DIGITAL WORLD PAKISTAN (PVT) LIMITED

Analyst:
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RATING DETAILS	
RATINGS CATEGORY	Previous Rating
	Short-term
INSTRUMENT (STS-4)	A1 (plim)
RATING ACTION	Preliminary
RATING DATE	June 24, 2026

Shareholding (5% or More)	Other Information
Muhammad Farooq Naseem – 55%	Incorporated in 2000
Roohi Farooq Naseem – 29%	Private Limited Company
	Chief Executive: Mr. Muhmmad Farooq Naseem
	External Auditor: Parker Russell A.J.S. Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/docs/CorporateMethodology.pdf
Instrument Rating
https://docs.vis.com.pk/Methodologies-2025/IRM-Apr-25.pdf

Rating Scale

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

Rating Rationale

The assigned rating reflects the Company's strengthened financial profile, supported by its established market position and strong brand equity. The Company has exhibited sustained growth in revenues and profitability driven by expanding sales volumes, deeper market penetration and operational efficiencies. The instrument rating incorporates the seasonal alignment of projected cash flows with Sukuk maturities, availability of working capital lines and buildup of a Finance Payment Account (FPA).

Company Profile

Digital World Pakistan (Pvt) Limited ('DWPL' or 'the Company') was incorporated on April 06, 2000 and is principally engaged in manufacturing and sale of varied interrelated consumer home electronic products, for the brand 'Gree' under a licensing agreement with Chinese principals and DWPL's own brand 'Ecostar'.

The head office of the Company is situated in Gulberg-CV, Lahore while its manufacturing units are at Multan Road, Lahore and Port Qasim, Karachi.

PROPOSED SUKUK

The Company intends to raise financing through a sukuk program of PKR 5,000mn entailing two privately placed, short term issues (STS-3 & 4) of PKR 2,500mn each (inclusive of a green shoe option of PKR 500mn per issue) to finance working capital requirements. The first sukuk of this program (STS-3) is planned to be issued in June 2026, and the subsequent (STS-4) in July 2026. The instruments will have a tenor of six months from the date of issuance, carrying a profit rate of 3M KIBOR plus 1.00%–1.25% per annum. Profit will be payable quarterly, while principal will be repaid in a bullet payment at maturity.

Proceeds will be utilized to bridge temporary working capital needs arising from a shift in the peak sales season due to delays in the summer cycle this year.

The sukuks incorporate credit enhancement features, including availability of funded lines backed by the Company's undertaking and the establishment of a Finance Payment Account (FPA), to be fully funded five working days prior to maturity. The Company maintains total outstanding banking lines of PKR 13.2bn, of which PKR 11.0bn had been utilized as of May 2026, providing sufficient headroom to meet the upcoming maturities of STS-1 and STS-2.

The Company has previously issued STS-1 and STS-2 amounting to PKR 1.5bn each in December 2025 and January 2026, respectively, which are scheduled to mature on 29 June 2026 and 14 July 2026.

Management and Governance

The Company is led by Mr. Muhammad Farooq Naseem, Chief Executive Officer and Founder/Chairman of DWP Group. He holds a Bachelor's degree in Mechanical Engineering from the University of Minnesota, USA, and an MBA from the University of Notre Dame, USA. He is also a Certified Public Accountant (CPA) from the American Institute of Certified Public Accountants, California, USA and brings over 30 years of diversified experience across the electronics, information technology, textile, and agro-based industries.

The Board structure reflects a closely held private limited company, comprising four directors and Chairman, all of whom are sponsor family members.

The Company's financial statements were audited by Parker Russell A.J.S. Chartered Accountants, who are placed in Category B of the State Bank of Pakistan's approved auditors list. The auditor has issued an unqualified opinion on FY25 accounts.

Business Risk

INDUSTRY UPDATE

VIS categorizes the household appliances industry's business risk profile as medium to high, reflecting its exposure to demand cyclicality, exchange rate volatility, and reliance on imported components with limited localization. The sector remains sensitive to fluctuations in consumer purchasing power, financing availability, and changes in import and energy-related policies. During FY25 and FY26, Pakistan's household appliances market, a sub-segment of the LSM sector witnessed a strong recovery. Despite a marginal contraction in overall LSM during FY25, the electrical equipment segment recorded robust growth, supported by easing import restrictions, improving consumer purchasing power, and lower interest rates that revived consumer financing. The air conditioner segment remained a key growth driver, with annual industry sales estimated at approximately 1.0–1.2 million units. Demand has increasingly shifted toward inverter and T3 models, driven by recurring heatwaves, rising temperatures, and elevated electricity tariffs, which have strengthened consumer preference for energy-efficient cooling solutions. The competitive landscape remains fragmented, with the market led by established international brands such as Haier, Gree (through its partnership with DWP Group), Samsung, and Dawlance, alongside domestic manufacturers including PEL and Orient Electronics. Competition is primarily driven by product innovation, energy efficiency, distribution reach, after-sales service quality, and pricing strategies.

While improving demand dynamics support industry growth, profitability remains vulnerable to exchange rate fluctuations and imported input costs.

Operational Performance

FY25 saw improved capacity utilization, supported by stronger demand and easing import restrictions, with momentum continuing into the ongoing year. The Company further strengthened its manufacturing footprint through the commissioning of a new Karachi facility in December 2025, adding 150,000 air conditioner units and increasing total annual capacity to 700,000 units. Meanwhile, the refrigerator segment, which remained non-operational during the previous year due to limited credit availability, resumed operations in March 2026.

DWP Fortech Enterprise (Pvt) Limited

The Company is in the process of establishing a wholly owned subsidiary, DWP Fortech Enterprise (Pvt) Limited ("DWPF" or "the Subsidiary"). Accordingly, certain operations and assets are planned to be transferred to the Subsidiary over next two years.

As of 9MFY26, equity of PKR 275mn has been injected into DWPF, with total equity funding projected at PKR 4.5bn by FY28. In addition, PKR 5.0bn of debt is expected to be mobilized in FY27 to finance the total capex requirement of PKR 9.5bn. The Subsidiary is expected to commence operations by December 2026. Post-commissioning of DWP Fortech, Company's cumulative annual production capacity is expected to increase to 1.9mn units (FY26: 1.5mn units) with no further expansion anticipated.

PROFITABILITY

During 9MFY26, the Company reported a topline of PKR 28.5bn, reflecting a strong 41% YoY growth compared to SPLY. However, sales remained below projections, primarily due to delayed onset of the summer season, which shifted demand into subsequent months. Total unit sales during the period stood at 291,335 units against the projected 346,000 units. However, sales momentum picked up in April as the delayed demand began to materialize, resulting in sale of 82,000 units and revenue of PKR 9.1 billion during the month alone.

Gross margin remained healthy at 21.6% (9MFY25: 20.4%; FY25: 21.3%), supported by higher margin AC sales. Consequently, operating margin remained steady at 8.9% (9MFY25: 8.1%).

However, finance costs increased significantly primarily due to elevated short-term borrowings utilized to support working capital requirements amid higher production volumes and seasonal inventory build-up during peak production period (November–January) preceding the sales season (April–July). Moreover, a higher effective tax rate during the period further constrained profitability, resulting in a net margin of 3.1% (9MFY25: 6.7%; FY25: 6.5%).

Financial Risk

CAPITAL STRUCTURE

The leverage profile remains manageable, with gearing and leverage increasing to 1.20x and 2.87x, respectively, as of end-9MFY26 (FY25: 0.69x and 2.69x). The increase in debt is primarily attributable to seasonal working capital requirements, particularly higher inventory holdings, rather than structural debt expansion. Management expects inventory levels and working capital utilization to normalize by year-end, supporting an improvement in leverage metrics. Over the medium term, however, the Company's planned capacity enhancement and operational restructuring initiatives are expected to be partially debt-funded, resulting in a moderate increase in gearing and leverage levels. Nonetheless, the overall capital structure is expected to remain within manageable levels, supported by anticipated growth in earnings and cash flow generation

DEBT COVERAGE & LIQUIDITY

The Company's liquidity profile remains adequate, underpinned by a current ratio of 1.1x and a historically negative cash conversion cycle. During 9MFY26, the cash conversion cycle extended to 118 days, primarily due to seasonal inventory accumulation, resulting in higher working capital borrowings. Management expects inventory levels and working capital utilization to normalize by year-end, supporting a recovery in cash flows, coverage indicators, and liquidity metrics. Nevertheless, liquidity remained supported by strong short-term debt coverage of 2.8x, while debt servicing capacity remained adequate, as reflected by a DSCR of 1.19x.

REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	Digital World Pakistan (Pvt) Limited
Sector	Consumer Appliances
Type of Relationship	Solicited
Purpose of Rating	Instrument Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Outlook / Rating Watch	Rating Action
RATING TYPE: SUKUK-4				
24-June-26		A1 (plim)		Preliminary
RATING TYPE: ENTITY				
24-June-26	A	A2	Stable	Upgrade
18-July-25	A-	A2	Stable	Reaffirmed
07-June-24	A-	A2	Stable	Maintained
18-Aug-23	A-	A2	Negative	Maintained
19-July-22	A-	A2	Stable	Reaffirmed
30-June-21	A-	A2	Stable	Upgrade
13-July-20	BBB+	A2	Stable	Downgrade
28-Feb-19	A-	A2	Stable	Initial

Instrument Structure

Instrument Name:	Details
Nature of Instrument	STS-4
Tenure of Instrument	6 months
Size of the Issue	PKR 2.5 billion (inclusive of PKR 500mn green shoe option)
Principle Redemption Schedule	Bullet
Interest Redemption Schedule	Quarterly
Credit Enhancement	1. The Company to provide an undertaking to ensure that sufficient cushion would be available in the Company's funded finance facilities at the time of Principal Redemption in case of any shortfall in the Company's own cashflows; 2. Company to either: a. Establish and fund a Finance Payment Account ("FPA") at least 5 working days prior to the Principal Redemption Date; or b. Furnish a letter from one of its banks confirming that sufficient cushion is available in its funded finance facilities for drawing down by the Company to repay the Sukuk on the Principal Redemption date.
Profit Rate	3M KIBOR plus 1.00%–1.25% p.a.
Name of Trustee	Pak Brunei Investment Company Limited

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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Due Diligence Meetings Conducted

S.No.	Name	Designation	Date
1.	Taha Muhammad Naseem	Managing Director	25-May-2026
2.	Hamid Mahmood	CFO	
3.	Liaqat Ali	GM Banking & Finance	

4.	Umer Junaid	Financial Controller
5.	Shakeeb Shahzad	Manager Banking