VIS
Credit Rating Company Limited

RATING REPORT

TRANSFOPOWER INDUSTRIES (PVT) LIMITED

Analyst:
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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	Upgrade		Reaffirmed	
RATING DATE	November 11, 2026		September 04, 2025	

Shareholding (5% or More)	Other Information
Fawad Jahanzeb Saeed – 35.29%	Incorporated in 1993
Furqan Elahi – 28.38%	Private Limited Company
	Chief Executive: Mr. Fawad Jahanzaeb Saeed
	External Auditor: KPMG Taseer Hadi & Co. Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/Methodologies-2026/Corporate-Rating-2026.pdf

Rating Scale

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

Rating Rationale

The assigned ratings reflect the medium to low business risk profile of the engineering and transformer sector, characterized by cyclicality, limited competition, and reliance on DISCOs and private sector demand. While demand from DISCOs has been relatively modest amid ongoing privatization initiatives, sector prospects remain positive, supported by rising smart meter adoption, construction activity, and a gradual recovery in economic activity. Subsequent completion of DISCOs privatization will further boost demand.

The ratings incorporate recovery in topline during FY26, with improving sales and profitability supported by higher order activity and an increasing contribution from meter sales. The sizeable order book and pipeline, coupled with growing demand for smart metering solutions, are expected to support business growth going forward. The financial risk profile remains sound, supported by moderate capitalization, adequate liquidity and improving debt coverages.

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Company Profile

Transfopower Industries (Pvt) Limited ('TIPL' or 'the Company') was incorporated in Pakistan on 17 February 1993 as a private limited company with principal activity of manufacturing and sale of distribution systems, which mainly includes transformers and energy meters.

The Company's registered office and plant is located at 2-KM Katar Bund Road, Thokar Niaz Baig, Lahore, Pakistan.

Management and Governance

The Board composition is reflective of a private limited firm comprising two directors, in line with minimum requirement under the Companies Act 2017, and is reflective of Company's sponsor-led ownership structure. Mr. Fawad Jahanzeb Saeed and Mr. Furqan Elahi serve as directors on board. Mr. Fawad Jahanzeb Saeed is the Chief Executive Officer (CEO) of the Company. He holds a bachelor's degree in electrical engineering and has over 25 years of industry experience.

The Company's financial statements are audited by KPMG Taseer Hadi & Co., Chartered Accountants, which falls under Category 'A' of the SBP's panel of auditors. The auditor issued an unqualified opinion on the FY25 financial statements.

Business Risk

INDUSTRY UPDATE

VIS assesses the business risk of the engineering and transformer industry as medium, given its specialized nature, relatively concentrated market structure, and critical role in the power sector. Transformer demand has remained steady amid rising solar adoption and ongoing privatization/restructuring of DISCOs, which has constrained new project activity and infrastructure spending. However, the cyclicality in solar availability and non-solar hours grid demand along with the moderate increase in electrical power consumption provides support the transformers, meters and electrical panel demand.

Meanwhile, metering demand has picked up, particularly from the private sector, supported by construction activity and metering requirements for new developments. The transition towards smart metering is expected to provide an additional growth avenue, driven by replacement of conventional meters and increasing adoption of advanced metering systems. Accordingly, while growth in near-term transformer demand remains constrained, diversification in metering solutions provides additional business to the sector.

Operational Performance

TIPL operates through two core divisions i.e., transformers and energy meters. The transformer portfolio comprises pole-mounted transformers ranging from 6 KVA to 10,000 KVA, as well as pad-mounted transformers for underground power distribution. The energy meters division offers conventional single and three phase meters, along with smart meters incorporating AMR and AMI capabilities for real-time data monitoring, loss reduction and mitigation of meter tampering.

As part of its diversification strategy, TIPL has also commenced production of 11kV metal-enclosed MV switchgear, used for switching, control, protection and isolation in medium-voltage power distribution systems. While current demand and margins remain relatively modest, management maintains a positive outlook for the product as part of its efforts to broaden the Company's product portfolio.

Given the multi-product nature of Company's manufacturing facility and varying production processes, installed capacity cannot be determined. However, production levels during the period reflect a recovery in transformer and meter production during FY26 from FY25 which lowered primarily due to lower demand from DISCOs amid anticipated privatization, which resulted in delays in new capex and fewer tenders.

Production	FY23	FY24	FY25	FY26
Transformers	10,107	5,217	4,008	7,558
Meters	574,527	739,350	360,447	574,059

PROFITABILITY

During FY25, topline stood at PKR 8.1bn, primarily due to subdued demand from DISCOs amid ongoing privatization initiatives. With most DISCOs adopting a cautious approach toward new capex, tender activity remained limited, constraining demand across both transformer and meter segments. While the Company has historically maintained a relatively strong presence with K-Electric and LESCO, sales to private sector clients have increased during the period from higher construction activity, providing some diversification to the customer mix.

Despite lower volumes, gross margin improved to 26.8%, supported by better pricing and terms on tenders secured during the year. However, given this nature of company's business, margins remain volatile based on order mix and pricing. Higher operating expenses, particularly

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administrative costs pulled operating margin to 10.5%. Lower finance costs, supported by reduced debt utilization and declining interest rates, together with a lower effective tax rate, supported bottom line profitability, with net margin recording at 5.9%.

Some recovery in topline was witnessed during FY26, with revenue increasing to PKR 10.9bn. Gross margin moderated to 20.7% while lower operating expenses supported net margin which strengthened to 7.4%.

The Company's operations are driven by its existing order book and contracts in the pipeline in which it has participated. Management remains comfortable with the current order book as well as the pipeline of potential contracts. The Company's competitive positioning in smart metering also provides a growth avenue, supported by rising demand for smart meter solutions and its increasing contribution to Company's topline.

Financial Risk

CAPITAL STRUCTURE

TIPL maintains a manageable capitalization profile, with gearing and leverage clocking at 0.54x and 1.15x, respectively, as of FY26 (FY25: 0.37x and 0.77x). The YoY increase primarily reflects higher utilization of short-term borrowings to support increased production and working capital requirements amid improved demand.

The Company has sanctioned short-term borrowing limits of PKR 5.6bn, primarily comprising running finance facilities linked to LC financing, of which PKR 2.1bn was utilized at end-FY26. Long-term borrowings remain negligible, while no significant capex requirements are expected.

DEBT COVERAGE & LIQUIDITY

TIPL maintains an adequate liquidity profile, with a current ratio of 1.6x as of FY26. The cash conversion cycle, however, lengthened to 185 days (FY25: 157 days), primarily due to an increase in receivable days. Despite lower funds from operations (FFO) over the period due to decline in sales, debt coverage metrics remained comfortable. FFO-to-total debt improved to 0.27x (FY25: 0.21x), while DSCR strengthened to 2.4x (FY25: 1.7x) as of FY26. Short-term debt coverage also remained strong at 3.2x.

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FINANCIAL SUMMARY *(amounts in PKR millions)* *Appendix I*

BALANCE SHEET	FY22 A	FY23 A	FY24 A	FY25 A	FY26 (M)
Property, plant and equipment	1,295	1,358	2,663	2,572	2,646
Stock-in Trade	3,543	3,307	2,605	2,726	4,124
Trade debts	1,441	2,363	3,034	1,207	2,829
Cash and bank balance	330	166	1,374	1,138	439
Total Assets	7,236	7,966	9,993	8,011	11,194
Long term debt (inc. current portion)	167	111	283	253	291
Short term debt	2,429	1,875	1,726	1,111	2,143
Total debt	2,596	1,987	2,008	1,364	2,434
Trade and other payables	1,320	2,017	2,014	1,051	1,960
Contract Liabilities	736	810	612	398	747
Total Liabilities	4,835	4,985	5,326	2,869	5,234
Paid up Capital	200	200	200	200	200
Revaluation surplus on PPE	666	658	1,453	1,420	1,420
Unappropriated profits	1,535	2,123	3,013	3,522	4,340
Total Equity	2,401	2,981	4,667	5,142	5,959
Tier-1 Equity	1,735	2,323	3,213	3,722	4,540
INCOME STATEMENT	FY22 A	FY23 A	FY24 A	FY25 A	FY26 (M)
Net Sales	8,064	12,087	14,086	8,104	10,979
Gross Profit	1,101	1,944	3,158	2,170	2,268
Operating Profit	742	1,430	2,202	847	1,533
Finance Costs	(330)	(565)	(663)	(271)	(298)
Profit Before Tax	426	914	1,701	711	1,342
Profit After Tax	309	604	887	475	817
RATIO ANALYSIS	FY22 A	FY23 A	FY24 A	FY25 A	FY26 (M)
Gross Margin	13.6%	16.1%	22.4%	26.8%	20.7%
Operating Margin	9.2%	11.8%	15.6%	10.5%	14.0%
Net Margin	3.8%	5.0%	6.3%	5.9%	7.4%
Funds from Operation (FFO)*	426	975	1,813	285	666
FFO to Total Debt* (x)	0.16	0.49	0.90	0.21	0.27
FFO to Long Term Debt* (x)	2.56	8.76	6.42	1.13	2.29
Gearing (x)	1.50	0.86	0.62	0.37	0.54
Leverage (x)	2.79	2.15	1.66	0.77	1.15
Debt Servicing Coverage Ratio* (x)	1.83	2.52	3.40	1.77	2.47
Current Ratio (x)	1.25	1.35	1.48	1.97	1.67
STD Coverage (x)	2.05	3.02	3.27	3.54	3.24
Return on Average Assets*	4.8%	7.9%	9.9%	5.3%	8.5%
Return on Average Equity*	19.6%	29.8%	32.0%	13.7%	19.8%
Cash Conversion Cycle (days)*	182	118	98	157	185

**Annualized, if required*
A - Actual Accounts
M - Management Accounts

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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					
	11-11-2026	A	A2	Stable	Upgrade	
	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.					
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. Usman Waseem	CFO	03-Sept-26		
	2.	Mr. Arslan Toqueer	Manager – Accounts			

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