VIS
Credit Rating Company Limited

RATING REPORT

Analyst:
M. Amin Hamdani
(amin.hamdani@vis.com.pk)

APPLICABLE METHODOLOGY(IES):
VIS Entity Rating Criteria Methodology – Industrial Corporates:
https://docs.vis.com.pk/docs/CorporateMethodology.pdf
Rating Scale:
(https://docs.vis.com.pk/docs/VISRatingScales.pdf)

TECH SIRAT (PRIVATE) LIMITED

Chief Executive: Kamran Nishat

RATING DETAILS

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	BBB+	A2	BBB+	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Initial	
RATING DATE	June 20, 2025		February 22, 2024	

RATING RATIONALE

Tech Sirat (Private) Limited ('TSPL' or 'the Company') is operating as a distributor of Xiaomi, Motorola smartphones and Lenovo laptops in Pakistan. Assigned ratings take into account sponsor profile of Muller & Phipps Pakistan (Private) Limited, the largest distribution and logistics company in the country. Ratings incorporate low business risk of the Company, wherein demand continued to grow in CY24, contributing to a 13.4% revenue growth in comparison with CY23. However, net profitability was under pressure, due to higher finance cost. Moreover, in CY24, TSPL fully adjusted a short-term loan from its sponsor, leading to improvement in debt leverage. Demand of smartphones and laptops is anticipated to remain stable in CY25. Maintaining positive momentum in topline, improving profit margins while keeping a low leveraged profile, and strengthening debt servicing ratios, will be important, from the ratings context.

COMPANY PROFILE

TSPL was incorporated on March 25, 2014, in Pakistan under the Companies Ordinance 1984 (now Companies Act, 2017). The Company is a subsidiary of M/s. Muller and Phipps Pakistan (Private) Limited (Parent company) which holds 99.99% stake in TSPL. Muller & Phipps Pakistan (Private) Ltd. (M&P) has a long-established operating history of more than a century in logistic & distribution business. The Company is mainly engaged in purchase/import and supply of smart phones and laptops. TSPL has a wholly owned subsidiary, namely Tech Sirat Technologies (Private) Limited (the Subsidiary) in which the Company holds 99.99% stake. TSPL's Board of Directors comprises members from its Parent Company's Board/Management. The Company's head office is located in Karachi.

INDUSTRY PROFILE & BUSINESS RISK

Global mobile phone market slowed down from 2022-2024 due to a global chip shortage and global geopolitical challenges. In 2024, Apple led the market share (27%), followed by Samsung (23%). On the domestic side, Pakistan's mobile phones market depicts volatility in off-take while the sector faces moderate risk with a stable outlook due to dependence on imported components exacerbated by FX risk, although local production and overall demand stabilized in 2024. Infinix led the market share in 2024, followed by Samsung at 15% and Vivo at 13%. Moreover, local production surged by 47% in 2024 with smartphones outpacing 2G phones production for the first time. Smartphones comprise 65% of the market while 35% are 2G phones users, as per PTA. Meanwhile, a implementation of sales tax of 18-25% for FY24-FY25 led to a hike in product prices, though demand recovered due to lower inflationary pressures combined with easing of import restrictions. Locally produced phones met 95% of demand in CY24, as per PTA. The upcoming Mobile Device Manufacturing and Export Policy MDMEP 2024-27 aims to boost exports and promote localization in the sector. Meanwhile, potential implementation of 5G networking and addition of Starlink are expected to drive smartphone adoption in the coming years.

Local production/assembly of mobile phones				
	2021	**2022**	**2023**	**2024**
2G phones	14.6	13.2	13.0	12.7
Smartphones	10.1	8.8	8.3	18.6
Total	**24.7**	**21.9**	**21.3**	**31.4**

Source: PTA

The domestic laptop market is characterized by informal vendor structure with only a handful of formal players. VIS considers the Company's business risk to be low due to growth in offtake of smartphones, particularly in 2024. Concentration risk stems from Xiaomi smartphones comprising more than 90% of the revenue.

Product Profile

TSPL is one of the leading distributors of mobile phones and laptops in Pakistan. TSPL partnered with Xiaomi (the principal) in November 2016 and is among the five-official partners in Pakistan, leading majority of Xiaomi's local presence. TSPL is also partnered with Lenovo PC HK Limited to fulfill laptop and smartphone orders for different corporates vide an exclusive partnership agreement. The Company normally operates within a window of 70 days from invoice data with Lenovo.

FINANCIAL RISK

Capital Structure

Despite increase in short-term borrowings, gearing remained around the same level at 2.07x (end-CY23: 2.06x) on account of higher equity base. Meanwhile, debt leverage improved to 2.45x (end-CY23: 5.75x) by end-CY24 due to full repayment of a short-term loan to M&P.

Profitability

Net sales increased by 13.4% in CY24 mainly due to favorable price adjustments on the entire product portfolio. Sales (in terms of value) of smartphones grew by 10.3% in CY24 while laptop sales registered 2.6% increase in CY24. Sales mix was largely similar in CY24 compared to CY23.

Gross margin decreased to 5.7% (CY23: 6.3%) in CY24, reflecting the impact of entry level pricing of newly launched smartphones. Operating expenses increased slightly in CY24 owing to inflationary pressures. The increase in finance costs was driven by higher short-term borrowings. Net profit therefore declined by 29.1% leading to a lower net margin of 1.4% (CY23: 2.3%) in CY24. The management expects topline and margins to remain largely unchanged in FY25.

Debt Coverage & Liquidity

In line with lower profitability and higher financial charges paid, FFO (funds from operations) declined in CY24. As a result, DSCR (debt servicing coverage ratio) decreased to 1.37x (CY23: 2.59x) in CY24, though remained above the minimum threshold.

Short-term debt coverage declined to 0.96x (end-CY23: 1.16x) by end-CY24 on account of higher short-term borrowings. However, current ratio increased to 1.41x (end-CY23: 1.17x) at end-CY24 owing to lower trade payables and reduction in dues to related parties coinciding with higher trade debts. Cash conversion cycle remained around the same level in CY24. Moreover, advances to the Principal decreased on account of reduced stock purchases as Company have ample inventory in hand to meet demand, as per management. Aging profile of trade receivables was satisfactory.

FINANCIAL SUMMARY				*(amounts in Rs millions)*
BALANCE SHEET	**CY21**	**CY22**	**CY23**	**CY24**
Paid-up capital	120.0	120.0	120.0	120.0
Tier-1 equity	**323.9**	**460.5**	**717.2**	**899.8**
INCOME STATEMENT	**CY21**	**CY22**	**CY23**	**CY24**
Net sales	7,824.9	6,393.2	11,042.8	12,527.7
Profit before Tax	484.2	275.1	457.8	299.5
Profit after Tax	**250.5**	**135.5**	**256.3**	**181.6**
RATIO ANALYSIS	**CY21**	**CY22**	**CY23**	**CY24**
Current Ratio (x)	1.40	1.70	1.17	1.41
Debt Servicing Coverage Ratio (x)	9.29	2.96	2.59	1.37
Gearing (x)	0.19	0.04	2.06	2.07
Leverage (x)	2.53	1.44	5.75	2.45

<table>
<tr><th colspan="2">REGULATORY DISCLOSURES — Appendix I</th></tr>
<tr><td>Name of Rated Entity</td><td>Tech Sirat (Private) Limited</td></tr>
<tr><td>Sector</td><td>Miscellaneous Non-Manufacturing</td></tr>
<tr><td>Type of Relationship</td><td>Solicited</td></tr>
<tr><td>Purpose of Rating</td><td>Entity Ratings</td></tr>
<tr><td>Rating History</td><td>
<table>
<tr><th>Rating Date</th><th>Medium to Long Term</th><th>Short Term</th><th>Rating Outlook/Watch</th><th>Rating Action</th></tr>
<tr><td colspan="5"><u>RATING TYPE: ENTITY</u></td></tr>
<tr><td>June 20, 2025</td><td>BBB+</td><td>A2</td><td>Stable</td><td>Reaffirmed</td></tr>
<tr><td>February 22, 2024</td><td>BBB+</td><td>A2</td><td>Stable</td><td>Initial</td></tr>
</table>
</td></tr>
<tr><td>Instrument Structure</td><td>N/A</td></tr>
<tr><td>Statement by the Rating Team</td><td>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.</td></tr>
<tr><td>Probability of Default</td><td>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.</td></tr>
<tr><td>Disclaimer</td><td>Information herein was obtained from sources believed to be accurate and reliable; however, VIS Credit Ratings Company Limited (VIS) does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. VIS, the analysts involved in the ratings process and members of its ratings committee do not have any conflict of interest relating to the ratings(s)/ranking(s) mentioned in this report. VIS is paid a fee for most ratings assignments. This ratings/ranking is an opinion and is not a recommendation to buy or sell any securities. Copyright 2025 VIS Credit Ratings Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.</td></tr>
<tr><td>Due Diligence Meetings Conducted</td><td>
<table>
<tr><th>Name</th><th>Designation</th><th>Date</th></tr>
<tr><td>Malik Naeem Ahmed</td><td>CFO & Company Secretary</td><td>27-May-2025</td></tr>
</table>
</td></tr>
</table>