

Analysts:

M. Amin Hamdani

(amin.hamdani@vis.com.pk)

**TRANSFOPOWER INDUSTRIES (PVT)
LIMITED****Chief Executive: Mr. Fawad Jahanzeb Saeed****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	Reaffirm		Initial	
RATING DATE	September 04, 2025		March 13, 2024	

**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>**RATING RATIONALE**

The assigned ratings reflect medium business risk profile of engineering and transformer sector, characterized by cyclicalities and limited competition. This demand is primarily driven by DISCOs and Private Sector which mainly relies on macro-economic activity and construction sector.

The sector's future outlook indicates moderate growth, underpinned by the anticipated privatization of DISCOs, continued urban expansion, and the increasing integration of renewable energy sources. However, uncertainty on the demand front cannot be ruled out.

To mitigate domestic demand pressures, the Company has strategically entered into export markets during FY24.

Given ratings also considered the Company's financial risk profile wherein sales and profitability witnessed growth in FY24 albeit remained weak in 1H FY25 with the slowdown in sales. Overall profitability indicators are expected to stay lower in FY25 when compared to last year. With lower reliance on short-term borrowings amid less working capital needs, capitalization profile of the Company registered improvement during the review period (FY24 & 1H FY25), while overall liquidity remained at satisfactory levels with adequate cashflow coverages. Improvement in profitability and DSCR will remain important from the ratings perspective.

RS. MILLION	FY23	FY24	HY25
Net Sales	12,087	14,086	4,645
PBT	914	1,701	443
PAT	604	887	296
Paid up call	200	200	200
Equity (incl. surplus on PEE)	2,981	4,667	4,963
Total Debt	1,979	1,999	1,445
Debt Leverage	2.15	1.66	1.36
Gearing	0.85	0.62	0.41
FFO	975	1,813	(124)
FFO/Total Debt (x)*	0.49	0.90	(0.17)
NP Margin	5.0%	6.3%	6.4%

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COMPANY PROFILE

Transfopower Industries (Private) Limited, ('TIPL' or 'the Company') was incorporated in Pakistan on 17 February 1993 as a private limited company. The Company's registered office and plant is located at 2-KM Katar Bund Road, Thokar Niaz Baig, Lahore, Pakistan. The principal activity of the Company is manufacturing and sale of distribution systems, which mainly includes transformers and energy meters.

INDUSTRY PROFILE & BUSINESS RISK

VIS assesses the business risk of the engineering and transformer industry as medium, reflecting its oligopolistic structure, reliance on specialized products essential to the power sector, and limited competition, while uncertainty on demand front exist. As per the management, TIPL holds a market share of approximately 20-25% in distribution transformers.

While the industry exhibits moderate cyclicity, demand remains dependent on government and private power distribution companies. Further, the growth in demand can also be linked with rising per capita energy consumption, population growth and urbanization.

According to the Pakistan Economic Survey 2023–24, the country's energy demand continues to expand, with electricity consumption growing at an annual rate of 6–8%. The future outlook of the Industry indicates moderate growth, supported by the anticipated privatization of DISCOs, increasing urbanization, and a gradual shift towards renewable energy, which will further drive demand for transformers and metering solutions.

Product Profile & Capacity

The Company's product portfolio includes two main divisions: transformers and energy meters. The transformer division offers Pole mounted (6 KVA to 10,000 KVA) and Pad mounted transformers for underground electrification. The energy meters division provides conventional single and three-phase meters, as well as smart meters with AMR and AMI systems for real-time data monitoring, reducing losses and tampering.

The capacity of Company's plant is indeterminable as it is multi-product plant involving varying processes of manufacturing. However, the production levels during the year are given below. The decline in transformer sales during FY24 is primarily owed to a reduced demand from DISCOs amidst expectations of privatization.

Actual Production	FY22	FY23	FY24
Transformers	9,529	10,107	5,217
Meters	696,815	574,527	739,350
Single-Phase	615,975	537,593	644,667
Three Phase	80,840	36,934	94,683

FINANCIAL RISK

Capital Structure

The Company's capital structure has notably improved over time, with gearing declined to 0.62x at end-FY24, nearly half of its FY22 level (FY23: 0.86x, FY22: 1.50x). This improvement was driven by a 38% YoY increase in tier-1 equity base as of end-FY24, supported by higher profit retention, while overall debt levels remain stable. Consequently, leverage also declined to 1.66x (FY23: 2.15x).

The positive trend continued into 1HY25, with gearing and leverage further reducing to 0.42x and 1.36x, respectively, aided by a 28% reduction in total debt, primarily due to lower short-term debt utilization on the back of surplus cash balance (HY25: PKR 940 Mn). Notably, only 2.0% of TIPL's short-term debt relates to the running finance facility, with the majority tied to LC financing.

Profitability

During FY24, the Company recorded a 17% YoY increase in sales, reaching PKR 14.08 Bn (FY23: PKR 12.08 Bn), due to a higher number of awarded tenders. Topline for the year, also includes PKR 3.52 Mn from transformer exports to the UAE. As per the management, the Company plans to further capitalize on export opportunities going forward.

Gross margins improved to 22.4% (FY23: 16.1%), primarily due to better pricing. Total volumetric sales rose by 17.4%, led by energy meters, which accounted for 727,338 units or 99% of total units sold (FY23: 613,095 units, 98%). Sales concentration to K-Electric increased notably, rising from 17% to 40%, making it Company's top client for the year, however, historically its share has remained volatile.

Net income grew 47% YoY to PKR 887 Mn, with net margins improving to 6.3% (FY23: 5.0%), supported by a 2.2x increase in other income, mainly due to higher returns on savings account.

In 1HY25, sales stood at PKR 4.64 Bn, reflecting a decline in local demand amidst expectations of DISCOs' privatization, which has led to fewer new projects. Gross margins declined to 18.4%, however, net margin remained stable at 6.4% due to a lower effective tax rate.

Qty Sales	2022		2023		2024		HY25	
Transformers	10,632	2%	9,866	2%	5,837	1%	1,808	1%
Meters	678,373	96%	613,095	97%	727,338	98%	288,859	95%
Others	11,225	2%	4,965	1%	3,943	1%	12,008	4%
Total	700,230		627,926		737,118		302,675	

Debt Coverage & Liquidity

The Company's liquidity profile improved in FY24, with the current ratio inching up to 1.48x (FY23: 1.35x), supported by a considerably higher cash balances (FY24: PKR 1.37 Bn, FY23: PKR 166 Mn) and increased trade receivables. The cash conversion cycle decreased to 98 days (FY23: 118 days), driven by improved inventory management.

Funds from Operations (FFO) increased by 86% to PKR 1.8 Bn (FY23: PKR 975 Mn), reflecting stronger profitability. As a result, FFO to short term and total debt improved to 1.05x and 0.90x (FY23: 0.52x and 0.49x), respectively. However, FFO to long-term debt weakened to 6.42x (FY23: 8.76x) primarily due to acquisition of diminishing musharakah facility for financing of employee vehicles. Debt Service Coverage Ratio (DSCR) rose to 3.40x (FY23: 2.52x).

In 1HY25, the current ratio further improved to 1.61x, mainly driven by a decrease in short-term debt. FFO turned negative at PKR 249 Mn, mainly due to higher accrued finance costs and income tax payments, including the settlement of a PKR 379 Mn tax payable. Consequently, the annualized DSCR declined to 0.42x. However, this is a one-time event and both FFO and coverage ratios are expected to recover by end-FY25, supported by a healthy order backlog, which will enhance profitability for the year.

FINANCIAL SUMMARY <i>(amounts in PKR millions)</i>					<i>Appendix I</i>
BALANCE SHEET	FY21	FY22	FY23	FY24	HY25
Property, Plant and Equipment	1,175	1,295	1,358	2,663	2,596
Stock-in-Trade	2,724	3,543	3,307	2,605	2,150
Trade debts	940	1,441	2,363	3,034	3,246
Cash & bank balance	169	330	166	1,374	940
Total Assets	5,597	7,236	7,966	9,993	9,737
Long-term debt (inc. current portion)	122	167	111	283	271
Short-term debt	2,081	2,429	1,875	1,726	1,186
Total Debt	2,203	2,596	1,987	2,008	1,457
Trade & Other payables	971	1,320	2,017	2,015	2,313
Total Liabilities	3,502	4,835	4,985	5,326	4,774
Paid-Up Capital	200	200	200	200	200
Unappropriated profit	1,222	1,535	2,123	3,013	3,310
Total Equity	2,094	2,401	2,981	4,667	4,963
Tier-1 Equity	1,422	1,735	2,323	3,213	3,510
INCOME STATEMENT	FY21	FY22	FY23	FY24	HY25
Net Sales	5,024	8,064	12,087	14,086	4,645
Gross Profit	661	1,101	1,944	3,158	857
Profit Before Tax	146	426	914	1,701	443
Profit After Tax	71	309	604	887	296
FFO	148	426	975	1,813	(124)
RATIO ANALYSIS	FY21	FY22	FY23	FY24	HY25
Gross Margin (%)	13.2%	13.6%	16.1%	22.4%	18.4%
Net Margin (%)	1.4%	3.8%	5.0%	6.3%	6.4%
FFO to Long-Term Debt (x)*	1.21	2.56	8.76	6.42	(0.92)
FFO to Total Debt (x)*	0.07	0.16	0.49	0.90	(0.17)
Current Ratio (x)	1.28	1.25	1.35	1.48	1.61
Debt Servicing Coverage Ratio (x)*	1.39	1.83	2.52	3.40	0.42
Gearing (x)	1.55	1.50	0.86	0.62	0.42
Leverage (x)	2.46	2.79	2.15	1.66	1.36
ROAA (%) *	1.3%	4.8%	7.9%	9.9%	6.0%
ROAE (%) *	5.0%	19.6%	29.8%	32.0%	17.6%
Cash Conversion Cycle (days)*	215	182	118	98	120
*Annualized					

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Transfopower Industries (Private) Limited				
Sector	Engineering				
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				
	04/09/2025	A-	A2	Stable	Reaffirmed
	13/03/2024	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.				
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Due Diligence Meetings Conducted	S.No.	Name	Designation	Date	
	1.	Mr. Usman Waseem	CFO	27-May, 2025	
	2.	Mr. Arslan Toqueer	Deputy Manager - Accounts		