

## NOVATEX LIMITED

### Analyst:

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### RATING DETAILS

Ratings Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	AA	A1+	AA	A1+
Rating Outlook/ Watch	Stable		Stable	
Rating Action	Reaffirmed		Maintained	
Rating Date	May 19, 2026		March 20, 2025	

### Shareholding (5% or More)

Mr. Shabbir Diwan  
Mr. Rizwan Diwan  
Mr. Saqib Haroon Bilwani

### Other Information

Incorporated in 1991  
Public Company (Unlisted)  
**Chief Executive:** Mr. Rizwan Diwan  
**External Auditor:** Kreston Hyder Bhimji & Co. Chartered Accountants, Karachi

### 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 rating of Novatex Limited ('Novatex' or 'the Company') reflects its established position in the PET and downstream packaging value chain, supported by an integrated operating model and diversified exposure to domestic and export markets across key end-use sectors. The capital structure reflects a moderately leveraged profile, driven by expansion-related funding and ongoing reliance on working capital borrowings, consistent with the cyclical nature of operations. Debt servicing capacity remains linked to profitability and cash flow generation, and is sensitive to fluctuations in margins and working capital requirements, while liquidity is supported by available banking lines. Profitability is influenced by competitive dynamics and demand conditions in both domestic and export markets, with export performance linked to external demand trends and broader trade developments, as well as energy costs. The Company is undertaking renewable energy initiatives, primarily through solar power installations and integration of battery energy storage solutions, aimed at improving energy efficiency and reducing reliance on conventional grid power. Going forward, profitability will remain important from a ratings perspective, particularly in maintaining stable margins amid input cost and competitive pressures, while sustained earnings will depend on operational efficiency and demand conditions across key markets.

## Company Profile

Novatex Limited is part of the Gani & Tayub (G&T) Group, which holds a majority stake in the Company and provides strategic and financial backing. The Company operates as a diversified manufacturer within the PET value chain, producing PET resin, PET preforms, recycled PET (rPET), and biaxially oriented PET (BoPET) films. Its product portfolio comprises both virgin and recycled polymer streams, reflecting a gradual shift toward more sustainable inputs and alignment with evolving packaging requirements across end-use industries.

### Group Profile

The G&T Group is a long-established diversified conglomerate in Pakistan with interests spanning packaging, polyester value chain products, pharmaceuticals, textiles, and power generation. Its core businesses include Novatex Limited, a leading player in PET resin, PET preforms, rPET, and BOPET films, alongside other group entities operating across industrial and manufacturing sectors. The Group has a multi-decade operating history and maintains a diversified footprint across domestic and international markets, with exposure to export-oriented manufacturing. Its investment in ThalNova Power Thar (Pvt.) Limited reflects diversification into thermal power generation within the broader energy segment.

## Management and Governance

The Company is headed by Mr. Rizwan Diwan, a seasoned executive, supported by a qualified management team responsible for operational control and execution of strategic initiatives. Governance is anchored by a 10-member Board of Directors, which provides oversight and strategic direction, reflecting a well-structured management and governance framework at Novatex Limited. The governance framework is further supported by dedicated committees, including an Investment Committee, a Cost Optimization Committee, and a Group Audit & Risk Committee, which facilitate oversight across capital allocation, operational efficiency, internal controls, and risk management functions.

## Industry Profile & Business Risk

The PET and downstream packaging industry in Pakistan is primarily driven by demand from beverages, FMCG, food packaging, and pharmaceuticals. During FY25, overall domestic consumption remained broadly stable in volume terms, while growth remained limited due to inflationary pressures and subdued real disposable incomes, which continued to constrain consumption in discretionary FMCG categories. Beverage manufacturers remained the key contributor to PET demand. BoPET film demand also remained stable, supported by usage in food packaging, industrial applications, and pharmaceutical packaging, with demand trends closely aligned with underlying FMCG and industrial activity.

On the cost side, the industry is exposed to global petrochemical cycle dynamics, particularly crude oil price movements, as PTA and MEG are the primary raw materials used in PET production. As a result, input cost volatility remains an important driver of production economics. Pricing pass-through to end users occurs with a lag and is influenced by contractual arrangements, inventory cycles, and competitive dynamics, including the presence of imported packaging materials.

Import competition continues to influence domestic market dynamics, particularly in value-added packaging and film segments, where regional suppliers operate with scale and integrated supply chains. Trade policy developments in major export markets, including the United States, have contributed to changes in global trade flows; however, their impact on the domestic industry is generally reflected through indirect channels such as global pricing movements, supply reallocation, and changes in export competitiveness at the product level.

The industry performance is expected to remain linked to domestic consumption trends, inflation levels, exchange rate movements, crude oil and PTA/MEG price fluctuations, and domestic capacity utilization. Demand is expected to remain concentrated in core end-use categories, including beverages and essential FMCG packaging, while BoPET demand is expected to follow broader industrial and FMCG activity levels. Import competition is expected to remain a factor influencing pricing dynamics and market structure.

### Operational Update

Novatex maintains a strong position across PET Resin and downstream packaging segments, supported by an integrated production base and exposure to both domestic FMCG-linked and export demand. PET Resin utilization improved from subdued levels in FY23 and remained broadly stable in FY25, driven by stronger export demand for bottle-grade material and gradual recovery in domestic PET-related consumption, although overall demand remains constrained by inflationary pressures and weak purchasing power. In PET Preforms, utilization remains cyclical, reflecting dependence on beverage industry ordering patterns; however, actual production has increased in FY25 compared to the prior year, indicating a recovery in downstream demand. Similarly, in the BoPET Films segment, actual production has also increased following the FY24 capacity expansion that positioned Novatex as the leading domestic producer in specialized films. While this expansion initially reduced utilization due to capacity outpacing demand, production has since trended upward, with gradual improvement expected as export markets develop and domestic penetration increases.

### Profitability

Net sales of the Company increased by 4.2% year-on-year, supported by growth in both export and domestic segments. The export-to-local sales mix remained stable during FY24 and FY25, reflecting a balanced contribution from both markets. Bottle Grade Chips remained the largest contributor in FY25, with a significant portion directed toward export markets. Export concentration remained relatively high, with the USA, UAE, and Italy accounting for a major portion of total export sales. Gross margins declined in FY24, reflecting elevated cost pressures during the year, primarily due to higher salaries, power expenses, and outsourced processing fees. Operating expenses also increased amid inflationary pressures, driven by higher fuel and power costs, while lower exchange gains reduced other income, further weighing on profitability. However, a reduction in finance costs provided partial support to the bottom line. During 6MFY26, export contribution declined compared to FY25, primarily due to lower demand following the imposition of tariffs in the US market, alongside a relatively higher proportion of domestic sales. Gross margins improved, supported by better raw material sourcing and lower energy costs, resulting in improved operational efficiencies. Net margins also improved, aided by reduced finance costs. Going forward, management expects a recovery in topline performance, supported by improving domestic demand dynamics and a healthy pipeline of export orders.

## Financial Risk

### Capital Structure

The equity base increased marginally during FY25, supported by profit retention. Long-term borrowings increased in line with ongoing plant expansion initiatives, while short-term borrowings declined during FY25 before increasing in 6MFY26 to support working capital requirements. Consequently, total debt levels remained broadly stable during FY25, followed by an increase in 6MFY26 due to expansion-related funding needs and higher utilization of financing lines. Capitalization indicators reflected slight improvement during FY25, with lower gearing and leverage levels. However, both indicators increased during 6MFY26 in line with higher borrowings.

### Debt Coverage & Liquidity

The decline in profitability during FY25 resulted in lower cash flow generation, leading to weakening debt servicing and coverage indicators, although these remained at levels providing adequate comfort with respect to repayment capacity. During 6MFY26, operational cash flows improved, resulting in a partial recovery in coverage metrics, with an improved DSCR despite an increase in overall debt levels. Liquidity indicators remained broadly stable, supported by available working capital lines. Short-term debt coverage remained sufficient to meet short-term obligations during 6MFY26. However, working capital requirements increased during the period due to higher receivables and inventory accumulation, resulting in an extended cash conversion cycle compared to FY25.

## REGULATORY DISCLOSURES Appendix II

<b>Name of Rated Entity</b>	Novatex Limited				
<b>Sector</b>	Packaging				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Entity Ratings				
<b>Rating History</b>	RATING TYPE: ENTITY				
	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	19-05-2026	AA	A1+	Stable	Reaffirmed
	20-03-2025	AA	A1+	Stable	Maintained
	22-02-2024	AA	A1+	Positive	Maintained
	30-12-2022	AA	A1+	Stable	Reaffirmed
	29-07-2021	AA	A1+	Stable	Reaffirmed
	10-07-2020	AA	A1+	Stable	Upgrade
	05-12-2018	AA-	A1	Positive	Maintained
25-09-2017	AA-	A1	Stable	Initial	
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<b>Due Diligence Meeting Conducted</b>	<b>S.No.</b>	<b>Name</b>	<b>Designation</b>	<b>Date</b>	
	1	Rizwan Diwan	CEO	29 <sup>th</sup> April 2026	
	2	Kafeel Zehri	Group Head Treasury		
	3	Muhammad Tufail	Divisional Head Finance		
	4	Muhammad Umair Ilyas	Company Secretary		