VIS
Credit Rating Company Limited

RATING REPORT

GATRON (INDUSTRIES) LIMITED

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RATING DETAILS				
Ratings Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A-	A2	A-	A2
Rating Outlook/ Watch	Stable		Stable	
Rating Action	Reaffirmed		Reaffirmed	
Rating Date	August 12, 2026		July 08, 2025	

Shareholding (5% or More)	Other Information
Associated Companies, Undertakings and Related Parties – 32.32%	Incorporated in 1980
General Public – 30.87%	Public Listed Company
Directors, Chief Executive & Family – 25.27%	Chief Executive: Mr. Shabbir Diwan
Banks Development Financial Institutions, Non-Banking Financial Institutions – 11.54%	External Auditor: M/s Kreston Hyder Bhimji & Co Chartered Accountants.

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 Gatron (Industries) Limited's leading position in Pakistan's polyester filament yarn market, its established operating track record, and continued support from the sponsoring group, as demonstrated through the major equity injection undertaken in FY24 to support the Company during the prolonged industry downturn. Management's strategy remains focused on improving profitability rather than pursuing volumetric growth, given the constraints imposed by the existing energy mix. Accordingly, the Company is undertaking cost rationalization initiatives, particularly through renewable energy projects aimed at reducing energy costs, while also benefiting from the enforcement of anti-dumping duties, which have contributed to an improvement in product prices.

The ratings also incorporate the Company's financial risk profile, with borrowings declining and operating cash flow generation improving during 9MFY26. Liquidity indicators remained broadly adequate, while capitalization metrics continued to reflect the impact of accumulated losses from previous periods. Going forward, the ratings remain dependent on the successful execution of management's business plans, particularly sustained improvement in pricing, continued cost rationalization, restoration of profitability, and maintenance of prudent leverage and working capital management. Continued support from the sponsoring group, if required, will remain an important rating consideration.

Company Profile

Gatron (Industries) Limited is a publicly listed company incorporated in 1980 and is part of the Gani & Tayub Group (G&T). The Company is primarily engaged in the manufacturing and sale of polyester-based products, with a diversified product portfolio comprising polyester filament yarn (PFY), PET preforms, polyester polymer/chips, and knitted fabrics. Gatron caters to various industrial and textile-related segments through its integrated manufacturing operations. The Company's head office is located in Karachi, while its manufacturing facilities are situated in Hub, Balochistan.

Group Profile

Gani & Tayub Group (G&T) is a diversified industrial group with business interests spanning manufacturing, energy, and other commercial segments. The Group initially established its presence through polyester-based textile operations and has gradually expanded its portfolio to include PET resin, PET preforms, BOPET films, recycled PET, electric vehicles, pharmaceuticals, and retail businesses.

Management and Governance

CEO Profile

Mr. Shabbir Diwan serves as the Chief Executive Officer of Gatron (Industries) Limited and has been associated with the Company for more than four decades. He holds an MBA degree from the Institute of Business Administration, University of Karachi, and possesses extensive experience in the polyester, textile, and industrial manufacturing sectors.

Board & Senior Management

Gatron (Industries) Limited's governance framework reflects its status as a listed company. The 10-member Board includes five non-executive directors, three independent directors and one female director. The Board is supported by the Audit Committee and the Human Resources & Remuneration Committee, both chaired by independent directors. In addition, a management-level Investment Committee reports to the CEO, with responsibility for assessing borrowing requirements, monitoring debt and liquidity levels, reviewing investments, and ensuring compliance with applicable policies and regulations.

Industry Profile & Business Risk

The business risk profile of Pakistan's Polyester Filament Yarn (PFY) industry is rated as high, reflecting high import penetration, limited pricing power, low domestic capacity utilization and sensitivity to raw-material and energy costs. Demand and, consequently, pricing are closely linked to activity in the downstream textile sector and competition from imported yarn, primarily from China. Annual domestic PFY demand is estimated at around 350,000–360,000 metric tons, while local installed production capacity stands at approximately 170,000 metric tons per annum, equivalent to nearly 50% of domestic demand. However, actual domestic production remains below installed capacity due to relatively low-capacity utilization, with the remaining demand largely met through imports.

The industry's cost structure remains vulnerable to movements in international PTA and MEG prices, exchange-rate volatility and energy tariffs. Given the energy-intensive nature of polymerization and yarn manufacturing, changes in energy gas/RLNG costs can materially affect margins. Disruptions in domestic PTA supply have also required procurement from international suppliers at higher prices from time to time.

In June 2025, the National Tariff Commission imposed definitive anti-dumping duties ranging from 5.35% to 20.78% for five years, effective from November 15, 2024. Previously imposed anti-dumping duties were terminated on November 6, 2023, exposing the sector to increased competition from low-priced imports from China. While the duties provide some protection to domestic manufacturers, their effectiveness remains dependent on consistent collection, prevention of circumvention and control over misuse of import facilitation schemes.

Improvement in the industry risk profile will remain dependent on effective anti-dumping enforcement, recovery in downstream textile demand and greater stability in input and energy costs.

Operational Update

Year	FY23	FY24	FY25	FY26
Polyester Filament Yarn				
Annual capacity (including 75 denier)	43,424	43,424	51,044	51,044
Annual capacity (including 150 denier)	86,280	86,280	101,324	101,324
Actual Production	54,594	52,517	47,424	47,672
Capacity Utilization (%) Based on 150 Denier	**63.3%**	**60.9%**	**46.8%**	**47.0%**
Polyester P.E.T. Preforms				
Annual capacity (including 27 gms)	31,512	31,512	31,512	31,512
Actual Production	12,298	12,676	18,808	20,691
Capacity Utilization (%)	**39.0%**	**40.2%**	**59.7%**	**65.7%**
Knitted Fabrics				
Annual capacity	1,090	1,090	1,636	1,636
Actual Production	681	699	871	820
Capacity Utilization (%)	**62.5%**	**64.1%**	**53.2%**	**50.1%**

The Polyester Filament Yarn (PFY) segment remained the Company's principal operating segment. Capacity utilization declined to 46.8% in FY25 from 60.9% in FY24, reflecting lower production and the impact of additional capacity coming online during the year from previously commenced projects. During FY26, installed capacity remained unchanged, while utilization, calculated against prorated nine-month capacity, remained broadly stable at 47%. Management intends to maintain PFY capacity utilization at similar levels in the medium term as a deliberate margin-optimization measure, since higher throughput under the present energy mix would require dispatch of the Company's gas-based captive power units at a materially higher cost. Utilization has additionally been affected by competitive pressure from low-priced imported yarn, which constrained domestic pricing and demand for locally manufactured PFY.

In contrast, utilization in the Polyester P.E.T. Preforms segment improved to 59.7% in FY25 from 40.2% in FY24 and increased further to 65.7% during FY26, supported by higher production volumes. Knitted Fabrics utilization declined to 53.2% in FY25 from 64.1% in FY24, mainly due to the expanded capacity base, and moderated further to 50.1%. Going forward, preforms utilization at Gatron is expected to remain broadly stable.

To mitigate elevated energy costs arising from the high cost of energy from gas based captive plants, the Company continued to increase its use of solar energy and relatively lower-cost grid electricity. Installed solar capacity currently stands at 8.2MW, while an additional 1.9MW is expected to become operational by July 2026. During 9MFY26, solar generation amounted to approximately 5.3 million kWh. The Company has also purchased a second battery-energy-storage system (BESS) to enable better and more efficient utilization of its renewable generation, while a wind-power project remains under study. These initiatives are expected to gradually reduce reliance on higher-cost captive power generation, subject to timely implementation and improved plant utilization.

Profitability

In FY25, net sales, after reaching a 5 year high of PKR 34.01bn in FY24 on the back of higher rupee average prices and additional polymer chips capacity coming on line, declined by 23% year-on-year to PKR 26.33bn, primarily due to a 13% reduction in yarn sales volumes and lower average selling prices. The revenue base remained predominantly domestic, with local sales accounting for around 98% of total sales. Yarn remained the principal revenue contributor at approximately 85%, followed by preforms at around 10%. Top-10 customer concentration remained moderate at 37.47% (FY24: 33.44%), reflecting a reasonably diversified customer base. Gross margin declined to 3.4% from 6.1%, reflecting lower average prices and capacity utilization, due to competitive pressure from low-priced imports, and higher fuel and power costs. Distribution and selling expenses, increased by 48% to PKR 446m, equivalent to approximately 1.7% of net sales, mainly due to higher handling, freight and transportation charges, along with increased employee-related costs. Finance costs edged up to PKR 1.54bn, primarily due to higher short-term borrowings. Consequently, the Company reported a net loss of PKR 1.97bn in FY25, compared with a net loss of PKR 204m in the preceding year.

During 9MFY26, net sales stood at PKR 22.11bn, reflecting year-on-year growth of 13 %, supported by higher PFY sales volumes and pricing adjustments. Gross margin showed signs of recovery, supported by increased use of solar and lower-cost grid electricity but remained well below FY24 levels. Margins remained constrained by low PFY capacity utilization and higher imported raw-material costs following disruptions in domestic PTA supplies. Operating expenses declined, mainly due to lower distribution and selling expenses, supporting an operating profit of PKR 457m. Finance costs, fell to PKR 1.01bn amid reduced borrowings and improved working-capital management, narrowing the net loss to PKR 828m from PKR 1.85bn. Restoration of full-year profitability remains a key rating sensitivity, with the improving trend evident during 9MFY26 expected to continue subject to sustained anti-dumping enforcement and further progress on energy cost reduction.

Effective enforcement of anti-dumping duties along with increasing share of non-gas-based sources of energy remain the key areas of focus for management going forward.

Financial Risk

Capital Structure

During FY25, total equity declined to PKR 11.37bn from PKR 13.29bn due to the loss recorded during the year. Total borrowings increased to PKR 16.02bn from PKR 13.30bn, driven by higher short-term borrowings, partly offset by scheduled repayments of long-term debt. These borrowings financed liquidity needs arising from losses as well as a significant reduction in trade creditors. Consequently, gearing and leverage increased to 1.41x and 2.01x, respectively, from 1.00x and 1.60x in FY24. By end-9MFY26, total borrowings declined to PKR 14.60bn following reductions in both long- and short-term debt. However, continued losses reduced equity further to PKR 10.54bn, largely offsetting the benefit of debt reduction. Accordingly, gearing remained broadly stable at 1.39x, while leverage increased to 2.11x. The company's equity injection of PKR 5.3bn in FY24 has provided the company the ability to absorb the impact of this negative cycle and is reflective of both group strength and management foresight. Going forward, capital expenditure is expected to remain limited to selective BMR and energy-efficiency initiatives, funded primarily through internal cash generation and available credit lines.

Debt Coverage & Liquidity

During FY25, FFO turned negative at PKR 243m from positive PKR 254m in FY24, primarily due to weaker margins and the higher loss recorded during the year. Consequently, DSCR declined to 0.44x from 0.76x, indicating inadequate internal cash generation relative to debt-servicing requirements. Short-term debt coverage weakened to 1.73x from 3.08x, mainly due to higher short-term borrowings, while the cash conversion cycle lengthened to 147 days from 130 days on account of slower inventory turnover and higher receivable days.

During 9MFY26, FFO recovered to PKR 692m, supported by improved operating performance, leading to an increase in DSCR to 0.76x. However, coverage remained below 1.0x. Short-term debt coverage moderated slightly to 1.68x, as the reduction in inventory and receivables exceeded the decline in short-term borrowings. The cash conversion cycle improved to 122 days due to lower inventory days and an extended payable cycle, while the current ratio remained close to 1.0x.

FINANCIAL SUMMARY				(Rs. in millions)	
BALANCE SHEET	**FY22**	**FY23**	**FY24**	**FY25**	**9MFY26**
Property, plant and equipment	9,769	16,953	18,778	18,448	17,938
Long term investments	403	390	509	444	353
Stock-in-Trade	6,318	11,387	7,503	7,313	6,594
Trade Debts	4,323	3,976	3,516	4,663	4,217
Cash & Bank Balances	133	337	297	120	180
Total Assets	23,671	37,577	34,589	34,286	32,750
Trade Payables	1,463	2,092	1,091	1,191	2,319
Long Term Debt	5,974	8,912	9,718	9,117	8,185
Short Term Debt	4,892	8,474	3,580	6,909	6,417
Total Debt	10,865	17,386	13,298	16,027	14,602
Total Liabilities	15,900	29,717	21,302	22,914	22,209
Paid Up Capital	384	767	1,087	1,087	1,087
Total Equity	7,771	7,860	13,287	11,373	10,540
INCOME STATEMENT	**FY22**	**FY23**	**FY24**	**FY25**	**9MFY26**
Net Sales	23,960	27,384	34,014	26,328	22,107
Gross Profit	3,176	1,454	2,087	886	978
Operating Profit	2,872	1,626	1,401	(101)	457
Profit Before Tax	2,559	551	(94)	(1,641)	(552)
Profit After Tax	1,827	205	(204)	(1,952)	(828)
RATIO ANALYSIS	**FY22**	**FY23**	**FY24**	**FY25**	**9MFY26**
Gross Margin (%)	13.3%	5.3%	6.1%	3.4%	4.4%
Operating Margin (%)	12.0%	5.9%	4.1%	-0.4%	2.1%
Net Margin (%)	7.6%	0.7%	-0.6%	-7.5%	-3.7%
Funds from Operation (FFO)	2742.2	782.7	254.4	-242.6	692.0
FFO to Total Debt*	0.25	0.05	0.02	-0.02	0.06
FFO to Long Term Debt*	0.46	0.09	0.03	-0.03	0.11
Gearing (x)	1.40	2.21	1.00	1.47	1.44
Leverage (x)	2.05	3.78	1.60	2.01	2.11
Debt Servicing Coverage Ratio* (x)	4.90	0.65	0.76	0.44	0.76
Current Ratio (x)	1.42	1.01	1.31	1.08	1.00
(Stock in trade + trade debts) / STD (x)	2.18	1.81	3.08	1.73	1.68
Return on Average Assets* (%)	9.5%	0.7%	-0.6%	-5.7%	-3.3%
Return on Average Equity* (%)	26.6%	2.6%	-1.9%	-16.0%	-10.0%
Cash Conversion Cycle (days)	128	155	130	147	122

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REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Gatron (Industries) Limited
Sector	Synthetic and Rayon
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

RATING TYPE: ENTITY				
Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
12-Aug-2026	A-	A2	Stable	Reaffirmed
08-July-2025	A-	A2	Stable	Reaffirmed
17-May-2024	A-	A2	Stable	Reaffirmed
15-Feb-2023	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 Meeting Conducted

S.No.	Name	Designation	Date
1	Shabbir Diwan	CEO	16th July 2026
2	Muhammad Tufail	Divisional Head Finance	
3	Mustafa Diwan	Director Operations and Marketing	
4	Kafeel Zehri	Group Head Treasury	