MANNAN SHAHID FORGINGS LIMITED

Analysts:
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	**A**	**A2**	A	A2
RATING OUTLOOK/WATCH	**Stable**		Stable	
RATING ACTION	**Reaffirmed**		Reaffirmed	
RATING DATE	**10-Jul-2026**		13-Jun-2025	

Shareholding (5% or More)	Other Information
Shahid Dad – 51%	Incorporated in 1989
Muhammad Akhtar – 15%	Unquoted Public Limited Company
Mehr Raza – 11%	Chief Executive: Shahid Dad
Sara Shahid Khan – 11%	External Auditor: Malik Haroon Ahmad & Co., Chartered Accountants
Maryam Shahid Khan – 11%	

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

Assigned ratings are underpinned by a strong financial profile, presence of an experienced management team and focus on export markets with limited competition on domestic front and the Company's unique closed-die forging capacity. The ratings derive support from the Company's diversified product portfolio, long-standing relationships with international customers, mainly OEMs, and comfortable capitalization profile characterized by low leverage and negligible gearing on net debt basis.

Despite lower revenue and subdued margins in FY25 due to lower export volumes and weak pricing, financial profile remained largely stable on the back of lower markup rates, retirement of long-term borrowings and replacing short-term borrowing with subsidized SBP export refinance. A notable recovery was witnessed in 9MFY26, supported by a favorable sales mix, higher margins, uptick in profitability and improved cash flow generation. Going forward, ratings will remain dependent on the Company's ability to sustain the improvement in financial parameters, including maintaining limited reliance on borrowings and long-term plans to expand its operating capacities.

Company Profile

Mannan Shahid Forgings Limited ('MSFL' or 'the Company') was incorporated in Pakistan in 1989 as a private limited company. It was converted into unquoted public limited company in 2005. The Company is principally engaged in the manufacturing and sale of forged, machined and heat-treated automotive and engineering components catering to local and export markets. Product applications primarily include automobile segment, industrial and engineering sectors. The Company's manufacturing facility is located in Lahore. Shareholding is concentrated with the sponsoring family, with Mr. Shahid Dad holding majority stake and serving as the Chief Executive Officer. MSFL has gradually diversified its customer base from reliance on the local tractor sector towards export markets, with exports constituting the major portion of sales.

Management and Governance

The Company is governed by a three-member Board comprising representatives of the sponsoring family. Overall control rests with the sponsors, while day-to-day operations are managed by an experienced management team. The Chief Executive Officer, Mr. Shahid Dad, has extensive experience in the forging industry and export markets. The finance function is headed by Mr. Ali Ahmed Qureshi, who has been associated with the Company for over a decade, supported by an experienced senior management team. Management continuity is further supported by the involvement of the next generation of the sponsors in business development and operational functions. Governance framework is considered adequate relative to the Company's scale and nature of operations

Business Risk

INDUSTRY

The forging sector is assessed to carry moderate business risk, given its dependence on cyclical end-user industries such as automotive, commercial vehicles, tractors, construction, agriculture and industrial machinery. Demand for forged components is closely linked with industrial activity, infrastructure development, freight movement and agricultural mechanization, making the sector vulnerable to economic slowdowns and fluctuations in capital spending. During FY25, the global automotive and heavy vehicle supply chain remained under pressure amid weak economic activity in Europe, lower order intake from OEMs and continued geopolitical uncertainties. The sector also faced challenges from elevated logistics costs and supply chain disruptions arising from geopolitical tensions and Red Sea-related freight constraints, which affected delivery schedules and procurement lead times. On the cost side, forging manufacturers remain exposed to volatility in steel prices, energy costs, exchange rate fluctuations and dependence on imported raw materials, particularly for export-quality alloy and carbon steel grades. In Pakistan, the organized forging market remains relatively small, with limited formal competition and a sizeable presence of smaller unorganized players. Historically, domestic demand has largely originated from the tractor and auto sectors, while export-oriented manufacturers have increasingly diversified towards international automotive and industrial supply chains to mitigate concentration risk. Going forward, gradual normalization of freight routes, easing procurement pressures and recovery in industrial demand across key export markets may support sector performance; however, profitability and competitiveness will remain dependent on efficient raw material sourcing, operational efficiency, product development capabilities and the ability to maintain long-term relationships with OEMs and international customers.

OPERATIONAL UPDATE

MSFL maintains a diversified product portfolio and increasingly focuses on export markets. Capacity utilization remained under pressure during FY25 due to lower order execution amid pricing pressure, elevated raw material costs and export-related supply chain disruptions. During 9MFY26, production activity recovered on the back of improved demand from existing customers, addition of new customers and expansion of exports to China and the Netherlands. Management continues to focus on customer diversification, product development and export-led growth. The details on production capacity and utilization rates are as under:

Production Capacity & Utilization				
in tons	**FY23**	**FY24**	**FY25**	**9MFY26**
Installed Capacity	15,000	15,000	15,000	11,250
Actual Production	6,423	6,746	4,884	4,864
Utilization	**42.80%**	**45.00%**	**32.56%**	**43.24%**

The Company's manufacturing operations are energy intensive and primarily rely on grid electricity. To support operational continuity and manage energy costs, the Company maintains access to grid electricity, natural gas and solar power (0.75 MW). The existing solar installation provides partial support against rising energy costs, while management continues to explore initiatives aimed at improving energy efficiency and reducing overheads. Management has stated that long-term plans are in place to expand installed capacities of solar power on its owned land.

SALES & PROFITABILITY

Net sales declined to PKR 3.2b in FY25 (FY24: PKR 4.3b), mainly due to lower export volumes amid export-related supply chain disruptions in Europe and freight constraints. Export sales remained the major revenue contributor at 77% of total sales (FY24: 75%), while local sales reduced amid limited domestic demand and management's focus on export markets. During 9MFY26, net sales stood at PKR 3.2b, largely in line with FY24, supported by recovery in export sales to PKR 2.7b (FY25: PKR 2.5b). The Company's top customers comprise established local and international corporates, including Capi Group S.R.L., Rasche Umformtechnik GmbH & Co. KG, Gigant-Trenkamp & Gehle GmbH, Wallace Forge Company, Walterscheid Powertrain Group and Millat Tractors Limited. This reflects MSFL's strong customer base and established relationships across export and local markets.

Profitability weakened in FY25, with gross margin declining to 9.4% (FY24: 15.9%) due to pricing pressure and elevated raw material costs. Resultantly, operating margin reduced to 7.7% (FY24: 12.0%) and net margin declined to 3.4% (FY24: 7.5%). During 9MFY26, margins recovered notably, with gross margin improving to 20.3% (FY25: 9.4%), operating margin to 15.1% (FY25: 7.7%) and net margin to 9.9% (FY25: 3.4%), supported by higher revenue, better raw material procurement rates and lower finance cost.

Going forward, sales growth and margin sustainability are expected to remain dependent on timely execution of export orders, continued customer addition and normalization of freight/logistics conditions. Sustained improvement in export volumes and maintenance of procurement efficiencies will be important for profitability.

Financial Risk

CAPITAL STRUCTURE

Supported by profit retention, core equity increased to PKR 2.1b at end-FY25 (FY24: PKR 2.0b) and further to PKR 2.4b in 9MFY26. Borrowing comprised entirely of short-term debt, as the Company fully retired its long-term loans in FY24. Consequently, gearing improved to 0.21x in 9MFY26 (FY25: 0.30x), while leverage strengthened to 0.50x (FY25: 0.56x). Net of cash balances gearing would decrease to a negligible 0.04x (end-FY25: 0.11x) by end of 9M1HFY26. Going forward, capitalization indicators are expected to remain adequate, supported by internal cash generation and a conservative borrowing profile.

DEBT COVERAGE & LIQUIDITY

Funds from Operations (FFO) decreased to PKR 271.0m in FY25 (FY24: PKR 534.3m) due to weaker profitability, before staging a recovery to PKR 472.5m during 9MFY26. Debt servicing capacity remained comfortable, with DSCR recorded at 4.25x in FY25 (FY24: 4.61x) and improving steeply to 13.87x in 9MFY26, supported by higher FFO and lower finance cost. Liquidity indicators also remained strong, with current ratio improving to 3.46x in 9MFY26 (FY25: 3.13x, FY24: 2.46x) on the back of higher cash balances and low borrowing for working capital. Higher cash balances of PKR 397m at end-9MFY26 (FY25: PKR 396m, FY24: PKR 200m) reflect utilization of subsidized FAPC (Facility Against Packing Credit) lines, where the funds are retained temporarily for export order execution instead of being immediately adjusted against short-term borrowings.

The working capital cycle remained elongated, with cash conversion cycle increasing to 177 days in FY25 (FY24: 122 days) before improving to 157 days in 9MFY26. Receivable quality remained satisfactory, with approximately 84% of total receivables falling within 90 days at end-FY25, while balances outstanding beyond 120 days constituted less than 1% of total receivables. Going forward, maintenance of healthy cash flows, prudent working capital management and timely collection of receivables will remain important for sustaining the Company's liquidity profile.

Ageing Schedule FY25						
Category	**0–30**	**31–60**	**61–90**	**91–120**	**121+**	**Total**
Export	16.62%	39.27%	28.08%	15.69%	0.34%	100.00%
Local	51.50%	37.60%	-0.66%	0.10%	11.45%	100.00%
Grand Total	**18.62%**	**39.17%**	**26.44%**	**14.80%**	**0.98%**	**100.00%**

Financial Summary

Balance Sheet (PKR Millions)	FY22A	FY23A	FY24A	FY25A	9MFY26M
Property, plant and equipment	1,843.90	1,830.40	1,846.10	1,867.30	1,873.40
Stock-in-trade	886.5	1,123.70	1,272.10	1,365.50	1,125.90
Trade debts	518.9	481.7	614.3	301.7	684
Cash & Bank Balances	166.4	458.5	200	395.6	396.6
Other Assets	478.1	445.2	804	646.3	804.9
Total Assets	3,893.80	4,341.00	4,736.50	4,576.30	4,884.80
Creditors	385	474.8	441	183.1	217.5
Long-term Debt (incl. current portion)	64.2	26.1	8.5	0	0
Short-Term Borrowings	514.5	536.4	599.5	625	500
Total Debt	578.6	562.4	608	625	500
Other Liabilities	298.9	303.5	386.2	360.1	469.7
Total Liabilities	1,262.60	1,340.70	1,435.10	1,168.20	1,187.10
Paid up Capital	212.3	1,500.00	1,500.00	1,500.10	1,500.10
Revenue Reserve	1,053.50	140.5	463.9	574.9	864.5
Equity (excl. Revaluation Surplus)	1,265.80	1,640.50	1,963.90	2,075.00	2,364.60
Income Statement (PKR Millions)	**FY22A**	**FY23A**	**FY24A**	**FY25A**	**9MFY26M**
Net Sales	3,426.70	3,404.20	4,278.30	3,234.20	3,155.00
Gross Profit	507.2	436	681.3	304.1	641
Operating Profit	474.7	614.1	515.3	248.2	475.8
Finance Costs	39.2	86.5	134.5	88.6	37
Profit Before Tax	435.5	527.6	380.8	159.7	438.8
Profit After Tax	406.7	481.1	322.1	111.1	312.1
Ratio Analysis	**FY22A**	**FY23A**	**FY24A**	**FY25A**	**9MFY26M**
Gross Margin (%)	14.80%	12.81%	15.92%	9.40%	20.32%
Operating Margin (%)	13.85%	18.04%	12.04%	7.68%	15.08%
Net Margin (%)	11.87%	14.13%	7.53%	3.43%	9.89%
Funds from Operation (FFO) (PKR Millions)	442.3	679.6	534.3	271	472.5
FFO to Total Debt* (%)	76.43%	120.84%	87.89%	43.35%	126.01%
FFO to Long Term Debt* (%)	689.29%	2608.83%	6293.66%	-	-
Gearing (x)	0.46	0.34	0.31	0.30	0.21
Leverage (x)	1.00	0.82	0.73	0.56	0.50
Debt Servicing Coverage Ratio* (x)	6.79	7.16	4.61	4.25	13.87
Current Ratio (x)	2.01	2.25	2.46	3.13	3.46
(Stock in trade + trade debts) / STD (x)	2.90	3.23	3.44	2.96	4.01
Return on Average Assets* (%)	12.73%	11.68%	7.10%	2.38%	8.80%
Return on Average Equity* (%)	37.13%	33.10%	17.87%	5.50%	18.75%
Cash Conversion Cycle (days)	110	124	122	177	157

**Annualized, if required*

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES — Appendix I

Name of Rated Entity	Mannan Shahid Forgings Limited
Sector	Engineering
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
Rating History	see table below
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.
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.
Due Diligence Meetings Conducted	see table below

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
RATING TYPE: ENTITY				
10-Jul-26	**A**	**A2**	Stable	Reaffirmed
13-Jun-25	A	A2	Stable	Reaffirmed
06-May-24	A	A2	Stable	Upgrade
11-May-23	A-	A2	Stable	Reaffirmed
17-Mar-22	A-	A2	Stable	Initial

Due Diligence Meetings Conducted

Name	Designation	Date
Ali Ahmad Qureshi	CFO	16-Jun-26
Sarfaraz Hussain	DGM Finance	