increase in long-term borrowings has been associated with the Company's expansion over the past five years. Additionally, higher working capital requirements have led to increased reliance on short-term borrowings. Consequently, the Company's capitalization profile remains elevated. Modest improvement was observed in both gearing (end-FY25: 2.28x; end-FY24: 2.30x) and leverage (end-FY25: 2.99x; end-FY24: 3.21x) on account of growth in equity due to healthy profit retention. Gearing and leverage strengthened to 2.00 and 2.70x respectively, by end-9MFY26, due to reduced borrowings. The Company remains committed to the sale its remaining share in Orient Power Company (Private) Limited (OPCL) by end of CY26, with the proceeds to be utilized for further deleveraging the balance sheet.

DEBT COVERAGE & LIQUIDITY

MTML has historically maintained an adequate debt servicing and liquidity profile, as reflected in a five-year average debt service coverage ratio (DSCR) of 1.17x. In 9MFY26, DSCR and FFO to long-term debt improved modestly, supported by higher cash flows. Moreover, during 9MFY26, the Company was able to leverage its trade creditors to support debt repayments. The planned deleveraging of the balance sheet is expected to improve debt coverage further. MEHT has maintained an average current ratio of 1.09x over the past five years.

Financial Summary

Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	9MFY26M	FY26P	FY27P
Property, plant and equipment	17,649	22,215	22,980	17,822	18,000	17,800
Long-term Investments	5,539	2,074	2,394	5,064	5,055	5,060
Stock-in-trade	17,736	16,830	18,801	17,446	17,500	18,000
Trade debts	6,145	6,724	6,174	5,571	5,000	5,500
Cash & Bank Balances	35	32	98	6	54	34
Other Assets	4,232	7,091	6,792	8,512	4,815	4,425
Total Assets	51,371	55,033	57,347	54,472	50,466	50,860
Creditors	2,370	2,554	2,153	7,149	2,500	2,600
Long-term Debt (incl. current portion)	10,905	10,570	11,673	9,471	9,450	8,255
Short-Term Borrowings	17,655	16,422	18,020	17,674	18,000	17,000
Total Debt	28,560	26,992	29,694	27,145	27,450	25,255
Other Liabilities	6,687	8,081	7,047	2,304	2,616	4,005
Total Liabilities	37,616	37,628	38,894	36,598	32,566	31,860
Paid up Capital	300	300	300	300	300	300
Equity (excl. Revaluation Surplus)	11,365	11,717	13,018	13,542	13,900	15,100

Income Statement (PKR Millions)	FY23A	FY24A	FY25A	9MFY26M	FY26P	FY27P
Net Sales	54,627	66,584	57,071	39,231	60,000	71,000
Gross Profit	7,708	9,729	7,964	5,382	8,800	10,200
Operating Profit	5,878	7,003	5,750	4,046	5,600	6,510
Finance Costs	3,953	5,631	4,111	2,939	3,100	2,900
Profit Before Tax	1,925	1,371	1,640	1,108	2,755	3,730
Profit After Tax	1,202	250	1,089	617	1,155	1,530

Ratio Analysis	FY23A	FY24A	FY25A	9MFY26M	FY26P	FY27P
Gross Margin (%)	14.11%	14.61%	13.95%	13.72%	14.67%	14.37%
Operating Margin (%)	10.76%	10.52%	10.08%	10.31%	9.33%	9.17%
Net Margin (%)	2.20%	0.37%	1.91%	1.57%	1.93%	2.15%
Funds from Operation (FFO) (PKR Millions)	2,687	2,660	1,978	1,461	2,855	3,530
FFO to Total Debt* (%)	9.41%	9.86%	6.66%	7.17%	10.40%	13.98%
FFO to Long Term Debt* (%)	24.64%	25.17%	16.94%	20.56%	30.21%	42.76%
Gearing (x)	2.51	2.30	2.28	2.00	1.97	1.67
Leverage (x)	3.31	3.21	2.99	2.70	2.34	2.11
Debt Servicing Coverage Ratio* (x)	1.01	1.03	0.90	0.94	0.99	1.24
Current Ratio (x)	1.00	1.07	1.08	1.08	1.09	1.12
(Stock in trade + trade debts) / STD (x)	1.43	1.49	1.42	1.34	1.29	1.42
Return on Average Assets* (%)	2.64%	0.47%	1.94%	1.47%	2.14%	3.02%
Return on Average Equity* (%)	11.19%	2.16%	8.80%	6.20%	8.58%	10.55%
Cash Conversion Cycle (days)	143	130	156	150	147	118

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES				Appendix I
Name of Rated Entity	Mahmood Textile Mills Limited			
Sector	Textile			
Type of Relationship	Solicited			
Purpose of Rating	Sukuk Ratings			
Rating History	Rating Date	Short Term	Rating Action	
	Rating Type: Short-term Sukuk 6 (STS-6)			
	June 4, 2026	A1 (plim)	Preliminary	
	Rating Type: Short-term Sukuk 5 (STS-5)			
	April 20, 2026	A1 (plim)	Preliminary	
	Rating Type: Short-term Sukuk (STS-3)			
	January 23, 2026	A1	Final	
	January 1, 2026	A1 (plim)	Preliminary	
Instrument Structure	Instrument Name:	Details		
	Nature of Instrument	STS-6		
	Tenure of Instrument	6 months		
	Size of the Issue	PKR 3 Bn (PKR 1 bn green shoe option)		
	Principle Redemption Schedule	Bullet		
	Interest Redemption Schedule	Bullet		
	Nature of Security	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 iv) Maintenance of Debt Payment Account under lien, to be build up in the last 20 days of Sukuk maturity with complete funding to be arranged 7 working days prior to maturity date		
	Rate	3M KIBOR + 1%		
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	
	Yasir Ghaffar	CFO	14-Apr-2026	