VIS
Credit Rating Company Limited

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APPLICABLE METHODOLOGY(IES):
VIS Entity Rating Criteria Methodology – Industrial Corporates
(https://docs.vis.com.pk/docs/CorporateMethodology.pdf)
Rating Scale:
(https://docs.vis.com.pk/docs/VISRatingScales.pdf)

DWP TECHNOLOGIES (PVT) LIMITED

Chairman & Chief Executive: Mr. Muhammad Farooq Naseem

RATING DETAILS

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Long-term	**Short-term**	**Long-term**	**Short-term**
ENTITY	A-	A2	A-	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	July 18, 2025		June 07, 2024	

RATING RATIONALE

The assigned ratings take into account the moderate business risk profile of the Company, characterized by limited competition, long-established relations with industrial clients, and partnerships with renowned brands. On the other hand, exposure to currency depreciation and import restrictions during the review period remained major challenges for the sector. However, the long-term demand outlook remains positive, driven by the growing need for automation, cybersecurity, and data integration across various industries.

Meanwhile, the financial risk profile reflects the Company's manageable capitalization and sound liquidity profile, supported by a recovery in topline following demand slowdown in FY23 due to import restrictions. Working capital requirements are mainly funded through LC-backed imports and internal cash while receivables are largely tied to milestone-based contract payments. Cashflow and Debt coverages remained healthy during the review period.

Looking ahead, the Company's healthy order book coupled with absence of any major capex requirements, is expected to sustain its financial profile.

COMPANY PROFILE

DWP Technologies (Pvt) Limited ('DWPTL' or 'the Company') was incorporated February 19, 2003, as a Private Limited Company under the Companies Ordinance, 1984. The principal activity of the Company is to execute Industrial I.T and Digitalization contracts for public and private sector with major demand from government entities (HEC, FBR, SBP), Banks (HBL, UBL, MEBL) and Telecom (Mobilink, PTCL) sectors.

The head office of the Company is located in Lahore, while a registered office is situated at Mandviwala Chamber, Talpur Road, Karachi.

INDUSTRY PROFILE & BUSINESS RISK

The business model of DWPTL focuses on providing a diverse range of products, services, and solutions, including enterprise computing and storage, networking & information security, data center infrastructure, business process outsourcing, and energy solutions through a contract-based revenue model, with major demand emanating from government entities, banks and telecom sectors.

The Company's business risk profile is moderate, supported by its long-established relationships with industrial clients and its partnerships with globally renowned brands, as well as limited local competition mainly from Siemens Pakistan, Wateen Telecom, Mega Tech, and Premier Systems (Pvt) Ltd in different segments. However, the business risk profile is exposed to the project-based revenue model, which inherently carries execution, receivables, and working capital risks.

On the supply side, external factors like currency depreciation, import restrictions, and regulatory delays could create operational challenges. These factors can affect project timelines and cost structures. Despite this, the demand outlook remains positive, driven by the growing need for automation, cybersecurity, and data integration across various industries.

Product Portfolio

The Company operates through six strategic business units (SBUs): solutions, network, document technology, power, Mechanical Electrical Plumbing (MEP), and Sustainable Digital Energy (SDE).

DWPTL has established partnerships and affiliations with leading multinational IT companies such as Cisco Systems, Inc., DELL, Lenovo, HP, EMC Corporation, VMware, Inc., Huawei Technologies Co. Ltd., and Xerox Corporation, enhancing its competitive position and enabling it to competitively bid for large-scale projects.

FINANCIAL RISK

Capital Structure

During the year, the Company reported rebound in sales post ease in import restrictions, consequently increasing LC-backed short term debt (accounts for 68% of ST debt). As a result, gearing recorded at 0.73x (FY23: 0.61x) while concurrent surge in trade payables also rose leverage to 1.82x (FY23: 1.54x).

As of 9MFY25, gearing and leverage lowered back to 0.65x and 1.59x, respectively, supported by higher profit retention and resulting equity growth. Going forward, with no further Capex planned, the Company's capitalization profile is expected to remain at adequate levels.

Profitability

DWPTL recorded a 4-year (FY20-FY24) sales CAGR of 19.8%, reflecting moderate growth over the period. However, on a YoY basis, the topline surged by 72.6% to PKR 9.94 Bn in FY24 (FY23: PKR 5.76 Bn), driven by a recovery in macroeconomic conditions and the easing of import restrictions. The Higher Education Commission (HEC) emerged as the Company's top client, contributing approximately 32% to total sales in FY24, while remaining was largely from commercial banks and the telecom sector.

Gross margins remained stable at 20.6% (FY23: 20.4%), whereas the operating margin improved to 12% (FY23: 9%)amid increased operational efficiency. Net margin also increased to 7.2% (FY23: 3.8%), parallel to increase in opearting margin and also supported by a lower effective tax rate.

In 9MFY25, the Company posted a topline of PKR 6.7 Bn and a gross margin of 21%. Operating margin further improved to 13.2% consequntly improving net margin to 7.5%. Going forward, the Company expects to post full-year FY25 topline of PKR ~9 Bn, backed by a healthy project pipeline, as per the management.

Debt Coverage & Liquidity

Company's current ratio has largely remained adequate at over 1.0x (FY24: 1.27x, FY23: 1.24x). Working capital requirements are mainly funded through LC-backed imports while receivables are largely tied to milestone-based contract payments.

During the year, Cash conversion cycle strengthened to -13 days (FY23: 8 days) driven by a reduction in receivable days. Funds from operations (FFO) increased to PKR 671 Mn (FY23: PKR 208 Mn) as a result of enhanced profitability. This led to improved coverage ratios, with FFO to short-term and total debt rising to 0.32x and 0.30x, respectively (FY23: 0.17x and 0.14x). FFO to long-term debt also saw a significant increase, reaching 4.82x (FY23: 0.98x), due to minimal long-term debt and improved operational funds. Likewise, the Debt Service Coverage Ratio (DSCR) also strengthened to 3.08x (FY23: 1.72x).

As of 9MFY25, the current ratio improved further to 1.36x, while the cash conversion cycle lengthened to 115 days, due to significant increase in inventory levels (backed by orders). This rise is consistent with the Company's normal business cycle, as most projects are wounded up by June end. Annualized FFO rose by 21%, reaching PKR 813 Mn, consequently improving coverages with FFO to short-term and total debt rising to 0.36x and 0.35x, respectively. DSCR increased, reaching 4.27x.

REGULATORY DISCLOSURES						**Appendix II**
Name of Rated Entity	**DWP Technologies (Pvt) Limited**					
Sector	**Technology**					
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					
	18-July-25	A-	A2	Stable	Reaffirmed	
	07-June-24	A-	A2	Stable	Reaffirmed	
	18-Aug-23	A-	A2	Stable	Reaffirmed	
	19-July-22	A-	A2	Stable	Reaffirmed	
	30-June-21	A-	A2	Stable	Maintained	
	13-July-20	A-	A2	Rating Watch - Negative	Maintained	
	28-Feb-19	A-	A2	Stable	Initial	
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.	**Mr. Liaquat Ali**	**GM Banking & Finance**	**17-June, 2025**		
	2.	**Mr. Shakeeb Shahzad**	**Manager Finance**			