VIS
Credit Rating Company Limited

RATING REPORT

AGRIAUTO INDUSTRIES LIMITED

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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A-	A1	A-	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	December 30, 2025		November 26, 2024	

Shareholding (5% or More)	Other Information
Robert Finance Corporation, AG ~ 24.9%	Incorporated in 1981
Thal Limited ~ 7.35%	Public Limited Company (listed)
National Bank of Pakistan ~ 5.94%	Chief Executive: Fahim Kapadia
	External Auditor: A.F. Ferguson & 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 AGIL's strong sponsor profile as part of the House of Habib (HoH) group, a well-established conglomerate in Pakistan with diversified business interests. The Company has over four decades of experience in the auto parts industry and maintains long-term technical collaborations with international parts manufacturers, providing it with a competitive advantage.

The auto parts industry carries a 'medium to high' business risk profile due to its dependence on domestic automobile production, which is cyclical and susceptible to regulatory changes. Nonetheless, recent recovery in automobile demand has supported AGIL's financial performance. The Company's financial profile is further strengthened by demand from key player, Indus Motors Company Limited, which contributes a significant portion to its topline.

AGIL's financial risk profile is underpinned by a conservative capitalization structure and moderate improvement in profitability during FY25 and 1QFY26, aided by dividend income from its subsidiaries and investments, though the core operations remain underperforming. However, liquidity indicators remain constrained, with coverage metrics under pressure. Going forward, continued improvement in cash flows and efficient working capital management will remain crucial from the ratings' perspective.

Company Profile

Agriauto Industries Limited ('AGIL' or 'the Company') was incorporated in Pakistan on June 25, 1981 as a public limited company and is listed on Pakistan Stock Exchange Limited. The Company is engaged in the manufacture and sale of components for automotive vehicles, motor cycles and agricultural tractors.

The Company has established long-term technological collaborations with leading international parts manufacturers. AGIL's technical partners include KYB Corporation (Japan), Gabriel Ride Control Products Inc. (USA), AISIN Corporation (Japan), AISIN Shiroki Corporation (Japan), SANNOU RIKEN Ltd. (Japan), and KYB Motorcycle Suspension (Japan). These strategic partnerships provide the Company with advanced technological capabilities and a strong competitive edge.

The registered office of the Company is situated Karachi, while its manufacturing facility is located at Hub Chowki Distt. Lasbella, Balochistan.

AGIL also serves as the Holding Company of Agriauto Stamping Company (Private) Limited (the wholly owned Subsidiary Company). Agriauto Stamping Company was incorporated in Pakistan in 2012 as a private limited company. It is engaged in stamping of sheet metal parts, dies, fixtures primarily for the automotive industry and commenced its commercial operations in 2014. Additionally, the Company has substantial investments in subsidiaries and associated companies.

Management and Governance

CHAIRMAN/CEO PROFILE

Mr. Yutaka Arae is the Chairman of AGIL. He is a seasoned global automotive expert and has driven transformative growth across Toyota Tsusho Corporation, Indus Motor Co. Ltd., and Agriauto Industries Ltd. His decades of industry experience and leadership distinguish him as an influential figure in the automotive sector.

Mr. Fahim Kapadia is the Chief Executive Officer (CEO) of the Company. He brings over 39 years of expertise in finance, general management, and business development and has long been associated with the group. He has held key leadership roles at Thal Limited and Agriauto Industries Ltd., and serves on multiple company boards.

BOARD & SENIOR MANAGEMENT

The Board of Directors comprises seven experienced members, including the Chairman, CEO, two independent Directors, and three Non-Executive members. The Board includes six male and one female director and is supported by key committees: the Board Audit and Risk Management Committee, and Human Resource and Remuneration Committee. The FY25 accounts of the Company are audited by A.F. Ferguson & Co Chartered Accountants. The auditor has given an unqualified opinion.

Business Risk

INDUSTRY UPDATE

VIS assesses the overall business risk profile of Pakistan's automobile parts sector as medium to high, given its reliance on domestic automobile production, which is inherently cyclical and vulnerable to regulatory shifts. Major auto parts manufacturers and OEM suppliers include Thal Engineering (a division of Thal Limited), Loads Limited, Agriauto Industries, Agriauto Stamping, and Procon Engineering, along with a large base of SMEs serving the aftermarket and Tier-2 demand.

During FY25, the automobile manufacturing witnessed a strong rebound after a two-year downturn, driven by improving macroeconomic stability, declining financing rates, and discounts offered by OEMs amid heightened competition. Passenger-car offtake grew by 43% YoY to 148,023 units, though volumes remain considerably below the FY22 peak of 279,267 units. The momentum carried into 1QFY26, with 42,267 units sold, with full-year volumes projected to reach ~200,000 units. Meanwhile, the 2/3 wheeler segment has experienced substantial growth in sales during the current year.

Industry Sales	2022	2023	2024	2025	1QFY26
			Passenger Cars		
Honda	39,452	16,879	13,214	18,296	4,880
Suzuki	150,279	65,362	54,428	72,685	19,831
Toyota	74,533	31,104	20,772	33,393	9,889
Hyundai	13,132	9,688	9,160	10,954	3,612
Sazgar (Haval)	-	1,657	5,319	10,783	3,550
Others	1,871	2,188	936	1,912	505
Total Sold	**279,267**	**126,878**	**103,829**	**148,023**	**42,267**
			2/3 Wheelers		
Honda	1,292,096	1,360,403	1,005,408	1,003,253	1,278,424
United Auto	375,296	268,833	93,055	84,778	147,182
Sazgar	15,665	15,683	9,381	15,014	25,786
Road prince	151,346	98,261	29,367	17,352	24,495
Suzuki	24,851	37,846	29,274	16,876	26,076
Yamaha	19,924	23,289	13,217	6,562	5,709
Others	24,754	17,570	7,267	6,277	11,080
Total Sold	**1,903,932**	**1,821,885**	**1,186,969**	**1,150,112**	**1,518,752**

Despite the recovery, rising imports of used vehicles, estimated at 40,000–45,000 units in FY25, continue to pressure the sustainability of local assembling, which currently operates at just over one-third of installed capacity.

Looking ahead, the automobile industry is expected to experience moderate demand growth, driven by lower interest rates, stable macroeconomic conditions, and increasing localization, which will continue to support the auto parts sector. However, the industry remains vulnerable to policy shifts; in particular, the National Tariff Policy (2025–30), which aims to rationalize import duties, may influence vehicle import trends and could pose downside risks for domestic assemblers and auto part manufacturers, if tariff adjustments prove unfavorable.

Operational Performance

The Company's plant capacity is indeterminable as it depends on the relative proportions of the various types of vehicles produced by OEMs.

	Total units sold
FY22	11,591,558
FY23	6,227,365
FY24	6,128,607
FY25	7,014,552
1QFY26	1,996,136

The product mix remained the same, with shocks and struts contributing 67.1% of total revenue as of 1QFY26 (FY25: 65.6%; FY24: 62.7%), followed by two-wheeler components at 14.6% (FY25: 15.4%; FY24: 20.1%). Client concentration remained elevated but stable, with key player, Indus Motor Company Limited, accounting for 51.6% of sales in 1QFY26 (FY25: 53.0%).

Client wise concentration	FY22	FY23	FY24	FY25	1QFY26
INDU	65.2%	51.4%	45.3%	53.0%	51.6%
Atlas Autos	11.1%	17.3%	19.8%	15.3%	14.6%
PSMC	8.7%	10.0%	11.2%	12.8%	19.1%

Aftermarket	6.1%	9.4%	14.0%	11.8%	8.1%
Others	8.9%	11.9%	9.7%	7.4%	6.6%

PROFITABILITY

AGIL's profitability profile improved during FY25 and 1QFY26, supported primarily by a recovery in automobile demand and enhanced fixed-cost absorption. Revenue increased by 31% in FY25 to PKR 7.7bn, reflecting higher production volumes from OEMs. Gross margin improved to 4.6% (FY24: 3.5%), though it remains modest relative to historical levels. The positive trend continued into 1QFY26, with revenue of PKR 2.5bn and gross margin strengthening to 7.2%, driven by better plant utilization and ongoing cost rationalization measures.

Despite the improvement in gross margin, operating performance remains subdued. Operating margin stayed negative at -1.7% in FY25 (FY24: -3.1%), although it turned marginally positive at 0.8% in 1QFY26. The Company continues to face structural cost pressures, including high overheads and limited pricing flexibility with OEMs, which constrain operating profitability. Management's initiatives—such as labor optimization, production planning improvements, and efficiency enhancements—are expected to support gradual margin recovery; however, the targeted gross margin of 15% over the next two years appears a challenge given historical performance and sector dynamics.

While the core operations remained underperforming, net profitability improved, largely due to substantial dividend income from the wholly owned subsidiary, Agriauto Stamping Company Limited. Dividend receipts amounted to PKR 343m in FY25 and PKR 228m in 1QFY26, enabling the Company to post a net profit of PKR 99m in FY25 (FY24: net loss of PKR 276m) and PKR 194m in 1QFY26. Consequently, net margin rose to 1.3% in FY25 and further to 7.7% in 1QFY26.

Looking ahead, the Company has long-term plans to diversify into adjacent sectors, including the power sector and the hardware and furniture industry, which complement its existing manufacturing capabilities and are expected to require limited capex. Management continues efforts to penetrate the power distribution segment, with initial progress marked by the approval of ED-coated clamps. However, the Company has yet to be registered as an approved vendor with power distribution companies.

Financial Risk

CAPITAL STRUCTURE

AGIL maintain a conservative capitalization profile, with leverage and gearing ratios recorded at 0.73x and 0.36x, respectively, as of end-1QFY26 (FY25: 0.65x and 0.26x; FY24: 0.52x and 0.17x). The Company carries minimal long-term debt; however, short-term borrowings increased to PKR 1.3 Bn by 1QFY26 (FY25: PKR 0.8 Bn; FY24: PKR 0.3 Bn), primarily to support higher production levels. Going forward, the Company plans to undertake capex of PKR 80 Mn for upgradation within its existing manufacturing facility, which is expected to be funded through internal cash.

DEBT COVERAGE & LIQUIDITY

The Company's liquidity profile remains constrained, with the current ratio declining to 1.51x as of 1QFY26 (FY25: 1.58x; FY24: 1.74x). The cash conversion cycle also weakened to 80 days (FY25: 75 days; FY24: 68 days), reflecting higher working capital intensity. Inventory management is driven by projected production requirements based on tentative order forecasts for a period of 6-8 months, provided by OEMs. During the period, Funds from Operations (FFO) declined, resulting in a weakening in debt service coverage (DSCR) and FFO coverage metrics, however showing recovery in 1QFY26.

FINANCIAL SUMMARY *(amounts in PKR millions)*				
BALANCE SHEET	**FY23**	**FY24**	**FY25**	**1QFY26 (M)**
Property, Plant and Equipment	1,860	1,789	1,695	1,739
Long term investments	1,144	1,144	1,144	1,144
Stock-in trade	1,789	1,518	2,159	2,303
Trade debts	505	803	895	1,285
Short term investments	39	40	38	38
Cash and bank balance	90	131	40	35
Total Assets	**6,366**	**6,381**	**7,096**	**7,766**
Long term debt	450	381	315	292
Short term debt	-	341	802	1,325
Total debt	450	722	1,117	1,616
Trade and other payables	1,360	1,235	1,499	1,456
Total Liabilities	**1,890**	**2,180**	**2,796**	**3,272**
Paid up capital	180	180	180	180
Reserves	4,297	4,021	4,120	4,314
Total Equity	**4,477**	**4,201**	**4,300**	**4,494**
INCOME STATEMENT	**FY23**	**FY24**	**FY25**	**1QFY26 (M)**
Revenue	5,336	5,927	7,762	2,508
Gross Profit	219	208	357	180
Operating Profit/ Loss	(118)	(183)	(134)	21
Finance Costs	(77)	(114)	(154)	(45)
Profit/ Loss Before Tax	(33)	(267)	97	207
Net Profit/ Loss	(44)	(276)	99	194
RATIO ANALYSIS	**FY23**	**FY24**	**FY25**	**1QFY26 (M)**
Gross Margin (%)	4.1%	3.5%	4.6%	7.2%
Operating Margin (%)	-2.2%	-3.1%	-1.7%	0.8%
Net Margin (%)	-0.8%	-4.7%	1.3%	7.7%
Funds from Operation (FFO) (PKR Mn)	58	227	34	193
FFO to Total Debt (x)*	0.13	0.31	0.03	0.48
FFO to Long Term Debt (x)*	0.13	0.60	0.11	2.65
Gearing (x)	0.10	0.17	0.26	0.36
Leverage (x)	0.42	0.52	0.65	0.73
Debt Servicing Coverage Ratio (x)*	0.81	1.74	0.80	5.63
Current Ratio (x)	2.13	1.74	1.58	1.51
(Stock in trade + trade debts) / STD (x)	-	6.80	3.81	2.71
Return on Average Assets (%)*	-0.7%	-4.3%	1.4%	10.0%
Return on Average Equity (%)*	-1.0%	-6.6%	2.3%	17.3%
Cash Conversion Cycle (days)*	65	68	75	80

*Annualized, M: Management

REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	Agriauto Industries Limited
Sector	Automobile Parts
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Outlook / Rating Watch	Rating Action
RATING TYPE: ENTITY				
30-Dec-25	A-	A1	Stable	Reaffirmed
26-Nov-24	A-	A1	Stable	Reaffirmed
16-Nov-23	A-	A1	Stable	Reaffirmed
10-Aug-22	A-	A1	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.
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Due Diligence Meetings Conducted

S.No.	Name	Designation	Date
1.	Mr. Fahim Kapadia	CEO	02-Dec-25
2.	Mr. Fahad Tariq	CFO	