

DIAMOND TYRES LIMITED

Analyst:

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RATING DETAILS

RATINGS CATEGORY	Initial Rating	
	Medium to Long-term	Short-term
ENTITY	BBB+	A2
RATING OUTLOOK/WATCH	Stable	
RATING ACTION	Initial	
RATING DATE	May 19, 2026	

Shareholding (5% or More)

Mudasir Iftikhar - 14.0%
Muzammil Ejaz - 17.5%
Bilal Ejaz - 17.5%
Ateeb Sharif Shaffi - 9.36%
Tayyab Sharif Shaffi - 9.36%
Diamond Home Textile (Pvt) Limited - 10.0%
Symbol Industries (Pvt) Limited - 10.0%
Capital Industries Enterprises (Pvt) Limited - 10.0%

Other Information

Incorporated in 2004
Public Limited Company (Unlisted)
Chief Executive Officer: Muzammil Ejaz
External Auditor: Ijaz Tabussum & Co. Chartered Accountants

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

Diamond Tyres Limited ('DTL' or 'the Company') is engaged in tire manufacturing. DTL was incorporated in 2004, and its registered office and production facility are located in Lahore. DTL is part of the Diamond Group of Industries, a diversified group with interests spanning bedding, textiles, and industrial insulation, with concentrated sponsor ownership and experienced management providing continuity. Assigned ratings of DTL reflect its notable position in the bias-ply tire segment, sponsor-backed ownership structure, and improving earnings trajectory, while being constrained by moderate governance framework, leveraged capital structure, and volatility in cash flows impacting debt coverage.

Business risk profile is reflective of a Company operating in a cyclical and price-sensitive industry, exposed to fluctuations in input costs, demand variability, and regulatory changes. Following a stressed FY23 marked by input cost escalation and demand compression, the Company has demonstrated operational recovery, supported by improved two- and three-wheeler demand and growing export penetration. Nonetheless, margin pressures re-emerged in FY25 due to duties on imported raw materials, highlighting the inherent earnings volatility of the business.

The Company's capital structure remains leveraged but gradually improving, with ongoing deleveraging supported by profit retention. Debt coverage metrics are under pressure however, liquidity remains adequate, supported by stable working capital management. Going forward, the ratings are underpinned by expectations of gradual improvement in profitability and cash flows, driven by demand recovery, export growth, and easing input cost pressures. Company's ability to sustain margin recovery, strengthen debt coverage metrics, and continue deleveraging will remain important for ratings. Ratings remain contingent upon the Company's ability to achieve projected improvement in financial risk parameters.

Company Profile

Diamond Tyres Limited ('DTL' or 'the Company') was incorporated in Pakistan on September 21, 2004 as an unquoted limited liability Company namely Hashir Export Limited, and was engaged in the business of textile. Subsequently, the name of company was changed to Diamond Tyres Limited with effect from August 30, 2007 with suitable amendments in Memorandum and Articles of Association of the Company. DTL is mainly engaged in the manufacturing of tires and tubes of two wheelers and three-wheelers. The Company's registered office is located at Gulberg III, Lahore and production plant is located at Manga Mandi, Lahore.

GROUP PROFILE

The Diamond Group of Industries is a diversified conglomerate with subsidiaries specializing in distinct sectors: DTL (automotive parts), Diamond Industries Limited (chemicals and polyurethane), Symbol Industries (construction insulation), Capital Industries (bedding), Dolce Vita Home (luxury retail), and Diamond Home Textile (textiles). Based in Lahore, Pakistan, The Diamond Group of Industries is led by Managing Director, Shariq Shaffi. The conglomerate maintains a strong global footprint, exporting to and operating within the Middle East, Turkey, Afghanistan, and South Africa.

Management and Governance

The Company is led by Muzammil Ejaz, who serves as the CEO and Director. He has been affiliated with the group since 2004. Majority of the Company's shareholding rests with members of the sponsors, Shaffi family, and associated group companies – Diamond Home, Symbol Industries and Capital Industries. Members of key leadership team include:

- Aqleem Ali (Head of Production): He holds MS in Polymer Sciences and 30 years of manufacturing experience within the Pakistani tyre industry.
- Mubin Raza (Director Sales & Marketing): Possesses 30 years of experience specializing in both domestic and international market growth.
- Mughees Anjum (CFO): A Chartered Accountant (FCA) with 20 years of expertise in corporate finance and taxation, including "Big Four" experience.

The FY25 accounts were audited by Ijaz Tabassum & Co.; however, the firm appears in category 'B' of SBP's Auditors List.

Business Risk

INDUSTRY

The tyre industry operates as a technology-driven oligopoly, characterized by high capital intensity and significant entry barriers. The market is bifurcated between Radial tyres (four-wheelers/commercial vehicles) and Bias-ply tyres (two and three-wheelers). Though the bias-ply market is defined by competitive margins and high volumes, an important driver of profitability in this sector is economies of scale, as companies having higher volumetric share in the market report stronger gross margins. Market share in bias-ply segment is

distributed among three primary local manufacturers: Service Industries Limited (SIL) 53%, Panther Tyres Limited (Panther) 36%, and Diamond Tyres Limited (DTL) 13%. The stronger position of SIL and Panther is attributed to their early-mover advantages and extensive production capacities.

After a 2023 crisis triggered by devaluation and import curbs, Pakistan's bias-ply tire industry pivoted from import-reliance to export-led growth in 2025. Stability was driven by a surge in two-wheelers production by 29% in FY25 and 33% in 6MFY26. Three-wheeler production increased by 65% in FY25 and later 18% in 6MFY26 from comparable period. The emergence of domestic e-bikes market, exports penetration in South East Asia, the Middle East and Africa, and consistent traditional replacement market, continue to alleviate the sector's offtake risk. This stability is reinforced by the government's measures to curtail smuggling of tires and tubes from neighboring countries as well as declining interest rates. VIS assesses business risk of tires industry as medium.

PRODUCTION PROFILE

Production capacity DTL stands at 8.6 million tires and 25.8 million tubes per annum. Output levels have increased in line with improving domestic and export demand. The total power requirement of 5MW is met through a mix of solar (2MW) and WAPDA (3MW). The workforce expanded to 1,284 employees (June 2024: 1,119) as of June 2025, with 93% of staff deployed at the production facility. Production capacity is expected to remain intact.

	FY23	FY24	FY25
Tires (units in mln)			
Installed capacity	8.6	8.6	8.6
Actual production	3.0	3.4	4.1
Utilization	35%	40%	48%
Tubes (units in mln)			
Installed capacity	25.8	25.8	25.8
Actual production	10.5	12.8	15.3
Utilization	41%	50%	59%

SALES & PROFITABILITY

Net sales rose at a CAGR of 16.8% during FY23–FY25 mainly on the back of volumetric increase. Tires and tubes account for more than ~92% of turnover with chemicals making up for the rest.

While local sales dominate with 92-93% share, the Company's exports base continues to expand, reaching Rs. 1.03b in FY25 (FY24: Rs. 782.98m, FY23: Rs. 719.22m) and Rs. 750.75m in 1HFY26 representing 7-8% of net sales. Afghanistan and Türkiye are the largest international markets contributing 56% (FY24: 42%) and 31% (FY24: 48%) exports revenue in FY25, respectively.

Top 10 customer concentration stood at 45.1% (FY24: 44.6%) in FY25. The largest customer, Atlas Honda Limited (AHL), the market leader in Pakistan's two-wheeler industry, accounted for 9% of net sales in FY25 (FY24: 11%) while remaining major customers are distributors. Credit terms with of these customers are payments within 30 days; however, AHL has been extended a relatively longer period of 45 days.

Raw materials, constituting more than 85% of the cost of manufacturing, are mainly imported rubber and locally procured carbon black. Rubber is sourced from countries in South East Asia and South America, while carbon black is procured from National Petrocarbon (Pvt) Limited located in Karachi.

Following a negative gross margin in FY23, due to cost overruns from supply chain disruptions, gross margins recovered to 13.82% in FY24 on the back of favorable pricing adjustments and tighter cost controls, and decreased in FY25 to 8.56% due to higher raw material costs following the imposition of duties on imported rubber. Further exacerbated by a higher tax incidence, net margins decreased to 0.67% in FY25 (FY24: 3.52%).

Net sales improved by 13% in 1HFY26 compared to SPLY while gross margin improved marginally to 9.96% (1HFY25: 9.32%), largely driven by softening of duties on imported rubber. This resulted in a modest increase in net margin to 2.39% (1HFY25: 0.27%).

The Management projects topline to reach Rs. 13b (FY25: Rs. 11.4b) in FY26, underpinned by higher demand expected during 4QFY26. To address the export contraction from Afghanistan during the ongoing year amidst geopolitical issues, the management is actively pursuing higher exports to Brazil, Türkiye, and also to Southeast Asian countries such as Indonesia and Thailand. Achieving projected sales volume and revenue targets while sustaining margins will remain important for the ratings.

Financial Risk

CAPITAL STRUCTURE

The Company's capital structure remains leveraged, albeit on a gradually improving trajectory. The equity base has strengthened to Rs. 1.44bn (FY25: Rs. 1.27bn; FY24: Rs. 1.25bn), supported by internal profit retention, which has contributed to a steady improvement in leverage indicators. Gearing has declined to 1.63x (FY25: 1.76x; FY24: 2.00x), while debt leverage has eased to 3.73x (FY25: 4.15x; FY24: 4.20x). While further deleveraging is expected through continued profitability and retention, the overall capital structure remains moderately leveraged. The debt profile is skewed toward short-term borrowings, primarily utilized for working capital requirements, with a gradual reduction in long-term debt over time. It is also noted that the Company had previously undertaken a restructuring of its term liabilities in response to cash flow pressures, resulting in a more manageable repayment profile.

DEBT COVERAGE & LIQUIDITY

Debt coverage indicators have weakened in the recent period, reflecting lower profitability and a consequent decline in cash flow generation. FFO-based metrics have moderated, with DSCR declining to 0.73x (FY25: 0.99x; FY24: 1.11x), while FFO to long-term debt and total debt stood at 15.53% and 5.34%, respectively (FY25: 17.97% and 7.56%; FY24: 39.95% and 23.32%). Nonetheless, coverage metrics are expected to improve going forward, supported by a projected recovery in profitability. On the liquidity front, the Company maintains adequate working capital management, with the cash conversion cycle improving to 64 days (FY25: 70 days; FY24: 87 days), and current ratio maintained at 1.16x (FY25: 1.12x; FY24: 1.22x). In addition, short-term debt coverage, although declining, continues to remain within manageable levels at 2.36x (FY25: 2.69x; FY24: 3.38x). Trade receivables are well-disciplined, with 99.2% of outstanding balances falling within 30 days, indicating sound credit quality and collection efficiency.

FINANCIAL SUMMARY				
Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	6MFY26M
Property, plant and equipment	2,994	2,803	2,743	2,654
Stock-in-trade	1,075	2,075	1,793	1,844
Trade debts	1,586	1,404	1,628	1,709
Cash & Bank Balances	300	269	226	342
Other Assets	550	671	784	847
Total Assets	6,504	7,222	7,174	7,396
Creditors	996	1,139	1,490	1,586
Long-term Debt (incl. current portion)	1,382	1,463	943	807
Short-Term Borrowings	1,129	1,043	1,298	1,540
Total Debt	2,511	2,506	2,242	2,347
Other Liabilities	1,349	1,646	1,564	1,451
Total Liabilities	4,856	5,291	5,296	5,384
Paid up Capital	750	750	750	750
Revenue Reserve	135	505	525	691
Equity (excl. Revaluation Surplus)	885	1,255	1,275	1,441
Income Statement (PKR Millions)	FY23A	FY24A	FY25A	6MFY26M
Net Sales	8,379	8,744	11,433	5,642
Gross Profit	-13	1,209	979	560
Operating Profit	-326	932	611	351
Finance Costs	449	543	363	151
Profit Before Tax	-775	389	248	200
Profit After Tax	-836	308	77	135
Ratio Analysis	FY23A	FY24A	FY25A	6MFY26M
Gross Margin	-0.16%	13.82%	8.56%	9.92%
Operating Margin	-3.90%	10.65%	5.34%	6.23%
Net Margin	-9.98%	3.52%	0.67%	2.39%
Funds from Operation (FFO) (PKR Millions)	-591.6	584.5	169.6	62.6
FFO to Total Debt*	-23.6%	23.3%	7.6%	5.3%
FFO to Long Term Debt*	-42.8%	40.0%	18.0%	15.5%
Gearing (x)	2.84	2.00	1.76	1.63
Leverage (x)	5.49	4.22	4.15	3.73
Debt Servicing Coverage Ratio* (x)	-0.15	1.11	0.99	0.73
Current Ratio (x)	1.07	1.22	1.12	1.16
(Stock in trade + trade debts) / STD (x)	2.40	3.38	2.69	2.36
Return on Average Assets*	-12.9%	4.5%	1.1%	3.7%
Return on Average Equity*	-94.5%	28.8%	6.1%	19.9%
Cash Conversion Cycle (days)	72	87	70	64

*Annualized, if required

A - Actual Accounts

P - Management Projections

M - Management Accounts

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Diamond Tyres Limited				
Sector	Automobile Parts (Tires)				
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				
	19-May-2026	BBB+	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.				
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Due Diligence Meetings Conducted	Name		Designation		Date
	Mughees Anjum		CFO		11-Feb-2026
	Mughirah Chohan		Head of Finance		