

## THE IMPERIAL ELECTRIC COMPANY (PRIVATE) LIMITED

### Analyst:

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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	A	A2	A-	A2
RATING OUTLOOK/WATCH	Stable		Stable	
RATING ACTION	Upgrade		Maintained	
RATING DATE	February 18, 2026		January 27, 2025	

Shareholding (5% or More)	Other Information
Tariq Rehman - 9.43%	Incorporated in 1961
Salem Rehman - 10.04%	Private Limited Company
Usman Haq - 18.65%	Chief Executive Officer: Tahir Rehman
Reza Rehman - 9.50%	External Auditor: Riaz Ahmad Saqib and Company
Tahir Rehman - 10.42%	
Ayesha Noorani - 17.9%	
Hamza Rehman - 9.50%	
Rafae Akbar Rehman - 10.0%	

### 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

The Imperial Electric Company (Private) Limited ('IEC' or 'the Company') specializes in the manufacturing and installation of diesel generators, airfield lighting systems, low-voltage components, and related products for commercial and institutional clients. The assigned ratings reflect IEC's business risk profile, characterized by its established presence in the electrical equipment market, long-standing partnerships with leading global suppliers, Schneider Electric and CHINT Global, and a growing contribution from aviation-related services.

In FY25, net sales moderated primarily due to lower revenue from diesel generator sales; however, gross margins remained largely stable, reflecting effective cost pass-through and product mix shift. Net margins compressed marginally owing to higher operating expenses and elevated finance costs. The resulting weakening in cash flows led to increased reliance on borrowings, weighing on capitalization and liquidity metrics. Nevertheless, a modest recovery in financial parameters was observed during 1HFY26. IEC continues to benefit from a strong project execution profile, supported by a healthy backlog of ongoing orders and a sizable pipeline of prospective turnkey projects across airbases and airports. Moreover, the manufacturing revenue base is expected to recover, underpinned by a solid order book for diesel generator deliveries.

Going forward, timely execution of the existing order book, realization of projected topline growth, and improvement in profitability and debt coverage, alongside a gradual strengthening of the capital structure, will remain important determinants of the Company's assigned ratings.

## Company Profile

The Imperial Electric Company (Private) Limited ('IEC' or 'the Company') operates as a diversified entity with core business activities encompassing the manufacturing, installation, and after-sales service of diesel generators, it also has a forte in airfield lighting and support services. In addition, the Company serves as a distributor of low-voltage (LV) electrical components, lighting solutions, and airfield lighting systems catering to the aviation industry. The Company's head office and manufacturing facility are located in Lahore.

## GROUP PROFILE & PERFORMANCE

IEC is the holding company of the group involved in electrical equipment sector. The subsidiaries include EBR Energy Pakistan (Private) Limited and EBR Energy-IEC Joint Venture (Private) Limited. Both companies are primarily involved in providing solar energy solutions to commercial, industrial and institutional clients in Pakistan. On a consolidated basis, IEC reported revenue of Rs. 2,745.3m (FY24: Rs. 2,812.4m) in FY25 while asset base expanded to Rs. 3,331.1m (FY24: Rs. 2,643.7m).

## Management and Governance

As a family-owned enterprise, the Company benefits from a controlling stake that aligns sponsor interests with long-term stability, though this creates a central dependency on promoter leadership. Operational leadership rests with Tahir Rehman as Chief Executive Officer and Managing Director and Reza Rehman, Director Operations, providing continuity and centralized decision-making. At the same time, the presence of an auditor which appears on SBP's list of auditors in 'A' category also supports governance framework.

## Business Risk

### INDUSTRY

VIS considers the business risk profile of the electrical equipment sector as medium, with high barriers to entry due to the capital-intensive and technology-driven nature of the industry, offset by diverse revenue streams from private and institutional clients. In addition, imported Chinese products exert pricing pressure, particularly in standardized LV (low voltage) components. Industry demand remains project-based, with revenues largely linked to telecom operators, government entities, aviation-related clients, and private institutions. In the domestic market, Allied Engineering (Caterpillar generators) and Orient Energy (Cummins power generation) are the primary competitors to IEC's diesel generator business. For specialized aviation lighting, they face competition from Al-Fazal Engineering and Siemens in high-stakes infrastructure projects. In the telecom sector, Litech Pakistan and Enpower Engineering Company are the main challengers for integrated power and lighting solutions. During FY25, demand improved on the back of higher government infrastructure and energy contracts, increased aviation-related requirements amid geopolitical developments, and ongoing modernization and system-upgrade initiatives. Reliance on imported components exposes the sector to exchange rate volatility, though partial cost pass-through mitigates this risk.

IEC alleviates these risks through entrenched partnerships with leading French and Chinese electrical components manufacturers, Schneider Electric Global and CHINT Global. The Company's primary customers, in historical terms, have been telecom companies Deodar (Pvt) Ltd (subsidiary of Jazz) and Huawei. Moreover, given the increase in demand from aviation segment in recent years, the Company is established itself as the leader in airfield lighting infrastructure and related services.

## PRODUCTION PROFILE

The Company produces diesel generators with capacities ranging from 9 kVA to 1,250 kVA. Its primary customer segment, the telecom industry, typically requires units rated between 30 and 45 kVA. Reflecting the scaling of aviation services, the total employee headcount increased to 299 (June: 177) by June 2025. Although production capacity remained intact, utilization has declined significantly in recent years due to shift in demand while the decline in FY25 reflected delays in customer orders.

Capacity Utilization				
Diesel Generators	FY22	FY23	FY24	FY25
Production Capacity (kVA)	46,950	46,950	46,950	46,950
Actual Production (kVA)	22,490	9,077	10,474	1,572
Capacity Utilization (%)	47.90%	19.33%	22.31%	3.35%

## SALES & PROFITABILITY

Net revenue moderated to Rs. 2.0b in FY25, from Rs. 2.2b in FY24. While the aviation and Low Voltage (LV) electrical segments posted healthy gains, these were ultimately offset by a sharp contraction in diesel generator manufacturing.

The aviation segment saw revenue double, buoyed by robust demand from the Civil Aviation Authority (CAA) for developments across airports and airbases infrastructure. Similarly, LV component sales surged by 48%, amid strong commercial segment demand for CHINT and Schneider Electric products. However, these gains were eclipsed by 88% decline in manufacturing segment, which resulted from delayed procurement cycles by telecom clients due to the acquisition and restructuring process ongoing in certain companies of the sector.

Division-Wise Revenue Breakdown						
	FY23		FY24		FY25	
	Rs. in m	% of total	Rs. in m	% of total	Rs. in m	% of total
Manufacturing	1,127.7	55%	1,378.6	62%	163.7	8%
Aviation	484.1	24%	327.9	15%	1066.1	53%
LV Electrical Components	377.8	19%	453.0	21%	670.1	33%
Lighting	23.5	1%	5.6	0%	3.7	0%
SOLAR	30.1	2%	23.2	1%	-	0%
SOLAR PG CONTRACT		0%	24.1	1%	120.0	6%
<b>Total</b>	<b>2,043.1</b>	<b>100%</b>	<b>2,212.5</b>	<b>100%</b>	<b>2,023.6</b>	<b>100%</b>

Telecom customers accounted for 60–65% of annual revenue over recent years; however, FY25 marked a major shift as telecom exposure dropped to less than 9%, while the CAA represented 53% of revenue (FY22–FY24: 7%). Although the revenue remains concentrated, this risk is mitigated by the high-value nature of these contracts and the Company's dominant position as Pakistan's leading airfield lighting provide and servicing company. Furthermore, the counterparty risk is balanced by the CAA's status as a notable State-Owned Enterprise (SOE). Customer diversification is improving, as the top nine customers' concentration reduced to 66% (FY24: 79%, FY23: 80%).

Gross margin edged up marginally to 29.17% (FY24: 28.88%) in FY25. However, this improvement was offset by an 11.2% increase in operating expenses, primarily driven by higher wages and directors' remuneration. In FY25, finance costs rose to Rs. 101m (FY24: Rs. 92m) due to higher borrowings. Net margin declined to 10.12%

(FY24: 12.07%) in FY25 due to an increase in operating costs, elevated financial charges and higher income tax incidence. During 1HFY26, gross margin improved to 29.27% (1HFY25: 24.09%), supported by favorable cost dynamics while net margin increased to 9.94% (1HFY25: 8.50%).

Management remains optimistic about executing major turnkey projects across multiple airbases and airports. At the same time, manufacturing revenues are expected to rise, supported by a strong order book for diesel generators scheduled for delivery during the ongoing year. As of January 9, 2026, IEC's project portfolio stood at Rs. 18.6b, including Rs. 7.1b orders in hand with completion timelines extending to March 2028, of which Rs. 3.05b had been invoiced by the reporting date. The remaining Rs. 11.5b comprises progressive and prospective projects that management is confident of implementing and securing.

## Financial Risk

### CAPITAL STRUCTURE

The debt profile remains concentrated in short-term lines, accounting for 80% of total borrowings in 1HFY26 (FY25: 82%; FY24: 81%; FY23: 90%). Excluding revaluation surplus, equity strengthened to Rs. 1.76b (FY24: Rs. 1.66b; FY23: Rs. 1.46b) supported by profit retention and a modest dividend payout of Rs. 18.75m (FY24: nil) in FY25. Although gearing and leverage increased in FY25 due to increased borrowings, these ratios moderated by 1HFY26 following a decrease in borrowings (1HFY26: Rs. 635m; FY25: Rs. 789m; FY24: Rs. 265m). Continued deleveraging will be important for rating considerations.

### DEBT COVERAGE & LIQUIDITY

Funds from operations (FFO) decreased by 57% in FY25, primarily due to higher finance costs and elevated income tax, causing a deterioration in FFO-to-debt coverage and the debt service coverage ratio (DSCR). Debt coverage metrics remained under pressure in 1HFY26 owing to subdued FFO; these are expected to recoup over timeline. In FY25, order execution delays led to a buildup in inventory days to 146 (FY24: 83), extending the cash conversion cycle to 227 days (FY24: 159) while the current ratio moved to 2.08x at end-FY25 (end-FY24: 2.86x) on account of higher short-term borrowings. The Company parked surplus liquidity in short-term investments amounting to Rs. 141m (FY24: nil) to manage near-term funding needs. During 1HFY26, working capital metrics showed only a gradual improvement, with the current ratio edging up to 2.17x and the cash conversion cycle moderating slightly to 219 days. Short-term investments were partially drawn down to Rs. 125m to support operations. Going forward, debt coverage and liquidity indicators are expected to improve, supported by improved cash flow generation and scheduled debt repayments.

<b>FINANCIAL SUMMARY (Unconsolidated)</b>						
<b>Balance Sheet (PKR Millions)</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25A</b>	<b>HY26M</b>	<b>FY26P</b>	<b>FY27P</b>
Property, plant and equipment	540	541	616	603	601	594
Long-term Investments	343	415	495	495	495	494
Stock-in-trade	314	402	749	667	655	709
Trade debts	737	652	587	555	549	738
Short-term Investments	-	-	141	125	230	325
Loans and Advances	291	311	455	491	518	731
Cash & Bank Balances	64	46	21	31	50	55
<b>Total Assets</b>	<b>2,293</b>	<b>2,381</b>	<b>3,064</b>	<b>2,967</b>	<b>3,100</b>	<b>3,646</b>
Creditors	190	141	101	240	153	201
Long-term Debt (incl. current portion)	41	49	140	127	58	45
Short-Term Borrowings	369	216	648	508	394	418
<b>Total Debt</b>	<b>410</b>	<b>265</b>	<b>789</b>	<b>635</b>	<b>452</b>	<b>463</b>
Other Liabilities	135	140	149	209	198	288
<b>Total Liabilities</b>	<b>735</b>	<b>545</b>	<b>1,039</b>	<b>1,084</b>	<b>804</b>	<b>952</b>
Paid up Capital	75	75	75	75	75	75
Revenue Reserve	1,113	1,389	1,581	1,690	1,850	2,250
<b>Equity (excl. Revaluation Surplus)</b>	<b>1,188</b>	<b>1,464</b>	<b>1,656</b>	<b>1,765</b>	<b>1,925</b>	<b>2,325</b>
<b>Income Statement (PKR Millions)</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25A</b>	<b>HY26M</b>	<b>FY26P</b>	<b>FY27P</b>
Net Sales	2,043	2,212	2,024	1,107	3,072	4,071
Gross Profit	446	639	590	324	904	1,198
Operating Profit	168	328	245	136	500	706
Finance Costs	50	92	101	42	120	144
Profit Before Tax	211	324	270	109	380	563
<b>Profit After Tax</b>	<b>148</b>	<b>267</b>	<b>205</b>	<b>109</b>	<b>247</b>	<b>366</b>
<b>Ratio Analysis</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25A</b>	<b>HY26M</b>	<b>FY26P</b>	<b>FY27P</b>
Gross Margin	21.85%	28.88%	29.17%	29.27%	29.44%	29.42%
Operating Margin	8.24%	14.83%	12.10%	12.29%	16.26%	17.35%
Net Margin	7.23%	12.07%	10.12%	9.85%	8.03%	8.98%
Funds from Operation (FFO) (PKR Millions)	158	216	79	48	209	324
FFO to Total Debt*	39%	81%	10%	15%	46%	70%
FFO to Long Term Debt*	387%	440%	56%	76%	358%	718%
Gearing (x)	0.34	0.18	0.48	0.36	0.24	0.20
Leverage (x)	0.62	0.37	0.63	0.61	0.42	0.41
Debt Servicing Coverage Ratio* (x)	2.28	2.40	1.05	1.37	2.65	2.99
Current Ratio (x)	1.99	2.86	2.08	2.17	2.94	3.20
(Stock in trade + trade debts) / STD (x)	2.85	4.89	2.06	2.41	3.05	3.46
Cash Conversion Cycle (days)*	127	159	227	219	164	122
Return on Average Assets*	6.7%	11.4%	7.5%	6.9%	8.0%	10.8%
Return on Average Equity*	13.2%	20.1%	13.1%	12.7%	13.8%	17.2%

\*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	The Imperial Electric Company (Private) Limited				
Sector	Engineering				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Term	Short Term	Rating Outlook/Watch	Rating Action
	RATING TYPE: ENTITY				
	18-Feb-2026	A	A2	Stable	Upgrade
	27-Jan-2025	A-	A2	Stable	Maintained
	31-Jan-2024	A-	A2	Positive	Maintained
06-Feb-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		<b>Name</b>	<b>Designation</b>	<b>Date</b>	
		Khalid Lateef	Senior Manager - Finance	29 <sup>th</sup> January 2026	
		M. Abdul Rauf	Manager - Accounts		