VIS
Credit Rating Company Limited

FAIZAN STEEL

Analyst:
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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	BBB+	A2	BBB+	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	January 28, 2026		December 30, 2024	

Shareholding (5% or More)	Other Information
Mr. Mansoor Bhagani – 30%	Incorporated in 1997
Mr. Asif Bhagani – 35%	Partnership Firm
Mr. Faizan Bhagani – 20%	Chairman: Mr. Asif Bhagani
Mr. Waseem Bhagani – 15%	Chief Executive: Mr. Faizan Bhagani
	External Auditor: Reanda Haroon Zakaria Aamir Salman Rizwan & Company, Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

Rating Scale

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

Rating Rationale

FS is a partnership concern engaged in the manufacturing and sale of steel bars. The Firm operates an integrated manufacturing facility equipped with a fully automated direct steel re-rolling mill, a high-end melt shop, and a 230-foot cooling bed. FS's product portfolio includes Premium Bars, Seismic Bars, Optimum Bars, Heavy Duty Bars, and C-Bars, catering to a range of construction requirements.

The assigned ratings take into account FS's established manufacturing operations with an integrated billet-to-bar setup, which provides some operational resilience, albeit in a challenging industry environment where demand remains closely tied to cyclical construction activity and public infrastructure spending. The business risk profile of Pakistan's steel bar sector continues to be elevated due to demand variability, dependence on imported raw materials, exposure to foreign exchange and global commodity price fluctuations, and energy-intensive processes with rising power and fuel costs, which constrain pricing flexibility and profitability. Despite expected gradual demand recovery supported by improving macroeconomic conditions, these structural vulnerabilities persist.

Operational performance in FY25 was impacted by weaker long-steel demand, reflected in lower production and utilization levels. Net sales declined by 24% to PKR 20.1 billion, primarily driven by reduced volumes and softer industry pricing, while gross margins remained stable. Operating margins witnessed a decline, while net margins remained maintained at thin levels supported by lower finance costs in a declining interest rate environment.

The Firm's financial risk profile exhibits elevated leverage, with gearing and overall leverage remaining high, though marginally improved. Liquidity and coverage indicators are adequate but have weakened somewhat, with a prolonged cash conversion cycle and modest DSCR and FFO coverage. Continued focus on working capital management and improvement in liquidity and coverage metrics will be important for ratings.

Company Profile

Faizan Steel ("FS" or "the Firm") is a partnership concern, engaged in the manufacturing and sale of steel bars. The Firm's manufacturing plant is located at S.I.T.E area, Karachi and is equipped with a fully automatic direct steel re-rolling mill, a high-end melt shop, and a 230 ft. cooling bed. FS has an integrated setup in place, where shredded scrap is used to manufacture steel billets, and is then directly converted into bars. FS's product range includes Premium bars, Seismic bars, Optimum bars, Heavy Duty bar and C-bar. The registered office of the Firm is located at Suit No. 806, 8th Floor, Al-Khaleej Tower, B.M.C.H.S., Main Shaheed-e-Millat Road, Karachi.

Business Risk

INDUSTRY RISK

The business risk profile of Pakistan's steel bar industry remains high, driven mainly by demand variability, dependence on imported inputs, and energy-intensive production processes. Although ongoing urbanization and infrastructure development create demand opportunities, profitability is constrained by supply chain inefficiencies, volatile raw material prices, high energy costs, and intense competition within the market.

Steel bar demand is strongly linked to construction activity, including public infrastructure projects and residential development. Government-led infrastructure spending provides support; however, fluctuations in private sector construction and delays in public projects often result in demand instability. Lately, elevated interest rates and persistent inflation restrict access to construction financing, negatively impacting overall steel consumption, however, with improved macro-economic indicators demand is gradually forecasted to recover in near to medium term.

The sector relies significantly on imported raw materials such as billets and scrap steel, which exposes manufacturers to foreign exchange risk and global commodity price movements. Any depreciation of the local currency further increases input costs and pressures margins. Energy represents a major cost component, with frequent power supply disruptions and escalating electricity and gas tariffs adding to production expenses.

Strong competition from domestic manufacturers as well as imported steel products limits pricing power, reducing the ability to fully pass cost increases on to customers. Consequently, despite demand support from government infrastructure initiatives, the industry's vulnerability to input cost volatility, energy pressures, and cyclical demand trends continues to elevate its overall business risk profile.

Operational Performance

With the further decrease in long-steel demand during FY25, the Company's production and utilization levels also registered a decline during same period.

PROFITABILITY

The net sales of the Firm declined down by 24% Y/Y in FY25. This was due to an estimated decline of 22% Y/Y in volumetric offtake, while average yearly effective prices also dropped by 3% Y/Y, driven by lower industry prices amid a decline in international scrap rates. Gross margin, however, remained steady at 12.1% (FY24: 12.0%), as the reduction in raw material prices provided sufficient cushion for local manufacturers to maintain margins despite higher fuel and power costs.

Furthermore, operating margins inched down by only 4 bps to 10.9% (FY24: 11.3%) due to lower fixed-cost absorption resulting from reduced production levels. Meanwhile, the decrease in finance cost, supported by a lower interest rate environment, helped keep the net margin largely intact at 1.4% (FY24: 1.5%). Going forward, the sales are expected to remain broadly stable with a modest upside mainly in 2HFY26 supported by demand recovery amid better macro-economic conditions. In parallel, profitability margins are also projected to stay at same levels.

Financial Risk

CAPITAL STRUCTURE

The Firm's capitalization profile remained elevated despite a minor decline in gearing and leverage ratios amid scheduled repayments of long-term borrowings while short-term borrowings stood at same levels. At end-FY25, gearing and leverage ratios clocked in at 3.22 (FY24: 3.40x) and 3.86 (FY24: 4.10x), respectively.

DEBT COVERAGE & LIQUIDITY

Liquidity profile and coverages profiles of the Firm remained adequate with current ratio stayed at 1.06x (FY24: 1.08x), similarly, short-term debt coverage stood at 1.10x (FY24: 1.22x) after witnessing a minor decline. Cash conversion cycle elevated to 170 days in FY25 amid higher receivable and inventory days. DSCR stood at 1.06 (FY24: 1.12) while FFO coverages remained thin. Going forward, it is important for the Firm to improve its liquidity and coverage indicators in order to sustain current ratings.

REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	Faizan Steel
Sector	Steel
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				
28-Jan-26	BBB+	A2	Stable	Reaffirmed
31-Jan-24	BBB+	A2	Stable	Maintained
07-Mar-23	BBB+	A2	Rating Watch-Dev	Maintained
31-Jan-23	BBB+	A2	Stable	Reaffirmed
17-Jan-22	BBB+	A2	Stable	Initial

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Due Diligence Meetings Conducted

S.No.	Name	Designation	Date
1.	Mr. Muhmmad Mustafa	Director Finance	06-Jan-25