

IMAGE PAKISTAN LIMITED

Analyst:

Javeria Khalid
(javeria.khalid@vis.com.pk)

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	May 13, 2026		April 15, 2025	

Shareholding (5% or More)

Mr. Asad Ahmad – 16.59%

Bolzano Associates (Pvt) Limited – 16.96%

Mrs. Farnaz Ahmad – 5.43%

Mrs. Mariam Ahamd – 5.27%

Other Information

Incorporated in 1990

Public Limited Company (Listed)

Chief Executive: Mr. Asad Ahmad

External Auditor: Feroze Sharif Tariq & Co.

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 assigned ratings reflect Image Pakistan's established brand presence and a well-defined positioning in the local fashion landscape. The Company's ability to align product offerings with prevailing fashion trends, alongside its growing retail footprint, underpins its continued topline expansion, despite a challenging macroeconomic environment. The ratings reflect the high to moderate business risk profile of Pakistan's retail clothing sector, driven by inflationary pressures that have weakened consumer purchasing power, leading to subdued demand, heightened price sensitivity, coupled with relatively elevated fixed cost structure. However, the sector's growth is supported by rising demand for ready-to-wear apparel, driven by shifting consumer preferences towards fast fashion, due to urbanization, convenience, affordability, and rise of e-commerce.

The Company's financial risk profile is supported by a satisfactory capital structure, while coverage indicators remain robust, as reflected in a healthy DSCR. Liquidity, however, continues to present a constraint, largely on account of elevated inventory levels, which have lengthened the cash conversion cycle and tied up working capital. Management has outlined plans to address the inventory buildup and normalize turnover levels over the medium term. Going forward, a sustained improvement in the liquidity profile, alongside the maintenance of a prudent capital structure, will be important from ratings perspective.

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 until it was renamed in 2021. Image specializes in manufacturing and sale of premium, value-added embroidered garments, including unstitched and ready-to-wear female apparels.

The registered office and manufacturing facilities of the Company are located at F/538, S.I.T.E, Karachi.

Subsidiaries

Company	Shareholding	Operation
Image Tech Limited	99.93%	Engaged in managing the local ecommerce business for Image Pakistan
Image International Ltd - UK	99.94%	Manages e-commerce business in UK and EU
Image Global Ltd	62.50%	Manages local ecommerce business of the Company. It has been incorporated to avail certain tax benefits.
Tri-Star Image (USA) Inc.	99.94%	Overseas subsidiary engaged in scaling Image's international e-commerce business through arrangement for making delivered duty paid i.e., DDP in USA, UAE and India.

The remaining shareholding in these companies is held by the directors (Mr. Asad Ahmad, Ms. Uzma Ahmad and Ms. Marium Ahmad)

Management and Governance

CHAIRMAN/ CEO PROFILE

Mr. Bilal Asghar is the Chairman of Image Pakistan Ltd. He is a graduate of IBA with over 25 years of diverse experience across Retail, Consumer, Corporate, and Investment Banking, as well as SME, Financial Institutions, Cash Management, Special Assets Management, and Islamic Banking.

Mr. Asad Ahmad serves as the Chief Executive Officer (CEO) of the Company and brings over 35 years of experience across manufacturing, export, import, trade, and finance. He holds a Master's degree in Business Administration and also serves on the boards of four listed companies.

BOARD & SENIOR MANAGEMENT

The Company maintains a well-structured governance framework, with a seven-member Board comprising four male and three female directors, all of whom have completed Directors' Training. During the ongoing year, Bolzano Associates (Pvt.) Limited has increased its shareholding in the Company to 16.96%. Bolzano Associates (Pvt) Limited is an investment company owned by Mr. Shamim Ahmed and his family, who also own and serve as the CEO of SAMI Pharmaceuticals (Pvt) Ltd, a prominent player in Pakistan's pharmaceutical industry.

Accordingly, Mr. Zubair Shamim, nominee from Bolzano Associates (Pvt) Ltd, has been appointed as a non-executive director on the Board. The Board constitutes an Audit and HR & Remuneration Committee, along with an established internal audit function.

The financial accounts of the Company are audited by Feroze Sharif Tariq & Co. (category C by the SBP). The auditor has issued an unqualified opinion as of FY25 accounts.

Business Risk

INDUSTRY UPDATE

The Pakistani retail clothing sector is a strategically important segment within one of Pakistan's largest industries, primarily dealing in ready-to-wear (RTW)/Pret, home textiles and fashion apparel. Retailers serve both domestic consumers and the overseas Pakistani diaspora through a combination of physical stores and growing online channels, reflecting a diversified distribution footprint. Retail demand continues to be influenced by demographic growth, urbanization and sustained consumer preference for branded and Pret products.

The sector is showing signs of structural normalization in early FY26 following the sharp inflationary shocks in FY23. Headline inflation peaked at 38% in May 2023 (Pakistan Bureau of Statistics), contributing to a 4.4% contraction in wholesale and retail trade during that fiscal year, according to the State Bank of Pakistan (SBP). The contraction weakened discretionary consumer demand and slowed inventory turnover, placing pressure on retail cashflows and working capital.

Macroeconomic conditions have since stabilized, although residual cost pressures persist. Headline inflation rose to 7.0% in February from 5.6% in December 2025, primarily driven by higher fuel and utility costs. Core inflation, a key indicator for underlying cost trends, remained at 7.6%, indicating that manufacturing and distribution costs for apparel have not fully adjusted to the easing of headline inflation. On a sectoral basis, wholesale and retail trade is expected to record real GDP growth of 3.75%-4.75% in FY26, supported by a broader industrial recovery, with Large-Scale Manufacturing expanding 4.8% during 1HFY26.

These macroeconomic conditions directly influence retail operations, particularly regarding cost management, seasonality and supply chain flexibility. Retailers operate with relatively high fixed costs, including store rentals, marketing and inventory financing. Seasonal revenue concentration around festivals such as Eid, weddings and summer continue to shape cashflow patterns, while reliance on domestic manufacturers or third-party vendors limits cost flexibility during economic downturns.

Competitive dynamics are increasingly favorable to vertically integrated Tier-1 retailers. Under FBR regulations, a Tier-1 retailer is defined by operational thresholds, including shop size exceeding 1,000 sq ft, annual electricity consumption over PKR 1.2 million or operation within an air-conditioned mall. These entities are required to integrate POS systems within the FBR. They are also subject to a standardized 18% sales tax (GST), up from 15% in FY24, introducing a 300-basis point increase has introduced a tax push on retail prices and is testing consumer price sensitivity in a market currently valued at ~USD 5.88 billion (Statista).

Overall, while macro stabilization has restored baseline demand, credit fundamentals remain contingent on operational scale, vertical integration and the ability to absorb the 18% GST without eroding consumer demand. Retailers that can efficiently manage working capital, maintain high inventory turnover and leverage structural advantages in Tier-1 operations are better positioned to sustain profitability and manage credit risk through FY26.

Operational Performance

During the year, the Company expanded its production capacity by increasing its embroidery machinery to 72 multi-head and 3 Schiffli machines (FY24: 58 multi-head and 2 Schiffli). The retail footprint also continued to grow, with 16 outlets currently operational as of HY26, while two additional stores are planned by end-FY26 and three more in FY27 across Sialkot, Gujranwala, and Karachi.

	FY23	FY24	FY25	HY26
No. of retail outlets	11	14	14	16

During FY25, the Company also disposed off its old polyester plant.

PROFITABILITY

The Company is in a growth phase, reflected in a 4-year sales CAGR of 38% and a 24% YoY increase in net sales to PKR 3.6 billion (FY24: PKR 2.9 billion). However, topline expansion during FY25 was primarily driven by a 28% hike in prices, while volumetric sales declined by 10% YoY, indicating demand-side pressures.

During the period, a key contributor to revenue growth was exports mainly to US and UK, which rose significantly to PKR 860 million (FY24: PKR 204 million), increasing its share in total sales to 21% (FY24: 6%). In contrast, local sales remained largely stagnant at PKR 3.2 billion (FY24: PKR 3.1 billion), reflecting subdued discretionary spending in the domestic market.

However, retail outlets drove the majority of growth, making up 79% of revenue while ecommerce contributed 21%. Moreover, segment wise, pret remained the primary growth driver, contributing 76% to total sales (FY24: 68%), whereas the unstitched segment remained flat, accounting for 24% of revenue (FY24: 32%). This shift highlights a gradual transition in consumer preference toward ready-to-wear apparel.

Profitability improved notably during the year, with gross margins reaching 46%, supported by higher pricing and cost cutting measures including solarization. Consequently, operating margins expanded to 24% (FY24: 16%), while PAT stood at PKR 511 million, translating into a net margin of 14%.

The growth trajectory continued into 1HFY26, with the company posting revenue of PKR 1.5 billion and maintaining a strong gross margin of 55%, consistent with 1HFY25 levels. Management remains optimistic, projecting over 20% growth for full year FY26 sales, driven by network expansion through new retail outlets and continued pricing power.

Looking ahead, the company plans to diversify into the fragrance market, a high margin product, with the launch of perfume collection expected in 1HFY27.

Financial Risk

CAPITAL STRUCTURE

The Company maintains a sound capital structure, underpinned by relatively low reliance on debt. As of end-FY25, total long-term borrowing increased to PKR 595 million (including PKR 255 million from associates and directors) from PKR 158 million in FY24, reflecting fresh borrowings undertaken to finance capital expenditure on new machinery. Consequently, gearing and leverage rose to 0.39x and 0.85x, respectively (FY24: 0.06x and 0.46x), though remaining within comfortable thresholds.

During 1HFY26, amid higher working capital requirements, the Company obtained a PKR 150 million running musharaka facility to support short-term funding needs, maturing on 31 May 2026. Along with additional long-term borrowings, this increased total debt to PKR 952 million as of end-HY26. Nevertheless, capitalization metrics remained comfortable, with gearing and leverage at 0.53x and 0.80x, respectively.

Going forward, the capitalization profile is expected to remain stable, as no major capex is planned. Only routine capex worth PKR 50 million is anticipated for retail outlets expansion, to be funded through internal cash.

DEBT COVERAGE & LIQUIDITY

Image's liquidity profile remains adequate, with a current ratio of 2.64x (FY24: 2.9x). The cash conversion cycle has extended to 401 days (FY24: 301 days), reflecting a continued buildup in inventory, which exerts upward pressure on working capital requirements. Inventory days remain elevated at 481 days, with a significant portion attributable to relatively slow-moving finished goods. While this does not immediately constrain liquidity, it points to relatively slower inventory turnover, with a corresponding elongation of the operating cycle. Management has initiated corrective measures, including targeted discounting to liquidate excess stock, closer monitoring mechanisms, and a more demand-aligned approach to raw material procurement. These efforts are aimed at gradually normalizing inventory levels over the medium term to 180–200 day range. Realization of the same will remain important.

Meanwhile, funds from operations increased significantly to PKR 1.1 billion (FY24: PKR 472 million), driven by improved profitability. As a result, the debt coverage profile remains strong, despite a modest increase in borrowings, with FFO to total debt at 0.94x and debt service coverage ratio (DSCR) at 3.3x, both remaining strong by HY26.

FINANCIAL SUMMARY *(amounts in PKR millions)*

Appendix I

BALANCE SHEET	FY22 A	FY23 A	FY24 A	FY25 A	HY26 M
Property, Plant and Equipment	827	1,400	1,872	1,906	1,870
Long-term Investment	22	22	22	26	26
Stock-in-Trade	1,305	1,613	2,140	2,580	2,626
Trade debts	246	266	202	998	852
Cash & bank balance	35	16	112	90	72
Total Assets	2,478	3,445	4,795	6,415	6,397
Long-term debt (inc. current portion)	150	248	158	1,214	1,520
Total Debt	150	248	158	1,214	1,670
Trade & Other payables	397	593	881	967	355
Total Liabilities	651	1,000	1,274	2,614	2,523
Paid-Up Capital	995	1,316	2,304	2,304	2,304
Share Premium	253	81	81	81	81
Surplus on reval of PPE	346	747	731	717	706
Total Equity	1,826	2,445	3,521	3,801	3,874
Tier-1 Equity	1,481	1,698	2,790	3,084	3,167
INCOME STATEMENT	FY22 A	FY23 A	FY24 A	FY25 A	HY26 M
Net Sales	1,374	2,064	2,947	3,648	1,565
Gross Profit	704	848	1,280	1,690	866
Operating Profit	211	306	484	892	471
Finance Costs	32	38	96	161	106
Profit Before Tax	138	253	367	673	365
Profit After Tax	174	208	286	511	303
RATIO ANALYSIS	FY22 A	FY23 A	FY24 A	FY25 A	HY26 M
Gross Margin (%)	51.2%	41.1%	43.4%	46.3%	55.4%
Operating Margin (%)	15.4%	14.8%	16.4%	24.5%	30.1%
Net Margin (%)	12.7%	10.1%	9.7%	14.0%	19.4%
Funds from Operation (FFO) (PKR Mn)	206	334	472	1,137	643
FFO to Total Debt (x)*	1.38	1.34	2.99	0.94	0.77
FFO to Long Term Debt (x)*	1.38	1.34	2.99	0.94	0.85
Gearing (x)	0.10	0.15	0.06	0.39	0.53
Gearing (excluding lease)	0.10	0.15	0.06	0.19	0.30
Leverage (x)	0.44	0.59	0.46	0.85	0.80
Debt Servicing Coverage Ratio (x)*	5.17	7.26	5.03	3.31	2.54
Current Ratio (x)	3.47	3.00	2.90	2.64	3.20
(Stock in trade + trade debts) / STD (x)					23.2
Return on Average Assets (%) *	7.7%	7.0%	6.9%	9.1%	4.7%
Return on Average Equity (%) *	15.9%	13.1%	12.7%	17.4%	9.7%
Cash Conversion Cycle (days)*	560	353	301	401	693

*Annualized, if required

A - Actual Accounts

M - Management Accounts

REGULATORY DISCLOSURES						Appendix II
Name of Rated Entity	Image Pakistan Limited					
Sector	Retail					
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					
	13/05/2026	A-	A2	Stable	Reaffirmed	
	15/04/2025	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.					
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.					
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, 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. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.					
Due Diligence Meetings Conducted	S.No.	Name	Designation	Date		
	1.	Mr. Asad Ahmad	CEO			
	2.	Mr. Ovais Jamani	CFO	23-April-26		