DIGITAL WORLD PAKISTAN (PVT) LIMITED

Analyst:
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RATING DETAILS	
Ratings category	Preliminary Sukuk Rating
Short-term Sukuk – STS-6	A1 (plim)
Rating Action	Preliminary
Rating Date	November 10, 2026

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

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology –Corporates
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

The proposed short-term Sukuk issues of PKR 2.5bn each, aggregating PKR 5.0bn, will finance the Company's working capital requirements. The assessment is supported by DWPL's established market position in the household appliances segment, associated brand equity, and improved operating performance, reflected in revenue growth of 17% and improved gross margins in FY26. Debt coverage indicators remain adequate, with short-term debt coverage and debt service coverage at 1.99x and 2.09x, respectively.

Assigned rating reflects the structure of the proposed Sukuk which will be secured through a ranking charge over current assets with 25% margin and a lien over Finance Payment Account (FPA), to be fully funded 5-7 working days prior to maturity. Availability of short-term working capital lines also provides comfort. While working capital requirements have increased amid uncertainty surrounding raw material pricing and availability, sustaining sales momentum and working capital efficiency will remain important.

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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.

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 FY26, equity has been injected into DWPF, with the project funding structure envisaged at a 60:40 debt-to-equity ratio by FY28. The debt component is expected to be mobilized in FY27 to finance the overall capital expenditure requirement. 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.

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 FY26 accounts.

Sukuk Details

The Company intends to raise financing through a sukuk program of PKR 5,000mn entailing two privately placed, short term issues (STS-5 & 6) of PKR 2,500mn each to finance working capital requirements. The first sukuk of this program (STS-5) is planned to be issued in November 2026, and the subsequent (STS-6) in December 2026. The instruments will have a tenor of six months from the date of issuance, carrying a profit rate of 3M KIBOR plus 0.5%–0.65% per annum. Profit will be payable quarterly, while principal will be repaid in a bullet payment at maturity. Proceeds will be utilized for working capital.

The proposed Sukuk will be secured by a ranking charge over current assets with 25% margin and the establishment of a Finance Payment Account (FPA), which will be fully funded 5-7 working days prior to maturity.

The Company has previously issued STS-3 and STS-4 amounting to PKR 2.5bn each in July 2026, respectively, which are scheduled to mature on 15 January 2027 and 27 January 2027.

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Industry Profile & Business Risk

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 with an installed capacity of 156,000 units. Overall capacity utilization increased to 43% in FY26 from 32% in FY25, reflecting higher production volumes across the air conditioner and home appliance segments. In terms of power infrastructure, a 4,200 kVA transformer is installed at the premises, which is sufficient to meet the facility's power requirements. Additionally, a 1,600 kVA generator is available as a backup power source.

DWP Fortech Enterprise (Pvt) Limited is developing a new Greenfield facility at Khankay Morh, Multan Road, Lahore, to avail tax incentives, including a 10-year income tax holiday and customs duty exemptions on imported machinery. The facility is expected to commence operations by December 2026. Upon commissioning, the Company's cumulative annual production capacity will increase to 1.9 million units from 1.5 million units in FY26, with no further capacity expansion planned.

Profitability

During FY26, the Company's revenue increased by 17.0% YoY to PKR 53.1bn (FY25: PKR 45.4bn), primarily driven by higher sales volumes, partly offset by a decline in average selling prices. Despite the growth, revenue remained below projections, mainly due to the delayed onset of the summer season. *Total unit sales increased to 521,732 from 374,910 units in FY25*. Gree and EcoStar air conditioners remained the key revenue drivers, accounting for 91% of total sales, while EcoStar AC sales grew by 34% YoY.

Gross margin improved to 22.6% in FY26 (FY25: 21.3%), supported by a favorable product mix. Accordingly, operating profit increased, with the operating margin improving to 11.3% from 9.8%. However, the benefit of improved operating performance was partly offset by a significant increase in finance costs to PKR 1.7bn (FY25: PKR 709mn), primarily attributable to higher short-term borrowings to finance working capital requirements. These requirements were driven by elevated inventory carryover amid the delayed onset of summer, alongside precautionary inventory buildup in response to supply chain uncertainties. The higher tax charge further weighed on profitability, although other income provided some support. Consequently, net profit declined to PKR 2.6bn from PKR 3.0bn, while the net margin contracted to 5.0% from 6.5%.

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Financial Risk

Capital Structure

The Company's leverage profile remained manageable during FY26, although gearing and leverage increased to 1.22x and 2.92x, respectively, from 0.69x and 2.69x at end-FY25. The increase primarily reflects higher working capital requirements, particularly elevated inventory holdings. Management intends to maintain higher inventory levels to mitigate possible supply chain disruptions amid ongoing geopolitical situation, which may sustain working capital utilization and borrowing requirements over the near term. Furthermore, planned capacity enhancement and operational restructuring initiatives are expected to be partly debt-funded, potentially exerting additional pressure on leverage metrics over the medium term. The Company's ability to manage working capital efficiently, sustain internal cash flow generation, and maintain capitalization within reasonable thresholds amid its planned expansion will remain important.

Debt Coverage & Liquidity

The Company's liquidity profile remains adequate, supported by a current ratio of 1.1x and a historically negative cash conversion cycle. However, the cash conversion cycle extended during FY26, primarily due to seasonal inventory accumulation. Inventory levels are expected to remain elevated over the near term as management builds stock to mitigate supply chain risks. However, debt coverage indicators remain adequate, with short-term debt coverage and the debt service coverage ratio (DSCR) at 1.99x and 2.09x, respectively. Funds from operations (FFO) to long-term debt also stood at 2.0x. Maintaining these coverage levels amid elevated working capital requirements and planned debt-funded expansion will remain important to preserving the Company's financial flexibility.

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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 Type: Short Term Sukuk 6			
	Rating Date	Ratings	Rating Action	
	11/10/2026	A1 (plim)	Preliminary	
Instrument Structure	Digital World Pakistan (Pvt) Limited plans to issue two privately placed, short-term Sukuk (STS-5 and STS-6) of PKR 2.5bn each, aggregating PKR 5.0bn, to finance working capital requirements. Each instrument will have a six-month tenor and carry a profit rate of 3M KIBOR plus 0.50%–0.65% per annum, with quarterly profit payments and bullet repayment of principal at maturity. The proceeds will primarily bridge temporary working capital requirements.			
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 Meeting Conducted	Name	Designation	Date	
	Shakeeb Shahzad	Manager Banking	03 Nov 2026	
	Liaqat Ali	GM Banking & Finance		

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