



FEROZE 1888 MILLS LIMITED

Manufacturers and Exporters of Specialized Yarn & Textile Products

Weaving a Better World®

Corp-1/F1888/2025

22 May 2025

The General Manager

Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

Subject: **Disclosure of Material Information**

Dear Sir,

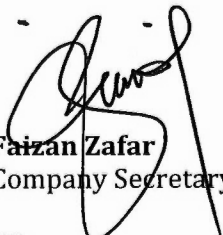
In accordance with Section 96 and Section 131 of the Securities Act, 2015 and Clause 5.6.1(a) of Pakistan Stock Exchange Limited (the Exchange) Regulations, we hereby convey the following information:

The VIS Credit Rating Company Limited (VIS), a credit rating agency providing independent rating services in Pakistan, has reaffirmed the Entity Rating of Feroze1888 Mills Limited. A copy of the aforementioned press release is attached.

Disclosure Form in terms of Section 96 of the Securities Act, 2015 is attached as "Annexure A" hereto for information and circulation amongst the TRE certificate holders of the Exchange.

Thanking you,

Yours truly,
for Feroze1888 Mills Limited



Faizan Zafar
Company Secretary

CC:
The Director/HOD
Surveillance, Supervision and Enforcement Department
Securities and Exchange Commission of Pakistan
63 Jinnah Avenue, Blue Area,
Islamabad



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Annexure – A

DISCLOSURE FORM

IN TERMS OF SECTIONS 96 AND 131 OF THE SECURITIES ACT, 2015

Name of Company: Feroze1888 Mills Limited

Date of Report: 22 May 2025

Name of Company as specified:
in the memorandum: Feroze1888 Mills Limited

Address: Corporate Office, K&N's Centre,
160 Banglore Town, Shahr-e-Faisal,
Karachi

Contact Information: Mr. Faizan Zafar
Company Secretary

Tel: 021-38403758

PUBLIC DISCLOSURE OF MATERIAL INFORMATION

In accordance with Section 96 and Section 131 of the Securities Act, 2015 and Clause 5.6.1(a) of Pakistan Stock Exchange Limited (the Exchange) Regulations, we hereby convey the following information:

The VIS Credit Rating Company Limited (VIS), a credit rating agency providing independent rating services in Pakistan, has reaffirmed the Entity Rating of Feroze1888 Mills Limited. A copy of the aforementioned press release is attached.

The Company has duly caused this form / statement to be signed / on its behalf by the undersigned hereunto duly authorized.

Thanking you,

Yours truly,
for Feroze1888 Mills Limited


Faizan Zafar
Company Secretary

Press Release

VIS Reaffirms Entity Rating of Feroze1888 Mills Limited

Karachi, May 19, 2025: VIS Credit Rating Company Limited (VIS) has reaffirmed the entity ratings of Feroze1888 Mills Limited ('FML' or the 'Company') to 'AA-/A1' ('Double A Minus/A One'). Medium to long term rating of 'AA-' indicates high credit quality; protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions. Short term rating of 'A1' indicates Strong likelihood of timely repayment of short-term obligations with excellent liquidity factors. Outlook on the assigned ratings remained 'Stable'. Previous Rating action was announced on February 27, 2024.

FML, established in 1972, is a vertically integrated textile manufacturer based in Pakistan, specializing in the production and export of specialized yarn and textile products. The Company has a strong presence in the US, UK and European markets, offering a diverse range of terry and non-terry textile products. Its in-house production facilities encompass spinning, weaving, dyeing, printing, stitching, and packaging. FML also collaborates with 1888 Mills USA to enhance its global reach.

The business risk profile of Pakistan's textile sector remains a key consideration for FML's assigned ratings, given its exposure to economic cyclicity and intense competition. Among the domestic factors, the sector continues to face demand volatility, rising production costs, and regulatory challenges, including the removal of subsidies and increasing energy costs. While global demand has shown some recovery post reduction in policy rates by the central banks (including US & Europe), competition from regional players & rising energy costs continue to dampen profitability.

The assigned ratings factor in the Company's operating performance, highlighted by a 22% year-over-year (Y/Y) increase in revenue to PKR 69.76 billion in FY24, driven by higher sales volumes and effective pricing strategies. Export sales continued to dominate, comprising 97% of the total revenue mix, slightly down from 98% in FY23. Geographic concentration also remained elevated, with the United States accounting for 74.5% of total exports in FY24, compared to 75% in the previous year. FML primarily operates in the Terry towel segment, which represented the majority of overall sales during the year. While the Company has made efforts to reduce client concentration, it remains significant, with the top two clients contributing 52% of total sales in FY24, compared to 55% in FY23.

During 9MFY25, lower sales, rising energy costs, competitive pricing pressures from regional players, and a reduced contribution margin led to margin compression. By FY25, the topline is expected to normalize, albeit remain below the previous year's level, while a decline in interest rates is anticipated to provide some support. However, profitability margins are expected to remain under pressure due to persistent high energy costs and global competition. FML is also in the process of establishing a wholly owned foreign subsidiary in the UK, which is expected to enhance export sales through international e-commerce operations.

Financial risk factors further underpin the assigned ratings, as higher production costs have increased reliance on short-term borrowings to support working capital needs, particularly to fund credit sales to foreign clients, thereby elevating overall debt utilization. According to management, the rise in short-term borrowings was seasonal, linked to raw material procurement, while scheduled repayments have reduced the Company's long-term debt. Overall capitalization levels remained manageable, with only a minor increase in gearing and leverage.

Margin pressures contributed to a decline in Funds from Operations (FFO), negatively impacting debt coverage metrics. While the Debt Service Coverage Ratio (DSCR) weakened, it remained adequate. Liquidity stress and an extended cash conversion cycle led to a declining current ratio. Moving forward, a rebound in sales and a reduction in finance costs are expected to offer some support to profitability margins; however, material improvement will likely remain constrained.

Applicable Rating Criteria: Industrial Corporates

<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

VIS Issue/Issuer Rating Scale

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

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