VIS
Credit Rating Company Limited

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

Rating Scale:
(https://docs.vis.com.pk/docs/VISRatingScales.pdf)

SERVICE SALES CORPORATION (PRIVATE) LIMITED

Chief Executive Officer: Shahid Hussain

RATING DETAILS

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A-	A2	A-	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		initial	
RATING DATE	September 08, 2025		May 20, 2024	

RATING RATIONALE

The ratings reflect Service Sales Corporation (Private) Limited's ("SSCPL") strong position in branded footwear retail and wholesale market, supported by vertically integrated operations, a nationwide retail and wholesale network, and a diversified product portfolio. The Company operates under its flagship retail brand Ndure and wholesale brands Calza and Liza, complemented by multiple e-commerce platforms. While net sales experienced a marginal decline, gross and operating margins improved in FY24, supported by revised pricing strategies and a shift toward locally procured finished goods manufactured in wholly owned subsidiaries. In 9MFY25, operating profit registered a slight decline, reflecting higher operating expenses. SSCPL continues to focus on expanding its footprint in high-yield retail outlets, strengthening e-commerce penetration, and further diversifying its customer base.

The capital structure remains moderately leveraged, with gearing at a comfortable level. Liquidity and debt service coverage remain adequate, with the debt service coverage ratio maintained above the minimum threshold;

The ratings remain sensitive to the Company's ability to recover profitability, maintain strong sales momentum from mega retail outlets, maintain adequate liquidity, and manage leverage within set limits.

COMPANY PROFILE

Service Sales Corporation (Private) Limited (SSCPL) is a private limited company incorporated in 1965, operating as one of Pakistan's leading retailers and wholesalers of footwear and related accessories. The Company's operations are vertically structured through its own retail brand, Ndure, and wholesale channels under Calza and Liza brands. SSCPL operates a nationwide network of over 330 retail outlets, 800+ wholesale partners, and multiple e-commerce platforms. Its in-house production is supported through two wholly owned subsidiaries. SSCPL has maintained a prominent position in the domestic branded footwear market and continues to build on its legacy through brand expansion, operational integration, and market responsiveness. The Company's corporate head office is located in Lahore.

Related Parties

SSCPL operates through two wholly owned subsidiaries: Shoe Planet (Pvt.) Limited (SPPL) and SSC Manufacturing (Pvt.) Limited (SSCML) Together, the subsidiaries manufacture footwear and supply around 70% of SSCPL's requirements, with the remainder sourced from other local suppliers. SPPL with an annual capacity of 6 million pairs, operated at 61% utilization in FY25, while SSCML with a capacity of 2.7 million pairs with 56% utilization in FY25.

INDUSTRY PROFILE & BUSINESS RISK

The leather and footwear industry in Pakistan has encountered increasing challenges over the past two years, placing it in a medium to high business risk category. In FY24, the sector recorded a contraction, with exports of leather and leather products declining by 8.87% to USD 808 million from USD 887 million in FY23. This decline followed a relatively flat performance in FY23 and was primarily driven by weakening global demand, inflationary pressures in key export markets, and a continued shift in consumer preferences toward synthetic and artificial leather, which is generally more affordable, design-flexible, and aligned with global sustainability trends. Footwear exports also declined by 11.97% to USD 125 million in FY24, compared to USD 142 million in the previous year.

Structurally, the leather and footwear industry in Pakistan faces several ongoing limitations. Many units continue to rely on traditional manufacturing methods, with slower progress in modernization and automation. The supply chain remains fragmented, and integration with higher-value global retail and branding networks is limited. Compared to some regional countries, Pakistan has made less headway in areas such as international quality certifications, environmentally compliant production standards, and the development of branded exports. As a result, most products continue to be sold in the low-to mid-range market segments with limited value addition. However, the industry still benefits from inherent strengths. These advantages provide a base for potential improvement, provided that there is greater focus on upgrading production processes, improving product design and marketing, and restoring consistent policy support.

FINANCIAL RISK

Capital Structure

The Company's total debt continues to include lease liabilities in accordance with IFRS 16. Lease liabilities related to property represent a significant portion of total borrowings, contributing to a debt profile weighing more toward long-term obligations. Lease liability – property represents operational rental leases, which can be terminated at any time without any penalty. As of 9MFY25, long-term obligations, including lease liabilities, accounted for approximately 70 percent of total borrowings (FY24: 69 percent), while the remaining 30 percent comprised short-term debt, raised primarily to support higher working capital requirements associated with business expansion.

The equity base decreased during the period due to the payment of an interim dividend of PKR 54 per share, totaling PKR 102 million. The gearing ratio remains below 1x after deducting lease liabilities. Overall leverage increased from 2.26x in FY24 to 2.58x in 9MFY25, primarily due to a rise in short-term borrowings, as well as an increase in accrued liabilities, including income taxes payable to the government. The sponsors injected PKR 500 million into SSCPL and PKR 240 million into SSCM, providing additional support amid the rising funding requirements.

Profitability

In FY24, the Company reported a marginal decrease in net sales, reaching PKR 15.46 billion, with sales for 9MFY25 standing at PKR 12.40 billion. During FY24, the Ndure brand contributed 85.6% of total sales, followed by Calza at 13.9 % and Shoe Planet at around 0.5%. In the 9MFY25, Ndure's share in sales mix increased to 88.8%, while Calza's share declined to 11.2%. During FY24, SSCM has started export to Europeon Markets.

Despite decline in topline, the Company recorded improved gross and operating margins in FY24 and 9MFY25, primarily due to revised pricing structure and greater reliance on in-house production in wholly owned subsidiaries, which helped reduce input costs. However, administrative and distribution expenses increased, driven by higher fuel and power costs as well as an upward revision in minimum wages. During 9MFY25, the increase in operating expenses, coupled with the decline in sales, resulted in a decline in profit before tax. Finance costs rose to PKR 1.8 billion in FY24 (FY23: PKR 1.2 billion), also remaining elevated at PKR 1.39 billion in 9MFY25. This increase was primarily attributable to increase in short-term borrowings to meet working capital requirements as well as additional long-term borrowings related to operational rental leases. Nonetheless, the impact was partially offset by an increase in other income. Going forward, the Company plans to strengthen its presence in key commercial centers and malls to drive sales, while increasingly focusing in-house produced finished goods.

Debt Coverage & Liquidity

SSCPL faced a significant decline in funds from operations (FFO) in FY24, primarily driven by slight decline in sales and higher administrative and distribution expenses. The contraction in earnings, combined with an increase in finance cost attributable to higher borrowing, resulted in weakened FFO coverage metrics. Despite this, overall liquidity and Debt Service Coverage Ratio (DSCR) remained above 1x during FY24 and 9MFY25. Coverage of short-term borrowings through inventory and receivables remained around 1.9x, supported by high stock-in-trade levels. The cash conversion cycle also lengthened due to high inventory days, pointing to slower working capital turnover. Going forward, maintaining an adequate liquidity profile and coverage metrics will remain important from a ratings perspective.

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Service Sales Corporation (Private) Limited
Sector	Leather & Shoes
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Type: Entity

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
08-09-2025	A-	A2	Stable	Reaffirmed
20-05-2024	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

S.No.	Name	Designation	Date
1	Mr. Tabish Sharif	CFO	10 July 2025