VIS
Credit Rating Company Limited

RATING REPORT

ORIENT ELECTRONICS LIMITED (FORMERLY ORIENT ELECTRONICS (PRIVATE) LIMITED)

Analyst:
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RATING DETAILS	
RATINGS CATEGORY	Preliminary Sukuk Rating
SHORT-TERM SUKUK (STS)	A1 (plim)
RATING ACTION	Preliminary
RATING DATE	26-11-2026

Shareholding (2% or More)	Other Information
Orient Color Labs (Private) Limited – 97.86%	Incorporated in 2005
Ahmad Fazal – 2.14%	Unlisted Public 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/Methodologies-2026/Corporate-Rating-2026.pdf

Instrument Rating

https://docs.vis.com.pk/Methodologies-2026/IRM-2026.pdf

Rating Scale

https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

Orient Electronics Limited (formerly Orient Electronics (Private) Limited) ('OEL' or 'the Company') plans to issue a listed, secured Short-term Sukuk (STS) of up to PKR 1,500m, including a green shoe option of PKR 500m, to finance vendor payments, inventory procurement, and working capital requirements. The six-month instrument will carry a profit rate of 3-month KIBOR + 1.75%, payable monthly. Principal repayment will be made in three instalments of 20%, 30%, and 50% in the fourth, fifth, and sixth months, respectively, following an initial three-month grace period. The proposed instrument will be secured through a ranking charge over current assets with a 25% margin, personal guarantees of sponsor directors, liens over collection and debt payment accounts, a corporate guarantee from the parent company [Orient Color Labs (Pvt) Limited], and a collection-routing mechanism targeting cumulative collections of at least 1.5x the issue size.

The preliminary rating takes into account the Company's established market presence and the seasonal alignment of projected cash flows with the Sukuk's maturity profile. Additional comfort is drawn from the proposed collection-routing mechanism and the accumulation of funds in the Debt Payment Account (DPA), which are expected to support timely debt servicing.

During FY26, the Company underwent a restructuring pursuant to a court-sanctioned Scheme of Arrangement, resulting in the separation of ownership and management interests and a realignment of its shareholding, assets, and liabilities. Following the restructuring, management control rests with Mr. Ahmad Fazal family. However, the restructuring resulted in an erosion of equity, leading to elevated gearing and leverage ratios. The eroded fixed assets & equity, including the 97.12% shareholding of the parent company, Orient Color Labs (Pvt) Limited was transferred to the CEO's family. Hence, OEL has offered corporate guarantee of Orient Color Labs (Pvt) Limited being both Shares Holding & Assets Holding company. Going forward, the restoration of capitalization indicators will remain an important consideration. On the operating front, the Company has demonstrated consistent year-on-year revenue growth, while margins have remained relatively stable. Funds from Operations (FFO) have also improved over time, reflecting strengthening internal cash flow generation.

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Company Profile

Orient Electronics Limited (formerly Orient Electronics (Private) Limited) ('OEL' or 'the Company') was incorporated on August 23, 2005. Since August 17, 2026 company converted from Private Limited Company to an unlisted Public Limited Company. 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.

Proposed Short-term Sukuk

OEL plans to raise a listed and secured Short-term Sukuk ('STS' or 'the instrument') amounting to Rs. 1,500m (inclusive of Rs. 500m green shoe option). The funds utilized will facilitate timely payments to foreign vendors and suppliers, support inventory procurement and stock management, and manage day-to-day operational cash flows. The tenure of the instrument is 6 months. The base rate will be set at 3 months KIBOR + 1.75%. The profit repayment will be made monthly. The principal redemption will follow this below mentioned schedule:

- Months 1 to 3: Grace Period
- Month 4: 20% of the Issue Amount
- Month 5: 30% of the Issue Amount
- Month 6: 50% of the Issue Amount

The STS-1 will be secured by the way of ranking charge on present & future current assets of the Company including electronics inventory, consumer appliance stock, stock-in-trade, and trade receivables with 25% margin, corporate guarantee from the parent company [Orient Color Labs Pvt) Limited], personal guarantees of sponsor directors of the Company with Lien and Right of Set off on Collection Account (CA) and Debt Payment Account (DPA) with the following arrangements:

- DPA: The Company will establish an irrevocable standing instruction arrangement with Meezan Bank (acting as the Collecting Agent). Under the arrangement, 100% of all customer and dealer collections received in the Company's Meezan Bank accounts will be automatically swept/routed directly into a Collection Account with the Agent Bank. The Company will ensure that the total volume routed through this mechanism during the Sukuk's tenor equals at least 1.5x of the total Issue Size. The Company acknowledges that approximately 50% of its collections are through Meezan Bank.
- CA: Collections through the CA will be retained in a remunerative DPA (with the Agent Bank) starting from the 15th of the month such that the balance on the DPA by the 25th of the month equals the upcoming profit and/or principal payment (the "Next Instalment"). In case of any shortfall, the Company will provide the difference on or before the 25th day.

The rating of proposed STS reflects the security structure of the instrument which includes DPA maintenance and cash collection mechanisms, and alignment of peak cash collection period of the Company during the instrument repayment period from which could fall from April to June 2027.

Management and Governance

The Company underwent a restructuring pursuant to an agreement dated October 30, 2024, between two shareholder groups: Group T, led by Talat Mahmood and family, and Group A, led by Ahmad Fazal and Aisha Ahmad. The arrangement provided for the separation of their respective shareholdings, management control, business interests, assets and liabilities. The Scheme was sanctioned by the Lahore High Court on January 22, 2026, under Sections 279–283 of the Companies Act, 2017. The restructuring involved cancellation and transfer of shareholdings in OEL, Orient Material and Orient Apparel, transfer of certain immovable properties, adjustments to sponsor loans and recognition of a receivable relating to a BankIslami Pakistan Limited loan. The resulting adjustments were recognized directly in equity through a Reserve under Scheme of Arrangement, which stood at negative Rs. 7,316.9m as at June 30, 2026. Consequently, share capital declined from Rs. 700.0m to Rs. 72.3m, which subsequently enhanced upto Rs. 700m, while revaluation surplus reduced from Rs. 14,483.9m to Rs. 1,878.2m. The asset base also contracted, with property, plant and equipment declining from Rs. 24,268.6m to Rs. 4,563.5m and investment property no longer appearing on the balance sheet.

The arrangement also resulted in a consolidation of ownership, with OCL's shareholding increasing to 99.99% (FY25: 97.86%). Direct shareholdings of CEO Mian Ahmad Fazal and Talat Mahmood declined to 0.0001% and nil, respectively. OCL is jointly owned by the CEO and his wife, with effective control of the Company now resting with them. Since August 17, 2026 company converted from Private Limited Company to an unlisted Public Limited Company with OCL shareholding of 97.86% and Mr. Ahmad Fazal shareholding of 2.14%

CEO PROFILE

Mr. 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.

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AUDITOR

Financials statements of FY26 were audited by Rahman Sarfaraz Rahim Iqbal Rafiq, an audit firm appearing in Category 'A' of SBP Auditor's List. The audit firm issued an unmodified opinion, highlighting recent scheme of arrangement as emphasis of matter.

Business Risk

INDUSTRY UPDATE

VIS categorizes the household appliances industry's business risk profile as medium to high owing to exposure to macroeconomic volatility, dependence on imported components, elevated energy costs and fluctuations in consumer purchasing power. Intense competition from international and domestic manufacturers may also constrain pricing flexibility and profit margins. 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.

Pakistan's household appliances industry demonstrated a significant recovery during FY26, supported by easing import restrictions, improved consumer purchasing power, declining interest rates and the revival of consumer financing. Large-Scale Manufacturing (LSM) grew by 4.98% during FY26, while the electrical equipment segment recorded a notable 14.25% YoY expansion. Demand remained concentrated in refrigerators and air conditioners, with rising temperatures, higher electricity tariffs and low household penetration supporting the shift towards energy-efficient inverter-based appliances. 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 industry is expected to maintain a positive growth trajectory, supported by improving economic conditions, replacement demand, urbanization and increasing adoption of energy-efficient and solar-compatible appliances. During July–August FY27, electrical equipment production recorded cumulative growth of 4.99% YoY, indicating continued but relatively moderate momentum. Overall, FY27 prospects remain cautiously positive, contingent upon macroeconomic stability, affordable consumer financing, exchange-rate stability and greater localization of production and supply chains.

PRODUCTION CAPACITY

Capacity utilization remained constrained across all product segments in FY26. Refrigerator utilization was low, air conditioner utilization remained broadly stable. Conversely, utilization declined in water dispensers/washing machines, LED TVs, and ovens, reflecting impact of subdued demand on production.

SALES & PROFITABILITY

Net sales declined marginally in FY26, with the Company's established home appliances presence partly alleviated the pressure on sales from subdued consumer purchasing power. The product mix remained concentrated in air conditioners and refrigerators during FY25-FY26. In terms of volumes, refrigerators continued to demonstrate steady growth, whereas air conditioners and other product categories exhibited greater variability. Overall sales volumes moderated by 6% in FY26 due to demand pressures, following a substantial recovery of 62% in FY25.

During FY25-FY26, 33% of refrigerator sales were generated from Peshawar/KPK, while Lahore led in air conditioner and LED, microwave and airconditioner 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.

While gross and operating margins moderated slightly to 19.5% (FY25: 20.1%) and 8.1% (FY25: 8.7%), respectively, amid input cost pressures and higher employee expenses, lower financial charges supported net margin stability (FY26: 2.6%, FY25: 2.8%).

Net sales increased by 19% in 1QFY27 compared to SPLY, primarily driven by higher sales volumes while favorable pricing contributed to a modest uptick in gross margin (1QFY27: 24.7%, 1QFY26: 23.1%). This improvement in gross margin coupled with lower finance costs led to a slight improvement in net margin to 5.46% (1QFY26: 4.95%) in 1QFY27.

Financial Risk

CAPITAL STRUCTURE

Pursuant to the Scheme of Arrangement, the Company's core equity declined at end-FY26, primarily reflecting the transfer and derecognition of certain assets, including capital work-in-progress and investment property. Consequently, gearing and leverage increased significantly to 1.25x (end-FY25: 0.34x) and 6.10x (end-FY25: 1.86x), respectively. These ratios moderated to 1.17x and 5.47x by end-1QFY27, supported by an improvement in equity through profit retention.

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The impact of elevated leverage is partly mitigated by the declining long-term debt profile, with long-term borrowings reducing at end-FY26 on account of scheduled repayments. Management expects this trend to continue, given limited anticipated capital expenditure. Long-term borrowings include a diminishing Musharakah facility with BankIslami Pakistan Limited, allocated 45:55 between the Company and Orient Material (Private) Limited. However, the full liability remains recognized pending completion of security formalities. Meanwhile, short-term borrowings increased moderately to at end-FY26, reflecting higher working capital requirements.

DEBT COVERAGE & LIQUIDITY

Debt servicing capacity strengthened during FY26, supported by higher funds from operations (FFO) and scheduled principal repayments, with debt coverage ratios improving further in 1QFY27. The overall liquidity profile remains supported by adequate coverage of short-term borrowings through stock-in-trade and trade receivables, alongside a satisfactory receivables ageing profile during FY25 and FY26. While cash conversion cycle has extened in FY26, liquidity draws support from the seasonal nature of the Company's business, with sales typically peaking during the summer months, supporting inventory conversion and subsequent cash flow generation. The liquidity mismatch has also gradually narrowed since FY23, primarily reflecting lower debt obligations. However, outstanding tax refunds, which remain subject to FBR approval, continue to constrain cash flows and contribute to reliance on short-term borrowings.

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REGULATORY DISCLOSURES — Appendix I

Name of Rated Entity	Orient Electronics Limited (formerly Orient Electronics (Private) Limited)
Sector	Consumer Appliances
Type of Relationship	Solicited
Purpose of Rating	Instrument Rating

Rating History

Rating Date	Medium to Long Term	Short Term	Outlook / Rating Watch	Rating Action
		RATING TYPE: ENTITY		
01-06-2026	**A-**	**A2**	**Stable**	**Reaffirmed**
09-05-2025	A-	A2	Stable	Maintained
23-05-2024	A-	A2	Negative	Maintained
09-05-2023	A-	A2	Rating Watch - Negative	Maintained
17-03-2022	A-	A2	Rating Watch - Developing	Update
25-08-2021	A-	A2	Rating Watch - Developing	Upgrade on Rating Watch
26-06-2020	BBB+	A2	Stable	Downgrade
26-03-2019	A	A2	Stable	Initial
		RATING TYPE: SUKUK		
26-11-2026		**A1 (plim)**		**Preliminary**

Instrument Structure

Instrument Name:	Details
Nature of Instrument	STS
Tenure of Instrument	6 months
Size of the Issue	PKR 1.5b (PKR 500 m green shoe option)
Principle Redemption Schedule	As per the following schedule: • Months 1 to 3: Grace Period • Month 4: 20% of the Issue Amount • Month 5: 30% of the Issue Amount • Month 6: 50% of the Issue Amount
Profit Redemption Schedule	Monthly
Nature of Security/Credit Enhancement	• Ranking Charge on present & future current assets of the Company including electronics inventory, consumer appliance stock, stock-in-trade, and trade receivables (security margin: 25%) • Personal guarantees of sponsor directors of the Company • Lien and Right of Set off on Collection Account and Debt Payment Account. The Company will establish an irrevocable standing instruction arrangement with Meezan Bank (acting as the Collecting Agent). Under the arrangement, 100% of all customer and dealer collections received in the Company's Meezan Bank accounts will be automatically swept/routed directly into a Collection Account with the Agent Bank. The Company will ensure that the total volume routed through this mechanism during the Sukuk's tenor equals at least 1.5x of the total Issue Size. The Company acknowledges that approximately 50% of its collections are through Meezan Bank.
Rate	3M KIBOR + 1.75%
Lead Arranger(s)	Value Team (Private) Limited ("VT") and any other financial institution as co-opted by VT

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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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	Ahsan Bashir	CFO	11-11-2026
2	Kashif Siddique	Manager Finance	

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