VIS
Credit Rating Company Limited

IMAGE PAKISTAN LIMITED

Chairman & Chief Executive: Mr. Bilal Asghar & Mr. Asad Ahmad

Analyst:
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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)

RS. MILLION	FY23	FY24	1HFY25
Net Sales	2,064	2,947	1,538
PBT	253	367	458
PAT	208	286	334
Paid up capital	1,316	2,304	2,304
Equity (incl. surplus on PPE)	2,445	3,521	3,855
Total Debt	248	158	333
Debt Leverage	0.59	0.46	0.45
Gearing	0.15	0.06	0.11
FFO	334	472	493
FFO/Total Debt (x)*	1.34	2.99	2.96
NP Margin (%)	10.07%	9.70%	21.73%

RATING DETAILS

RATINGS CATEGORY	LATEST RATING	
	Long-term	Short-term
ENTITY	A-	A2
RATING OUTLOOK/ WATCH	Stable	
RATING ACTION	Initial	
RATING DATE	April 15, 2025	

RATING RATIONALE

The assigned rating primarily takes into account the robust capital structure of the company, characterized by an almost complete absence of gearing and availability of sponsor support as and when required. In addition, the company has developed a strong niche for itself in the embroidered clothing niche which is visible in its strong sales growth since FY2021 combined with above-market gross margins.

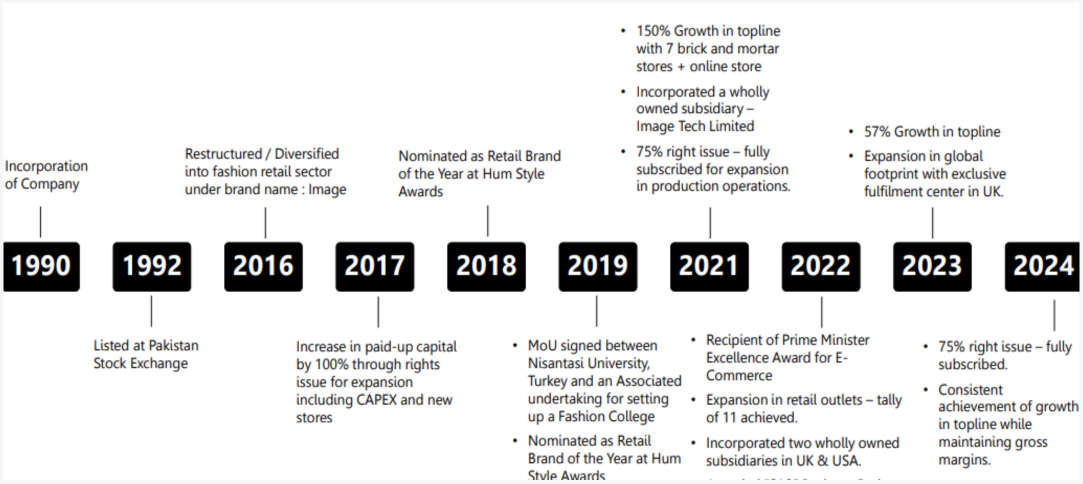
However, the retail segment in Pakistan continues to face strong headwinds, as high inflation over the past few years has eroded purchasing power while the informal sector continues to put pressure on the organized sector through lower pricing. Going forward, Image's rating will be influenced by its ability to tackle the macro-challenges while continuing its growth rate and maintaining a conservative gearing profile. The company will also have to address its stock in trade management as inventory remains high with respect to sales.

COMPANY PROFILE

Image Pakistan Limited ('Image' or 'the Company') is a public limited company incorporated on November 14, 1990, formerly known as Tri-Star Polyester Limited up till 2021 when the Company was renamed. Image specializes in manufacturing and sale of premium, value-added embroidered garments, including unstitched and ready-to-wear female apparels. Currently, the Company has a facility of 62 multi-head and 3 laser Schiffli embroidery machines. The registered office of the Company and manufacturing facilities is located at F/538, S.I.T.E., Karachi. The shareholders have permitted sale of the old polyester machinery during the current financial year.

BACKGROUND & INTRODUCTION

Image Pakistan Limited was incorporated in 1990 and subsequently listed on the Pakistan Stock Exchange in 1992 under the name Tri-Star Polyester Limited. Initially, the Company was solely engaged in the production of polyester filament yarn. However, in 2016, a strategic restructuring and diversification led to its entry into the fashion retail sector under the brand name 'Image.' In 2017, significant capex was incurred to support expansion into this new business segment through a 100% increase in paid-up capital via rights issue. More recently, in 2024, the Company again raised additional equity through a 75% rights issue.



SHAREHOLDING

A significant portion of Company's shareholding is vested with Mr. Asad Ahmed and his family, who founded and launched the brand 'Image' in 1993.

Shareholding (%)	
Directors, CEO & their family	**35.81**
Mr. Asad Ahmad	17.195
Mrs. Farnaz Ahmad	7.17
Ms. Marium Ahmad	6.145
Ms. Uzma Ahmad	5.292

Local Public	**44.76**
Modarabas & Mutual Funds	**9.03**
Other Companies	**8.78**

A significant shareholding of the Company is vested within a single family, who also play a key role in its management.

Mr. Asad Ahmad, a seasoned businessman with over 35 years of diverse experience in manufacturing, export, import, trade and finance serves as the Chief Executive Officer of the Company. He holds an MBA from the Institute of Business Administration (IBA), Karachi. Belonging to a business family he has played a pivotal role in the Company's transformation.

SUBSIDIARIES

Company	Shareholding
Image Tech Limited	99.93%
Image International Limited	99.94%
Tri-Star Image (USA) Inc.	99.94%

Image Tech Limited was incorporated as a public limited company on 12th July 2021, to avail incentives announced by the Government of Pakistan for IT sector. Company is engaged in the local e-commerce business for Image Pakistan Limited.

Image International Limited was established on 17th November, 2021 in UK to oversee and manage the e-commerce business of Image Pakistan Limited in UK and European Union.

Tri-Star Image (USA) Inc. is another overseas subsidiary established on 4th January 2022 in USA. The Company is engaged in scaling Image's International e-commerce business through arrangements for making delivered duty paid i.e., DDP in USA, UAE and India.

The establishment of these subsidiaries primarily serves to support Company's e-commerce operations, through the use of Shopify (which does not work with Pakistani firms) and its payment gateway for international transactions. Fulfillment centers in UK and USA particularly, necessitate the incorporation of a local entity for payment processing. This local presence also addresses customer concerns about making online payments on a Pakistani website.

GOVERNANCE

Board Of Directors	
Mr. Bilal Asghar	Chairman/Independent Director
Mr. Asad Ahmad	Chief Executive Officer
Ms. Farnaz Ahmad	Non-Executive Director
Ms. Uzma Ahmad	Non-Executive Director
Ms. Marium Ahmad	Non-Executive Director
Mr. Jawed Ahmed Siddiqui	Executive Director
Mr. Amin Bandukda	Independent Director

The Company has a well-structured governance framework, with a seven-member board comprising of 4 male and 3 female directors, all of whom have received Directors' Training. The board has formed Audit and HR & Remuneration Committees and set up an internal audit function, however, the management is currently in the process of hiring a suitable Head of Department for this role.

Moreover, as per the statement of Compliance, the Company is yet to establish a separate Nomination, Risk Management, and a Sustainability Committees. Currently, the Board directly oversees all these functions.

AUDITOR'S REPORT

Feroze Sharif Tariq & Co. Chartered Accountants are the auditors of the Company. The Auditor is Rated C3 by the State Bank of Pakistan ('SBP') and appears on the QCR list of auditors. As per the auditor's assessment, the financial statements provide a true and fair view of the Company's financial position as of the conclusion of financial year FY24 and therefore maintain an Unqualified Opinion. The auditor has highlighted key auditing matters pertaining to existence and valuation of stock-in-trade and capital expenditure.

VALUE CHAIN MODEL

Image's main business model revolves around producing high value-added embroidered clothing. For this purpose, the Company has in-house embroidery, stitching and finishing processes. Embroidery accounts for 62 multi-head and 3 Schiffli machines. The entire manufacturing process includes approximately 750 workers while around 300 people are dedicated for stitching department.

Production

The Company's production cycle aligns with three major seasons—winter, spring, and summer—wherein production for each season commences 5 to 6 months in advance, covering the entire process from procurement of raw materials to the cut-to-pack stage for retail distribution.

The production process begins with the procurement of materials, which consists of approximately 70% dyed fabric and 30% greige, all sourced locally. The fabric undergoes in-house high-value embroidery, cutting, stitching (for the Ready-to-Wear segment), finishing, and packaging. The estimated production cycle for processed fabrics is approximately 30 days, whereas greige fabric requires an additional 10-12 days. However, the total manufacturing period varies depending on the clothing category. For instance, solids and co-ord sets—which account for only 10% of the Company's product portfolio—do not require embroidery and are therefore directly cut, stitched and packed upon delivery of processed fabric.

Number of Retail Outlets			
FY22	**FY23**	**FY24**	**1QFY25**
11	11	13	14

Credit Terms

The Company procures fabric from local suppliers, entirely on credit extending from 90 to 120 days from the date of delivery.

Receivable days remain relatively low at approximately 20 days, which aligns with the nature of the retail business. However, the outstanding receivables are primarily attributed to e-commerce sales and certain international transactions made through wholesalers, where the Company is required to extend credit.

Power Requirements

Company's total power requirement stands around 600 kW which is mostly met through solar power set up of 250 kW. The remaining is met through K-Electric connection. Complete break-up is as follows:

Head Office:

- KE sanctioned load 400 KW, connected load 400 KW
- One Diesel Generator 112 KW

- Solar Panels

Factory:

- KE sanctioned load 200 KW, connected load 200KW
- Two Gas Generators
- Solar Power Up to 250 KW.

IT Infrastructure

The Company leverages Microsoft Dynamics 365 as its main Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) system. It is a cloud-based platform that ensures scalability, integration across departments, and real-time data accessibility. The integration of Microsoft Dynamics was successfully completed in December 2024.

In case of disruptions, the Company relies on Azure's disaster recovery capabilities, including failover mechanisms and rapid restoration services.

INDUSTRY PROFILE

Pakistan's fashion retail market is undergoing rapid growth and transformation, primarily driven by the rise of e-commerce.

Within the retail sector, the ready-to-wear (Pret) category currently accounts for approximately 40% of local fashion sales, while the remaining 60% is derived from unstitched fabric. However, a gradual shift in consumer preferences has been increasing the demand for ready-to-wear apparel. More consumers are transitioning towards ready-made clothing as a more practical and cost-effective alternative to traditional custom-tailored garments, particularly due to the growing participation of women in the workforce. The rise of Pret in the branded retail segment is also attributed to the competitive advantage it offers over the significantly larger unbranded retail sector.

Despite these positive developments, supported by the increasing adoption of e-commerce and a growing preference for fast fashion due to urbanization, convenience, and affordability, the heightened inflation in recent years has weakened consumers' purchasing power, limiting growth. This trend has also led to a shift from the formal and branded retail segment towards the informal retail sector, which remains heavily price-driven and appeals to the masses due to its affordability. According to Statista, the projected annual growth rate for the formal retail sector during 2025-2029 stands at -2.29%.

FINANCIAL RISK

Capital Structure

The Company maintains a robust capital structure, reflecting minimal long-term borrowings, which stood at PKR 158 Mn (including PKR 32.5 Mn sponsor loan) as of end-FY24, a 36% decline from PKR 248 Mn in FY23, and no short-term borrowing. Consequently, the gearing and leverage ratios were recorded at 0.06x and 0.46x, respectively. Excluding sponsors loan, the adjusted gearing for FY24 clocks at 0.05x.

At present, the Company has no working capital lines but plans to secure such facilities in the near future. Meanwhile, as mentioned earlier, Company receives support from associates and directors in the form of sponsor loans which moving forward, the management anticipates to continue in line with the Company's needs.

The Company plans to procure 18 new multi-head machines during FY25 at an estimated cost of USD 784,000 (approx. PKR 220Mn). Additionally, the management aims to expand its retail footprint by opening three new outlets annually. The estimated expenditure for a single store, including fit-out and working capital expenses, for a space of approximately 2,000–3,000 sq. ft. is around PKR 15 Mn. Consequently, total capital expenditure of PKR 200 Mn is projected for FY25. While the Company is exploring the option of raising finance to cover future capex, internal fund flows are sufficient to cover currently planned requirements.

As at end-HY25, total long-term borrowings rose by 1.1x to PKR 333 Mn, mainly due to sponsor loans increasing to PKR 141 Mn. Resultantly, gearing increased to 0.11x while leverage remained stable, recorded at 0.45x.

Profitability

The Company launched its retail business in 2017. Hence, over the past four years, sales have grown at a compounded annual growth rate (CAGR) of 31%, with a YoY increase of 43% reported in FY24, bringing the topline to PKR 2.94 Bn. This growth has been primarily driven by a 15% increase in prices, with the remaining owed to higher volumetric sales.

Gross margins have historically remained strong, averaging 45% over a 4-year period. During FY24, gross margins improved to 43% from 41% last year due to higher pricing, but remained lower than previous levels (FY22: 51%, FY21: 44%).

Despite high rental, marketing, and advertising expenses, operating margins have largely remained stable at 16% in FY24 (FY23: 15%). Net margins also remained steady at 10% in both FY24 and FY23, though slightly lower than prior years (FY22: 13%, FY21: 11%).

During HY25, the Company reported a sales of PKR 1.5 Bn, a 23% YoY increase from HY24, with gross margin recording at 53% (HY24: 49%), driven by improvement in product mix. Operating margin rose to 32% (HY24: 22%), driven by cost-cutting strategies and lower overhead costs from solar integration, while net margin increased to 22% (HY24: 15%). Consequently, net profit reported a 78% increase to PKR 334 Mn, exceeding historic annual net profits. Both sales and costs tend to increase at a higher rate during the second half of the financial year as two of the three annual collections are launched during this time. As a result, HY results should not be projected as an indicator of full year results.

Debt Coverage & Liquidity

In line with higher profitability, Funds from Operations (FFO) grew by 41% YoY to PKR 472 Mn in FY24, resulting in an improved coverage profile. The FFO-to-long-term debt and total debt ratio stood at 2.99x, up from 1.34x last year. However, Debt Service Coverage (DSCR) decreased from 7.3x to 5.2x in FY24 due to elevated finance costs amidst high interest rates. Meanwhile, the current ratio remained strong at 2.9x (FY23: 3.0x), again reflecting the primarily equity funded nature of the business. The stock-in-trade remains elevated, with finished goods inventory accounting for approximately 50% of the total stock-in-trade value, consistent with typical retail businesses. However, the inventory days record at unusually high levels reporting 469 days in FY24, due to the premium nature of Company's products, and slow retail sell through, significantly constraining cash conversion cycle, standing at 301 days. The management is planning to shorten the cash conversion period by enhancing coordination between the design and sales teams to prioritize high-demand products.

During HY25, liquidity indicators improved with annualized FFO reaching PKR 987 Mn, driven by significantly improved profitability during the period. However, FFO-to-long-term and total debt remained stable at 2.96x due to increased borrowings.

DSCR saw a substantial rise, recording at 12.1x supported by the higher FFO meanwhile, finance costs declined YoY, benefiting from lower interest rates.

Despite already high inventory levels, stock-in-trade increased further during the period. This was driven by ongoing production in the first half of the financial year in preparation for the upcoming peak buying season (February to July). As a result, the cash conversion cycle deteriorated further to 505 days.

FINANCIAL SUMMARY (PKR MN)					Appendix I
BALANCE SHEET	FY21	FY22	FY23	FY24	HY25
Property, Plant and Equipment	666	827	1,400	1,872	1,966
Long-term Investment	185	22	22	22	22
Stock-in-Trade	835	1,305	1,613	2,140	2,604
Trade debts	360	246	266	202	249
Cash & bank balance	11	35	16	112	387
Total Assets	**2,071**	**2,478**	**3,445**	**4,795**	**5,277**
Long-term debt (inc. current portion)	287	150	248	158	333
Trade & Other payables	409	397	593	881	740
Total Liabilities	**852**	**651**	**1,000**	**1,274**	**1,421**
Paid-Up Capital	569	995	1,316	2,304	2,304
Surplus on revaluation of PPE	356	346	747	731	723
Total Equity	**1,219**	**1,826**	**2,445**	**3,521**	**3,855**
Tier-1 Equity	**713**	**1,481**	**1,698**	**2,790**	**3,132**
INCOME STATEMENT	FY21	FY22	FY23	FY24	HY25
Net Sales	1,002	1,374	2,064	2,947	1,538
Gross Profit	442	704	848	1,280	822
Profit Before Tax	155	138	253	367	458
Profit After Tax	115	174	208	286	334
FFO	200	149	334	472	493
RATIO ANALYSIS	FY21	FY22	FY23	FY24	HY25
Gross Margin (%)	44.1%	51.2%	41.1%	43.4%	53.5%
Net Margin (%)	11.5%	12.7%	10.1%	9.7%	21.7%
FFO to Long-Term Debt (x)*	0.70	1.00	1.34	2.99	2.96
FFO to Total Debt (x)*	0.70	1.00	1.34	2.99	2.96
Current Ratio (x)	2.18	3.47	3.00	2.90	3.36
Debt Servicing Coverage Ratio (x)*	2.11	4.01	7.26	5.17	12.09
Gearing (x)	0.40	0.10	0.15	0.06	0.11
Leverage (x)	1.20	0.44	0.59	0.46	0.45
ROAA (%) *	5.6%	7.7%	7.0%	6.9%	13.3%
ROAE (%) *	16.2%	15.9%	13.1%	12.7%	22.6%
Cash Conversion Cycle (days)*	409	560	353	301	505

*Annualized

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Image Pakistan Limited				
Sector	Retail				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	Rating Type: Entity				
	15-Apr-2025	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. Asad Ahmad	Chief Executive Officer	05-March, 2025	
	2.	Mr. Ovais Jamani	Chief Financial Officer		