

SYNTRONICS LIMITED

Analyst: Husnain Ali (husnain.ali@vis.com.pk) Mian Maheer Jamshaid (maheer.jamshaid@vis.com.pk)	RATING DETAILS				
	RATINGS CATEGORY	Latest Rating		Previous Rating	
		Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	BBB+	A2	BBB+	A2	
RATING OUTLOOK/WATCH	Stable		Stable		
RATING ACTION	Reaffirmed		Reaffirmed		
RATING DATE	12-Jun-2026		23-May-2025		

Shareholding (5% or More)	Other Information
Gran Vis Global Limited - 34.27%	Established in 1998
Iskander Mohmmad Khan - 25.00%	Public Limited Company (Unlisted)
Abbas Sarfaraz Khan - 24.70%	Chief Executive Officer: Abbas Sarfaraz Khan
Premier Board Mills Limited - 11.02%	External Auditor: Shinewing Hameed Chaudhri & Co., Chartered Accountants
Baber Ali Khan - 5.00%	

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 Syntronics Limited's established presence in the PP (Polypropylene) woven sacks and flexible packaging segments, association with the Premier Group, and diversified customer base across cement, flour, food, feed, fabric and allied sectors. The management is led by an experienced team and the Company has conducted an environmental audit, indicating general compliance with applicable environmental requirements. Ratings also incorporate the Company's focus on consolidating production capacity and improving utilization in value-added product lines.

Performance remained under pressure in FY25 due to lower sales volumes, and procurement-related disruptions; however, improvement was noted during 9MFY26, supported by margin recovery, lower finance cost and return to profitability. Operationally, the sacks segment remains the key contributor, while BOPP stitched bags/FFS films continue to provide room for improved capacity absorption. Planned solarization is expected to support cost efficiencies going forward. Capitalization indicators weakened in FY25 due to net losses, arising out of a one-off dividend payout against retained earnings, which reduced Tier-1 equity, though some improvement was witnessed during 9MFY26 on account of lower short-term borrowings. Liquidity profile remains adequate, supported partly by ongoing recovery of tax refunds from the government. However, elongated cash conversion cycle, sizeable working capital requirements and aging of trade debts remain key monitorable areas.

Going forward, the stable outlook remains dependent on the Company's ability to sustain the recovery witnessed during 9MFY26, improve capacity utilization, enhance debt coverage indicators, and maintain leverage, liquidity and working capital cycle within manageable levels.

Company Profile

Syntronics Limited ('SL' or 'Syntronics' or 'the Company') was incorporated in 1998 as a public unlisted company. The Company is principally engaged in the manufacturing and sale of polypropylene sacks, woven sacks, fabrics, stitched bags, and other flexible packaging products. Its registered office is located in Islamabad, while manufacturing facilities are situated at Hattar Industrial Estate and Gadoon Amazai, Khyber Pakhtunkhwa. The Company is associated with the Premier Group, with shareholding concentrated among sponsors and associated entities.

Management and Governance

The overall governance framework is supported by Board-level oversight, with representation from the sponsoring family. The Company is associated with the Premier Group, with interests in sugar, ethanol, packaging and staple foods, provides support through established sponsor background and group presence.

The management team is headed by the Chief Executive Officer, supported by experienced personnel across finance, operations, and corporate functions. Overall governance is considered adequate.

The Company has conducted an environmental audit, which indicates general compliance with applicable environmental requirements and reflects management's focus on responsible industrial operations. Key measures include recycling of plastic scrap, segregation of hazardous waste, closed-loop cooling systems in extrusion operations, ventilation arrangements, enclosed production halls to control noise dispersion, PPE availability, fire safety equipment, evacuation maps, and Civil Defense certification. The facility also maintains a designated green area and has obtained relevant quality and food safety certifications, including ISO 9001:2015 and ISO 22000.

Business Risk

INDUSTRY

The business risk profile of the packaging sector is assessed as medium to high medium given the relatively stable demand from food and consumer products packaging with cyclicalities in cement and fertilizer segments. Competition from organized and unorganized players, pricing pressure, and dependence on imported polypropylene-based raw materials does exist largely in low quality products. Raw material prices remain exposed to movements in global oil prices, exchange rate volatility, and supply chain disruptions. Import-related challenges, including LC opening and shipment delays, continue to remain key risks for industry players with high import dependence.

The plastic and flexible packaging segment serves as a part of supply chain to key industrial sectors including cement, food, flour, fertilizer, chemicals, agriculture, and consumer products. During FY25, industrial activity remained mixed, with large-scale manufacturing posting contraction; however, latest data indicates recovery in LSM during 9MFY26, reflecting improvement in broader industrial activity.

Cement sector demand, a key driver for PP woven bags, has shown signs of recovery during FY26. Total cement dispatches increased during 9MFY26. This is positive for packaging manufacturers serving cement players, although demand volatility remains due to in-house packing capacities of large cement companies. Moreover, the judgement by Islamabad High Court in early 2026 regarding the usage of approved packing bags would be

a key driver for demand as it is a niche sector with very few players serving the purpose. In addition, the management has highlighted the impact of undocumented and untaxed polypropylene supplies, largely originating from small unregistered manufacturers, on pricing discipline and margins. Potential regulatory measures to curb such supplies and restrict misuse of industrial raw material imports by commercial importers are being pursued with relevant authorities, and may support a more level playing field for compliant manufacturers such as SL over time.

Going forward, sector performance is expected to remain linked with continued demand improvement in construction, cement, food, and allied industries. Gradual improvement in macroeconomic indicators, lower interest rates, and better industrial activity are expected to support demand; however, raw material import dependence, energy costs, exchange rate movement, and competitive pricing pressures will continue to constrain margins.

OPERATIONAL UPDATE

Operations remained concentrated in the sacks segment, where utilization improved in FY25 mainly on account of rationalization of installed capacity following disposal of plant, while production volumes remained sizeable. Management stated that the plant was disposed of to Fauji Cement Company Limited in view of lower cement sector demand at the time, as several major cement players had developed in-house packing material facilities. During 9MFY26, utilization moderated in line with the nine-month production period. The BOPP stitched bags/FFS films segment remained underutilized, reflecting room for improved capacity absorption going forward. The details on capacity utilization can be seen in the table below:

FY24				
Product	Unit	Installed Capacity	Production	Capacity Utilization
Sacks	Million bags	192	135	70%
BOPP stitched bags / FFS films	Metric ton	2,400,000	450,428	19%
FY25				
Product	Unit	Installed Capacity	Production	Capacity Utilization
Sacks	Million bags	131.5	124	94%
BOPP stitched bags / FFS films	Metric ton	2,400,000	484,184	20%
9MFY26				
Product	Unit	Installed Capacity	Production	Capacity Utilization
Sacks	Million bags	98.6	89.5	91%
BOPP stitched bags / FFS films	Metric ton	1,800,000	333,152	19%

The Company's power requirement is primarily met through WAPDA, with total load of 4.8 MW, supported by standby diesel generators of equivalent capacity. In addition, Syntronics has installed a 1.3 MW solar power plant, while further solar capacity of around 0.6 MW is planned by June 2026. Post-completion, total solar capacity is expected to reach around 2.0 MW, with management projecting annual cost savings of around PKR 50m.

During H2FY24 and FY25, raw material procurement was impacted by supply-side disruptions and LC cancellations, particularly for imported polypropylene-based inputs previously sourced from Kuwait. To mitigate this, the Company shifted procurement toward Chinese suppliers, while maintaining around two

months of carryover raw material stock. Going forward, management expects better utilization of existing capacity, particularly in FFS packaging material and BOPP bags, while no major capacity expansion is planned in the near term.

SALES & PROFITABILITY

Net sales decreased slightly to PKR 4.7b in FY25 (FY24: PKR 4.8b), mainly due to lower volumetric sales in sacks and stitched bags. During 9MFY26, sales were recorded at PKR 3.0b.

Sacks, stitched bags and fabrics remain the major revenue contributors. Sales remained largely local, with customer base mainly comprising cement, flour, food, feed and fabric segments. Major customers are major corporates in segments of sales. Product-wise sales mix shifted during FY23–FY25, with sacks' share in sales declining from around 60% in FY23 to 41% in FY24 and 25% in FY25, while stitched bags increased from 25% to 32% and 37%, and fabrics increased from 14% to 19% and 23%, respectively. Demand from the cement sector remained volatile due to downward pressure on major cement players; however, management expects sales to improve on the back of recovery in cement sector demand, shift from paper bags to PP bags, and improved offtake from FFS packaging and BOPP bags.

Gross margin declined to 7.9% in FY25 (FY24: 11.6%) mainly due to lower volumes and weak cost absorption. The Company was able to record PKR 529.3m (FY24: PKR 10.8m) gain on sales of operating fixed assets in FY25, however, despite this, margin pressures, coupled with a significant increase in the share of loss to PKR 445.5m (FY24: PKR 60.9m) from an associated company, resulted in a higher net loss of PKR 170.6m in FY25 (FY24: net loss of PKR 111.0m).

In 9MFY26, partial recovery was noted with gross margin improving to 12.5% on the back of favorable pricing dynamics and a better product mix. The Company recorded a profit after tax of PKR 40.4m, supported by margin recovery and reduced finance costs.

Going forward, topline growth and profitability are expected to remain constrained amid consolidation of volumes, absence of gains from any further sales of operating fixed assets, and potential drag from the associated company's losses.

Financial Risk

CAPITAL STRUCTURE

Tier-1 equity declined to PKR 1.6b in FY25 (FY24: PKR 2.2b), mainly due to losses occurring from one off dividend payout being higher than the gain on sale of operating fixed assets. The debt profile remains largely short-term in nature. Reflecting the impact of losses on equity, gearing increased to 1.38x at end-FY25 (end-FY24: 1.03x), while leverage also increased to 2.10x (end-FY24: 1.60x). By end-9MFY26, gearing improved to 1.23x, mainly on account of reduction in short-term borrowings and slight increase in equity while leverage was intact. Further improvements in capitalization ratios remain important for the ratings.

DEBT COVERAGE & LIQUIDITY

FFO (funds from operations) turning negative in FY25 mainly due to weak core profitability and elevated finance cost. DSCR (debt servicing coverage ratio) stood at 0.88x (FY24: 0.84x) in FY25. During 9MFY26, coverage improved, with FFO increasing to PKR 170.0m and DSCR strengthening to 1.44x, supported by recovery in profitability and lower finance cost. Ratings remain sensitive to strengthening of debt servicing profile through better cost management and prudent debt management.

Moreover, tax refunds due from the Government remained sizeable; however, PKR 251m was received during 9MFY26 on account of recoveries, bringing the outstanding tax refunds to PKR 642m (end-FY25: PKR 893m) supporting the liquidity; management stated that remaining refunds are being pursued through relevant forums.

Liquidity profile remained adequate, with current ratio maintained at 1.20x. By end-9MFY26, current ratio improved slightly to 1.22x. However, cash conversion cycle elongated to 169 days (FY24: 148 days), mainly due to shorter payables period and longer inventory days. Receivable aging reflects some pressure, with around 48% of FY25 trade debts past due beyond 30 days, including around 13% outstanding for more than 150 days. During 9MFY26, around 28% of receivables were past due beyond 90 days, including around 7% outstanding for more than one year.

Financial Summary

Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	9MFY26M
Property, plant and equipment	1,572.12	1,511.34	1,265.51	1,360.49
Right-of-use Assets	43.52	0.00	0.00	0.00
Intangible Assets	0.00	0.00	0.00	0.00
Long-term Investments	1,398.66	1,496.41	1,429.53	1,429.53
Stock-in-trade	1,165.58	1,218.03	1,093.22	1,253.62
Trade debts	1,228.77	1,148.48	932.95	1,108.12
Short-term Investments	0.00	0.00	0.00	0.00
Cash & Bank Balances	122.53	50.83	21.73	22.05
Other Assets	1,212.38	1,205.46	1,201.32	904.58
Total Assets	6,743.56	6,630.55	5,944.26	6,078.39
Creditors	930.38	107.61	91.04	110.08
Long-term Debt (incl. current portion)	507.21	349.11	259.88	354.02
Short-Term Borrowings	1,731.62	1,897.20	1,895.75	1,620.54
Total Debt	2,238.83	2,246.31	2,155.63	1,974.56
Other Liabilities	491.67	1,146.85	1,029.87	1,285.82
Total Liabilities	3,660.88	3,500.77	3,276.54	3,370.46
Paid up Capital	315.21	315.21	315.21	315.21
Revenue Reserve	1,930.02	1,870.04	1,247.99	1,288.00
Other Equity (excl. Revaluation Surplus)	0.00	0.00	0.00	0.00
Sponsor Loan	0.00	0.00	0.00	0.00
Equity (excl. Revaluation Surplus)	2,245.23	2,185.25	1,563.20	1,603.21
Income Statement (PKR Millions)	FY23A	FY24A	FY25A	9MFY26M
Net Sales	5,909.13	4,811.58	4,718.10	2,991.11
Gross Profit	792.52	557.03	374.76	372.65
Operating Profit	631.40	465.84	760.15	267.72
Finance Costs	465.91	518.88	326.35	186.40
Profit Before Tax	153.48	-113.92	-11.73	81.32
Profit After Tax	82.96	-111.04	-170.55	40.39
Ratio Analysis	FY23A	FY24A	FY25A	9MFY26M
Gross Margin (%)	13.41%	11.58%	7.94%	12.46%
Operating Margin (%)	10.69%	9.68%	16.11%	8.95%
Net Margin (%)	1.40%	-2.31%	-3.61%	1.35%
Funds from Operation (FFO) (PKR Millions)	288.68	39.96	-49.10	169.97
FFO to Total Debt* (%)	12.89%	1.78%	-2.28%	11.48%
FFO to Long Term Debt* (%)	56.92%	11.45%	-18.89%	64.02%
Gearing (x)	1.00	1.03	1.38	1.23
Leverage (x)	1.63	1.60	2.10	2.10
Debt Servicing Coverage Ratio* (x)	1.15	0.84	0.88	1.44
Current Ratio (x)	1.22	1.20	1.20	1.22
(Stock in trade + trade debts) / STD (x)	1.55	1.38	1.17	1.58
Return on Average Assets* (%)	1.20%	-1.66%	-2.71%	0.90%
Return on Average Equity* (%)	3.81%	-5.01%	-9.10%	3.40%
Cash Conversion Cycle (days)	108.71	147.89	169.28	205.56

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Syntronics Limited				
Sector	Paper & Packaging				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
	RATING TYPE: ENTITY				
	12-Jun-26	BBB+	A2	Stable	Reaffirmed
	23-May-25	BBB+	A2	Stable	Reaffirmed
	08-Apr-24	BBB+	A2	Stable	Reaffirmed
	15-May-23	BBB+	A2	Stable	Maintained
	29-Mar-22	BBB+	A2	Positive	Maintained
	31-Dec-20	BBB+	A2	Stable	Reaffirmed
10-Dec-19	BBB+	A2	Stable	Initial	
Instrument Structure	N/A				
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
	Wajahat Butt		GM Finance		21-May-26
	Rashid Abbas		DGM Finance		
	Muhammad Imran		Sr. Manager Accounts		