

ORIENT ELECTRONICS (PVT) LIMITED

Analyst:

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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	A-	A2	A-	A2
RATING OUTLOOK/WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Maintained	
RATING DATE	01-Jun-26		09-May-25	

Shareholding (5% or More)

Orient Color Labs (Private) Limited - 97.86%

Other Information

Incorporated in 2005

Private Limited Company

Chief Executive: Ahmad Fazal

External Auditor: Rahman Sarfaraz Rahim Iqbal Rafiq

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 reaffirmation of entity ratings takes into account Orient Electronics (Private) Limited's ('OEL' or 'the Company') position as a well-established name in consumer appliances segment and modest improvement in financial parameters due to better demand conditions. OEL is one of the leading manufacturers of air conditioners and refrigerators in an intensely competitive market. Assigned ratings take note of the impact of macroeconomic factors, cyclicalities and import restrictions playing a key role on the business risk profile of consumer appliances manufacturers as localization remains limited. The Company recorded healthy growth in net sales on the back of higher volumes amidst recovery in demand, while overall profitability improved in the ongoing year. Debt coverage ratios have also shown improvement in FY25 and 9MFY26 with gearing also decreasing due to debt repayment. Liquidity remains largely stable. The ratings hinge on sustained growth in bottom line, continued upward trend in debt coverages alongside improvement in leverage ratio.

Company Profile

Orient Electronics (Private) Limited ('OEL' or 'the Company') was incorporated on August 23, 2005. The principal activities of the Company include manufacturing, assembling and sales of all types of air conditioners, refrigerators, deep freezers, LED TVs, water dispensers, microwave ovens, and other home appliances. The factory and registered office of the Company are located at 26-KM, Multan Road, Lahore.

Management and Governance

CEO PROFILE

Mian Ahmad Fazal is the CEO and Managing Director of the Orient Group of Companies. He holds a Bachelor of Commerce from Punjab University's Hailey College of Commerce, a postgraduate degree from the University of East London, and an MBA in International Marketing from London South Bank University. He also completed an executive program in Business Analytics at Harvard Business School. With over 25 years of experience, he also leads its tech-focused international arm, Orientcare Global, among other ventures.

AUDITOR

Financials statements of FY25 were audited by Rahman Sarfaraz Rahim Iqbal Rafiq, an audit firm appearing in Category 'A' of SBP Auditor's List. As per the auditor's assessment, the financial statements provide a true and fair view of the Company's financial position as of the conclusion of financial year and therefore maintains an unqualified opinion.

Business Risk

INDUSTRY UPDATE

VIS categorizes the household appliances industry's business risk profile as medium to high, characterized by exposure to cyclicity and exchange rate fluctuations as assembler's dependent on imported parts with limited localization. During FY25 and FY26, Pakistan's household appliance market, a sub-segment of the Large-Scale Manufacturing (LSM) sector with an updated weightage of ~1.1% in the Quantum Index of Manufacturing (QIM), experienced a strong recovery, expanding to a projected PKR 614 billion industry size. While lingering energy costs and fiscal adjustments caused a minor 0.74% contraction in overall LSM during FY25, the electrical equipment segment decoupled positively, posting a 5.4% YoY expansion that accelerated into a 26% surge by late FY26. This turnaround was driven by the easing of import restrictions on raw material components, a rebound in urban purchasing power, and declining interest rates that revived consumer financing. Refrigerators and air conditioners continue to lead market share, with demand heavily shifted toward high-priced Inverter T3 models as intense climate heatwaves and persistent electricity hikes turned energy-efficient cooling appliances from luxury items into critical consumer necessities.

The consumer appliances market is led by prominent international players such as Samsung, Haier, Dawlance and Gree (through its partnership with DWP Group) and local names including as PEL (Pak Elektron Limited) and OEL.

Operational Performance

Utilization levels across all product segments improved due to higher production to meet an increase in demand, excluding refrigerator where production decreased slightly on account of competitive pressure on demand. The management projects an increase of 10-11% in refrigerator production and a marginal increase in air conditioner production, taking into account demand patterns of the remaining months of FY26.

OEL utilizes services of more than 2,000 distributors through which its products are directly sold of end-users. The Company also supports its distribution network through dedicated after-sales service centers in major regions.

SALES & PROFITABILITY

Net sales increased by 73% in FY25 on the back of higher volumes across all products. Air conditioners represented more than one-third of the revenue, followed by refrigerators.

Geographic diversity in sales is a reflection of the Company's established position with 33% of refrigerator sales from Peshawar/KPK, while Lahore leads in air conditioner and LED sales of the Company. Rawalpindi is the largest market for water dispenser and washing machine sales whereas Karachi contributes 24% LED, 22% refrigerator and 21% water dispenser sales volumes.

Gross margin declined to 20% (FY24: 28%) in FY25, primarily due to higher input costs before rebounding to 25% in 9MFY26 (9MFY25: 21%). Net margin also dipped slightly to 2.8% in FY25 (FY24: 3.0%), before recovering to 3.2% (9MFY25: 2.1%) in 9MFY26. The ratings hinge on management's expectations of sustained topline growth and recovery in margins.

Financial Risk

CAPITAL STRUCTURE

Gearing, which reached a high of 1.0x in FY21 and FY22, improved to 0.29x (end-FY25: 0.34x; end-FY24: 0.36x) by end-9MFY26, driven by lower borrowings and a strengthened equity base. Equity (excluding revaluation surplus) rose at end-9MFY26. Leverage stood at 1.33x (end-FY25: 1.46x; end-FY24: 1.29x) at end-9MFY26. The debt structure remains skewed towards short-term borrowings.

DEBT COVERAGE & LIQUIDITY

FFO (funds from operations) rose, supported by improved profitability in 9MFY26. Consequently, the Company's DSCR (debt servicing coverage ratio) strengthened to 1.41x (FY25: 1.06x; FY24: 0.79x), while FFO to long-term debt improved to 65% (FY25: 41%; FY24: 25%) in 9MFY26.

The current ratio remained stable at 1.0x, whereas short-term debt coverage continued its upward trend, reaching 4.46x (FY25: 4.19x; FY24: 3.97x) in 9MFY26. The cash conversion cycle (CCC) contracted to 35 days in FY25 (FY24: 49 days), driven by better inventory turnover. CCC stood at 106 days in 9MFY26 due to seasonal slowdown. Liquidity was supported by customer advances, which increased at end-9MFY26. While on an increasing due to higher volumes, trade receivables due beyond 90 days declined to 14.8% in FY25 (FY24: 19.1%); the Company maintains adequate ECL impairment provisions against bad debts.

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Orient Electronics (Private) Limited				
Sector	Consumer Appliances				
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				
	June 01, 2026	A-	A2	Stable	Reaffirmed
	May 09, 2025	A-	A2	Stable	Maintained
	May 23, 2024	A-	A2	Negative	Maintained
	May 09, 2023	A-	A2	Rating Watch - Negative	Maintained
	March 17, 2022	A-	A2	Rating Watch - Developing	Update
August 25, 2021	A-	A2	Rating Watch - Developing	Upgrade on Rating Watch	
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	S.No.	Name	Designation	Date	
	1	Kashif Siddique	Manager Finance	14-May-26	