NAVEENA STEELS MILLS (PRIVATE) 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	Stable		Stable	
RATING ACTION	Reaffirmed		Maintained	
RATING DATE	August 04, 2026		July 07, 2025	

Shareholding (5% or More)	Other Information
Naveena Group (Pvt) Limited - ~99.99%	Incorporated in 2017
	Private Limited Company
	Chief Executive: Mr. Saqib Riaz
	External Auditor: Ibrahim Shaikh & Co. Chartered Accountants

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 improvement in NSML's financial risk profile during FY25, underpinned by recovery in profitability and stronger operating performance. The resulting increase in internal cash generation, coupled with prudent working capital management, facilitated debt reduction and strengthened the Company's capitalization, leverage, liquidity, and debt coverage metrics. The positive momentum continued during 9MFY26, with further growth in revenue and profitability, alongside continued improvement in key financial risk indicators. The ratings also derive comfort from NSML's diversified customer base and expanding geographic footprint, which enhance business resilience and reduce customer concentration risk.

Going forward, the ratings will remain dependent on the Company's ability to sustain its operating and financial performance, maintain prudent leverage and liquidity metrics, and effectively manage cyclical demand fluctuations and volatility in raw material prices. The ratings may benefit from further improvement in domestic economic conditions and increased construction activity, which are expected to support demand in the steel sector.

Company Profile

Naveena Steels Mills (Private) Limited ('NSML' or 'the Company') is a Private Limited Company incorporated in 2017. The business is engaged in the manufacture and sale of steel bars and billets. The registered office and production facilties are in Karachi along with sales and marketing offices in Lahore, Multan and Peshawar.

Management and Governance

SPONSOR PROFILE

NSML is a wholly owned subsidiary of Naveena Group (Pvt) Limited, which holds 99.99% shareholding. Established in 1989, Naveen Group is a diversified Pakistani business group with operations spanning textiles, steel manufacturing, renewable energy, and real estate development. The Group commenced operations through the textile segment and subsequently developed an integrated textile value chain comprising spinning, weaving, and denim manufacturing facilities.

The Group diversified into steel manufacutring with the establishment of Naveena Steel, a rebar manufacutring facility located at Port Qasim. Further diversification was undertaken in the renewable energy sector through Lakeside Energy, a 50 MW wind power project located in Jhimpir, which commenced commercial operations in 2022. The Group also operates in the real estate sector through Naveena Developers, engaged in commercial development activities.

BOARD & MANAGEMENT

The Company is a family-owned business. The sponsors remain actively involved in the Company's strategic direction through quarterly board meetings, for key decision making. Governance is further supported by a Finance and Tax Committee overseeing financial and tax-related matters. Day-to-day operations are managed by the CEO, Saqib Riaz, who is supported by an experienced team of professionals responsible for the Company's operational and administrative functions.

IT INFRASTRUCTURE

The Company operates a fully integrated Oracle ERP system to support its business operations and maintains data backups at multiple locations, strengthening data security and business continuity.

AUDITOR

The FY25 annual financial statements were audited by Ibrahim Shaikh & Co. Chartered Accountants, a firm rated in the 'C' category on the State Bank of Pakistan's approved panel of auditors. The auditors expressed an unqualified opinion.

Business Risk

INDUSTRY UPDATE

The overall business risk profile of Pakistan's long steel/rebar manufacturing sector is considered medium to high, reflecting its cyclical demand pattern, fragmented industry structure and sensitivity to input costs. Demand for rebar is closely linked to construction, infrastructure and real estate activity; accordingly, sector performance remains influenced by broader macroeconomic conditions, public development spending and private-sector investment. During FY25, demand remained under pressure due to subdued construction activity, elevated energy costs and weak affordability; however, operating conditions showed signs of improvement in FY26, supported by easing financing costs and some recovery in construction-related activity.

The sector remains exposed to volatility in imported scrap and billet prices, exchange rate movements and energy tariffs, given the energy-intensive nature of steel manufacturing. Pricing power also remains constrained due to competition among organized and unorganized players, while excess capacity in the market continues to keep margins sensitive to demand fluctuations. Although substitution risk remains low, as steel rebar remains a key reinforcement material in construction, manufacturers continue to compete for the same construction-led demand pool.

Regulatory developments also remain relevant for the sector, particularly with respect to import duties, taxation of scrap transactions, regional tax exemptions and energy pricing. While recent policy measures have aimed to improve documentation and create a more level playing field for formal steel manufacturers, frequent changes in duties, taxes and energy tariffs continue to add uncertainty to business planning. Sector performance will remain subject to the pace of recovery in construction activity, input cost trends, energy pricing and policy continuity.

PROFITABILITY

NSML's revenue remained stable in FY25 as market diversification offset dampened demand. The increased contribution of institutional and government sector orders supported improvement in gross margin. However, margin expansion was constrained as downward trending scrap prices in the international markets lowered domestic rebar selling prices compelling NSML to adjust its pricing to match competitive market benchmarks and protect its market share.

The improvement in the gross margin was reflected at the operating level despite increase in operating expenses, though remaining within historical averages. The Company returned to profitability in FY25, driven by lower finance costs. This reduction was due to lower total debt utilization and declining interest rates.

In 9MFY26, revenue improved due to volumetric growth with recovery in demand from the retail. Consequently, gross and operating margin improved. This improvement was supported by further reductions in finance costs. However, a higher tax expense partially offset these savings, limiting the expansion of the net margin.

Going forward, improvement in economic conditions and construction activities is expected to support demand for steel products.

Financial Risk

CAPITAL STRUCTURE

At end-FY25, NSML's capital structure improved, following the restoration of profitability after the net loss incurred in FY24. The Company's equity base strengthened on the back of retained earnings, while total debt declined significantly. The reduction in debt was primarily attributable to lower short-term borrowings, supported by higher cash generation and prudent inventory management, along with scheduled repayments of long-term obligations. Consequently, gearing improved to 0.61x (FY24: 0.99x) and leverage improved to 0.84x (FY24: 1.21x). The capital structure continued to improve at end-9MFY26 also, with equity further strengthening due to sustained profitability, with the impact of the partial settlement of the advance against the issue of shares remaining limited. Meanwhile, total debt declined as scheduled repayments of long-term borrowings offset a marginal increase in short-term borrowings. As a result, gearing recorded a minor improvement whereas, leverage remained stable at end 9MFY26.

DEBT COVERAGE & LIQUIDITY

NSML's liquidity position strengthened during FY25, as reflected in an improved current ratio at end-FY25, which remained stable at end-9MFY26. The improvement was underpinned by a reduction in the net operating cycle at end-FY25, which further declined in 9MFY26.

The shorter operating cycle was primarily driven by a reduction in inventory days. According to management, geopolitical conflict in the Middle East and the associated shipping disruptions in the Gulf constrained raw material imports, resulting in a domestic supply-demand gap. NSML's efficient inventory management strategy enables it to meet customer demand, leading to lower inventory levels and the release of working capital, which also supported the reduction in outstanding short-term borrowings

NSML's debt coverage indicators improved during FY25, supported by higher Funds from Operations (FFO). Accordingly, the Debt Service Coverage Ratio (DSCR) improved to 1.13x in FY25 (FY24: 0.61x) and further in 9MFY26, indicating an enhanced capacity to service debt obligations.

REGULATORY DISCLOSURES — Appendix I

Name of Rated Entity	Naveena Steels Mills (Pvt) Limited
Sector	Steel Long
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				
08/04/2026	A-	A2	Stable	Reaffirmed
07/07/2025	A-	A2	Stable	Maintained
07/09/2024	A-	A2	Negative	Maintained
07/25/2023	A-	A2	Stable	Initial

Instrument Structure	N/A
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

Name	Designation	Date
Mr. Mirza Taimur Ali Baig	CFO	July 08, 2026
Mr. Muhammad Shahzad Anjum	Deputy General Manager – Accounts & Finance	
Ms. Afshan Ajaz	Treasury Lead	
Mr. Muhammad Yassir	Receivables Lead	