VIS
Credit Rating Company Limited

RATING REPORT

POWER CHEMICAL INDUSTRIES LIMITED

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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
OUTLOOK/RATING WATCH	Positive		Positive	
RATING ACTION	Reaffirmed		Maintained	
RATING DATE	July 24, 2026		June 24, 2026	

Shareholding (5% or More)	Other Information
Mr. Muhammad Asghar - ~27.0%	Incorporated in 2008
Mr. Muhammad Aslam - ~27.0%	Public Limited Company (Unlisted)
Mr. Muhammad Akram – ~27.0%	Chief Executive: Mr. Muhammad Asghar
Mr. Muhammad Asif - ~9.5%	External Auditor: Parker Russell A.J.S. Chartered Accountants
Mr. Muhammad Amjad - ~9.5%	

Applicable Rating Methodology

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

Rating Scale

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

Rating Rationale

The assigned ratings reflect the Company's established footprint in the domestic chemical sector and its well-diversified product portfolio. Supporting this profile is adequate financial risk, characterized by moderate reliance on debt, and satisfactory liquidity position. The Company has demonstrated adequate capitalization and debt servicing capacity despite moderation in profitability indicators during the review period.

The sector profile remains constrained by exposure to international petrochemical price volatility as operations rely heavily on imported raw materials; fluctuating global commodity prices continue to pressure profitability. Additionally, the working capital intensive nature of business and sensitivity to broader macroeconomic cycles, specifically demand elasticity within key downstream end-users remain key rating considerations.

Going forward, the ratings will remain dependent on the Company's ability to sustain operating performance, maintain profitability, optimize cash flow generation, preserve adequate liquidity, and debt coverage metrics.

Company Profile

Power Chemical Industries Limited ('PCIL' or 'the Company'), a family-owned business; was incorporated in 2008 as a private limited company and was subsequently converted into an unlisted public limited company in 2015. The Company is principally engaged in the manufacturing and sale of a diverse range of chemical products. The head office is in Faisalabad, while its two manufacturing facilities are situated in Khurrianwala. The Company's origins trace back to 1977, when late Mr. Muhammad Afzal established a small dry powdered glue manufacturing unit, which subsequently evolved into the present day organization.

PRODUCT PORTFOLIO

There are four major product segments including coating chemicals, plasticizers, adhesives and textile chemicals with an additional minor segment including fiber sheet chemicals, leather chemicals and paper coating industry chemicals.

Product Segments	Applications	Major Clients
Coating chemicals	Paint and coating industry	Brighto paint, Akzo Nobel, Diamond Paint, Master Paint, Nelson Paint, Reliance Paint
DOP (Plasticizer)	Artificial leather manufacturers, cable insulation, shoes, gardening pipes etc.	Pakistan Cable, Fast Cables, T.U. Plastic, Bata Pakistan
Adhesives	Polyvinyl Acetate PVA in construction, emulsions, textile paper, multiple other industrial and household usage	Various wholesalers and retailers
Textile chemicals	Pre-treatment to finishing of textile products	M.K. Sons, Magna Processing Industries, Ans Dyeing, AA Textile Processing Al-Ghani Dyeing
Minor Segment	Fiber sheet chemicals, leather chemicals and paper coating industry chemicals	Unorganized segment

Management and Governance

The Company's shareholding is held by the sons of late Mr. Muhammad Afzal, including Mr. Aslam, Mr. Akram, Mr. Asif and Mr. Amjad. Mr. Aslam and Mr. Akram also serve as directors of the Company, while Mr. Muhammad Asghar is the CEO. The Company is a family-owned enterprise, with ownership and management concentrated within the sponsoring family. The governance framework is informal, with strategic oversight and key decision-making primarily vested in the sponsor family. The sponsors have recently established an associate company engaged in the manufacturing of glycerine in Faisalabad, which achieved its COD during the prior year.

IT INFRASTRUCTURE

The Company utilizes SAP as its Enterprise Resource Planning (ERP) system, which integrates key functional areas, including finance, costing and inventory management. The system also has data backup mechanisms maintained through both cloud-based and local storage solutions.

AUDITOR

The CY25 annual financial statements were audited by Parker Russell – A.J.S. Chartered Accountants, an 'B' category audit firm on the State Bank of Pakistan's approved panel of auditors. The auditors expressed an unqualified opinion.

Business Risk

INDUSTRY UPDATE

VIS classifies the chemical sector's risk in Pakistan as medium to high, characterized by inherent cyclicality, limited domestic competition, lower technological risks, and a moderately stringent regulatory framework. Demand is driven by a diversified downstream customer base, including paint & coatings, plastics, paper, leather, textile and consumer goods e.g. soap and detergent industries. Historically, demand from the paint & coatings segment has been closely linked to overall economic activity, particularly Public Sector Development Programme (PSDP) spending and private infrastructure development.

The Company operates across multiple chemical segments, each characterized by a distinct competitive landscape. In the paint & coatings segment, Nimir Resins Limited is the only organized domestic competitor, while the Company remains the largest supplier in this segment with an estimated market share of ~57%. In the plasticizer segment, the Company is the second largest player with an estimated market share of ~20%, following ATS Synthetic.

The Company primarily imports its raw materials, largely comprising crude oil derivatives, exposing operations to international petrochemical price movements and exchange rate volatility. However, bulk procurement provides economies of scale and supports procurement efficiency. According to management, commercial imports of competing chemical products remain largely uneconomical, except under the Export Facilitation Scheme (EFS), while custom duties on certain finished products continue to provide a degree of protection to domestic manufacturers.

OPERATIONAL PERFORMANCE

Capacity Utilization	FY23	FY24	FY25	9MFY26
Installed Capacity	60,790	63,098	63,098	47,324
Actual Production	42,060	46,047	49,744	27,506
Capacity Utilization	**69%**	**73%**	**79%**	**58%**

Capacity utilization improved to 79% in FY25 (FY24: 73%). The improvement in production activity was driven by higher demand in key product segments. During 9MFY26, capacity utilization was recorded at 58%, with lower production activity during the period attributable to subdued economic conditions, slowdown in construction activity impacting demand for paint & coatings, and temporary supply chain disruptions.

The Company has continued to optimize its energy mix through investments in renewable energy. During FY26, solar power capacity was expanded by ~465 KW, increasing total installed solar capacity to 1.2 MW. Solar power currently caters to around 60% of the Company's estimated power requirement of ~2.0 MW, with the remaining demand met through grid supply.

PROFITABILITY

In FY25, revenue recorded a marginal increase to PKR 13.2 billion (FY24: PKR 12.6 billion), supported by growth in local sales of paint & coatings and adhesives. Segment-wise, paint & coatings remained the largest contributor to revenue at 57% (FY24: 57%), followed by plasticizers (FY25: 21%; FY24: 21%), textiles (FY25: 7%; FY24: 9%), adhesives (FY25: 7%; FY24: 4%), and other segments (FY25: 7%; FY24: 9%). Customer concentration is considered moderate, with the top ten clients contributing 31% of revenue.

Profitability indicators moderated during FY25, with gross and operating margins recorded at 9.1% (FY24: 9.9%) and 6.7% (FY24: 7.7%), respectively, reflecting pressure on margins amid declining international chemical prices. Net margin remained broadly stable at 2.4% (FY24: 2.6%), supported by lower finance costs following a decline in interest rates and a one-off gain on the disposal of PPE. Unlike FY24, exchange gains were very limited in FY25. Profitability margins have demonstrated a gradual declining trend since FY21.

During 9MFY26, the Company recorded revenue of PKR 7.8 billion. Gross and operating margins were recorded at 11.0% and 7.8%, respectively, while net margin stood at 2.0%. The moderation in revenue during the period was attributable to subdued economic activity, lower construction sector demand impacting the paint & coatings segment, and temporary supply chain disruptions due to gulf regional conflict.

Going forward, revenue is expected to be supported by the realization of PKR 3.0 billion in contract liabilities, which management expects to recognize during the remainder of FY26 upon execution of the underlying orders, bringing revenue to PKR 10 billion. Export sales are also expected to provide incremental support to revenue; however, growth will remain contingent upon the Company's ability to maintain competitiveness in international markets amid elevated trade-related costs. Furthermore, the Company is gradually transitioning towards an in-house distribution network, which is expected to improve operational efficiency and reduce freight-related expenses.

Financial Risk

CAPITAL STRUCTURE

By end-FY25, tier-1 equity increased to PKR 2.8 billion during FY25 (FY24: PKR 2.5 billion), amid internal cash generation. Total debt declined marginally to PKR 2.2 billion (FY24: 2.3 billion). The debt profile remained predominantly short-term in nature, with short-term borrowings accounting for 94% of total debt, utilized to finance working capital requirements. Long-term borrowings constituted the remaining 6% of the debt profile, with the outstanding balance declining during the year on account of scheduled repayments. Resultantly, gearing improved to 0.79x (FY24: 0.93x), while leverage moderated to 1.84x (FY24: 1.92x).

At end-9MFY26, Tier-1 equity further increased to PKR 3.0 billion, supported by continued profitability. Gearing increased marginally to 0.83x due to higher lease liabilities associated with the Company's ongoing transition towards an in-house distribution network. Leverage increased to 2.73x, reflecting higher contract liabilities. Overall, capitalization profile is considered manageable.

Furthermore, the Company undertook CAPEX primarily for the addition of buildings and storage tanks to enhance inventory storage capacity and support supply chain continuity, which was funded through internal cash. Additionally, the Company expanded its solar power capacity by adding ~465 KW during FY26, increasing total installed solar capacity to 1.2 MW. The solar expansion was financed primarily through long-term borrowings. Investments in storage capacity and renewable energy are expected to increase operational efficiency going forward.

DEBT COVERAGE & LIQUIDITY

Liquidity profile remained adequate, with the current ratio broadly stable at 1.40x at end-FY25 (FY24: 1.37x). Short-term debt coverage improved to 2.84x (FY24: 2.49x). The net operating cycle shortened to 107 days from 127 days in FY24, primarily reflecting higher payable days, while remaining broadly aligned with historical levels.

Funds from Operations (FFO) moderated during FY25, after the adjustment of one time gain on sale of PPE and higher tax and finance cost paid. Despite the decline in FFO, debt service coverage improved to 1.67x (FY24: 1.39x), due to lower debt service requirements during the period

During 9MFY26, the net operating cycle lengthened to 186 days, primarily due to higher inventory and receivable days. The increase in inventory levels was in line with the Company's strategy to maintain adequate raw material availability amid supply chain uncertainties. However, short-term debt coverage strengthened further to 3.63x.

Going forward, working capital requirements may remain elevated due to the Company's inventory management strategy, however, internal cash flow generation is expected to support liquidity needs.

FINANCIAL SUMMARY				(amounts in PKR millions)
BALANCE SHEET	FY23A	FY24A	FY25A	9MFY26M
Property and Equipment	1,812	1,851	1,858	2,203
Stock-in Trade	2,163	2,981	3,038	4,438
Trade debts	2,508	2,389	2,874	2,945
Cash and bank balance	115	182	99	289
Total Assets	7,197	8,269	8,947	12,046
Long term debt (Inc. Lease Liabilities & Current Portion)	189	185	135	424
Short term debt	1,148	2,157	2,084	2,035
Total debt	1,337	2,342	2,220	2,459
Trade and other payables	1,230	1,080	1,961	2,102
Total Liabilities	4,077	4,820	5,185	8,127
Paid up capital	746	746	746	746
Revenue Reserve	1,431	1,760	2,074	2,230
Tier-1 Equity	2,177	2,506	2,820	2,977
Total Equity	3,119	3,449	3,762	3,919
INCOME STATEMENT	FY23A	FY24A	FY25A	9MFY26M
Net Sales	10,997	12,553	13,229	7,798
Gross Profit	1,148	1,243	1,200	856
Operating Profit	899	973	891	612
Finance Costs	312	449	354	243
Profit Before Tax	589	537	544	370
Profit After Tax	310	329	314	157
RATIO ANALYSIS	FY23A	FY24A	FY25A	9MFY26M
Gross Margin (%)	10.4%	9.9%	9.1%	11.0%
Operating Margin (%)	8.2%	7.7%	6.7%	7.8%
Net Margin (%)	2.8%	2.6%	2.4%	2.0%
Funds from Operation (FFO) (PKR Mn)	563	350	284	262
FFO to Total Debt (x)*	0.42	0.15	0.13	0.11
FFO to Long Term Debt (x)*	2.98	1.90	2.10	0.62
Gearing (x)	0.61	0.93	0.79	0.83
Leverage (x)	1.87	1.92	1.84	2.73
Debt Servicing Coverage Ratio (x)*	2.15	1.39	1.67	1.37
Current Ratio (x)	1.38	1.37	1.40	1.26
(Stock in trade + trade debts) / STD (x)	4.07	2.49	2.84	3.63
Return on Average Assets (%) *	4.6%	4.3%	3.6%	2.0%
Return on Average Equity (%) *	15.3%	14.1%	11.8%	7.2%
Net Operating Cycle (days) *	118	131	112	196

**Annualized, if required*
A - Audited Accounts
M - Management Accounts
P - Projected Accounts

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Power Chemical Industries Limited
Sector	Chemicals
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				
07/24/2026	A-	A2	Positive	Reaffirmed
06/24/2025	A-	A2	Positive	Maintained
06/24/2024	A-	A2	Stable	Reaffirmed
09/12/2022	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

Name	Designation	Date
Mr. Mubashar Zaheem	Executive Director	July 03, 2026
Mr. Tayyab Zahid	GM Accounts	