VIS
Credit Rating Company Limited

RATING REPORT

MACTER INTERNATIONAL LIMITED

Analyst:
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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A	A1	A	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Upgrade	
RATING DATE	September 29, 2025		August 02, 2024	

Shareholding (10% or More)	Other Information
Asif Misbah – 32.96%	Incorporated in 1992
Swaleh Misbah Khan – 32.94%	Public Limited Company (Listed)
SAAS Enterprises (Private) Limited – 14.04%	Chief Executive: Mr. Asif Misbah
	External Auditor: A. F. Ferguson & 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/do cs/VISRatingScales.pdf

Rating Rationale

The ratings reflect Macter International Limited's ('Macter' or the 'Company') presence in the pharmaceutical sector, supported by operations across branded generics and contract manufacturing. Manufacturing facilities are compliant with international cGMP and ISO standards, with dedicated capacity for cephalosporins, penicillins, and biologics. The governance framework remains adequate, with independent oversight at the board and committee levels and regulatory compliance reinforced by the appointment of a Shariah Advisor.

The business risk profile of the pharmaceutical industry is assessed as Medium to Low, driven by steady demand fundamentals and recent regulatory reforms that have supported margin recovery. Product concentration is moderate; however, this risk is partly mitigated by notable market shares of leading brands and the introduction of new therapies. Client concentration within key customers remains within acceptable levels. Profitability improved in FY24 and 9MFY25, supported by pricing deregulation, easing macroeconomic pressures, and higher export contribution, with gross margins increasing to 44.7% in the review period.

Capitalization indicators remain sound, with gearing and leverage at 0.26x and 0.87x respectively, as of Mar'25. Liquidity is considered adequate, supplemented by unutilized short-term facilities of around PKR 3.9 bn. The outlook remains stable, underpinned by consistent demand, a supportive regulatory environment, and expectations of sustained improvement in profitability and cash flow generation. Going forward, maintenance of coverages, liquidity and capitalization profile while improving net margins will remain important for ratings.

Company Profile

Macter International Limited is engaged in the manufacturing and marketing of pharmaceutical products. Operations are structured into two primary segments: branded generics and contract manufacturing. The Company is one of the larger contract manufacturers in Pakistan, particularly for multinational companies, offering a wide range of dosage forms including oral solids and liquids, parenterals (ampoules and vials), topicals, metered-dose inhalers, and ear and eye drops. Dedicated facilities exist for cephalosporins, penicillins, and biologics.

Manufacturing operations are conducted in line with international cGMP standards and are certified under ISO 9001:2015 for quality management systems and ISO/IEC 17025:2017 for laboratory standards. In addition, the facilities comply with Pakistan Standard PS:5442-2019 for halal healthcare products. The Company operates two production sites located at SITE, Karachi.

Macter incorporated a subsidiary, Misbah Cosmetics (Private) Limited (MCPL), in 2017. The subsidiary is focused on marketing halal-certified cosmetics and represents an effort to expand the portfolio toward higher-margin consumer products.

Management and Governance

OWNERSHIP/SPONSOR/CHAIRMAN/CEO PROFILE

Macter is a publicly listed entity with majority ownership vested in the Misbah family, while the remaining shareholding is held by SAAS Enterprises (Private) Limited, institutional investors, and the general public. The Company is compliant with corporate governance requirements applicable to listed entities.

The Board is chaired by Dr. Amanullah Kassim, who holds an M.B.B.S. degree from Sindh Medical College, Karachi. He has experience in managing private business ventures and is actively involved in social welfare activities, serving as President of the Kiran Patient Welfare Society and the Zubaida Machiyara Trust.

Mr. Asif Misbah serves as Chief Executive Officer and has been associated with the Company since 1994. A business graduate from the Institute of Business Administration (IBA), Karachi, he has overseen initiatives including organizational restructuring, development of management systems, and the transition of the Company from a privately held entity to a listed company. His responsibilities have also included strengthening corporate governance and developing performance-focused teams. Beyond his role at Macter, he is a board member of non-governmental organizations in the education and health sectors and has previously served as Chairman of the Biologics and Pharma Ethics Committees of the Pakistan Pharmaceutical Manufacturers Association (PPMA).

BOARD OF DIRECTORS & COMMITTEES

Name	Designation
Dr. Amanullah Kassim	Chairman/Independent Director
Mr. Asif Misbah	Chief Executive Officer/Executive Director
Mr. Swaleh Misbah Khan	Executive Director
Ms. Masarrat Misbah	Non-Executive Director
Sheikh Muhammad Waseem	Non-Executive Director
Sheikh Perwez Ahmed	Non-Executive Director
Mr. Muhammad Ather Sultan	Non-Executive Director
Mr. Jawwad Ahmed Farid	Independent Director
Shaikh Abdus Sami	Independent Director

The Board of Directors (BoD) of Macter International Limited comprises nine members, including four non-executive directors (with one female director), three independent directors (including the Chairman), and two executive directors (including the Chief Executive Officer). Board oversight is supported by two committees: the Board Audit Committee (BAC) and the Board Human Resource and Remuneration Committee (BHR&RC). Both committees are chaired by independent directors, in line with best governance practices.

During the year ended Jun'24, the Board convened six meetings, while the BAC and BHR&RC held four and three meetings, respectively. As of Jun'24, six of the nine directors had completed the Directors' Training Program (DTP) certification, with training sessions planned for the remaining members to ensure full regulatory compliance.

SHARIAH ADVISOR

The Company has appointed Mufti Muhammad Najeeb Khan as its Shariah Advisor. He is a qualified scholar specializing in Islamic Jurisprudence and Finance from Jamia Darul Uloom Karachi under the guidance of Justice (R) Mufti Taqi Usmani. With over two decades of experience, he has provided advisory services in Islamic banking, finance, and halal compliance standards.

The Shariah review of Macter for the year ended Jun'24 was conducted in accordance with the Shariah Governance Regulations, 2023. The review encompassed financial statements (unaudited), operational processes, policies, and contractual documentation to assess compliance with Shariah principles. Based on the evaluation, the Company's inflows and outflows were confirmed to be free from Riba, Qimar, Gharar, and other prohibited elements. No income requiring purification was identified during the year.

The review also noted that all legal agreements are executed after approval from the Shariah Advisor, while raw materials used in pharmaceutical production are halal. The Company has obtained halal certification for the majority of its product portfolio, further reinforcing compliance with relevant Shariah requirements.

Business Risk

INDUSTRY

The business risk profile of Pakistan's pharmaceutical sector is assessed as Medium to Low, reflecting low cyclicality, indicating its performance is relatively stable and not heavily dependent on economic cycles. However, it faces a medium degree of competition risk with a significant risk of barrier of entry but low substitution risk. Medicine consumption is primarily driven by population growth, increasing prevalence of chronic diseases, and rising health awareness. Even during periods of economic stress, demand has remained resilient—as evidenced by a 22% year-on-year (YoY) increase in industry sales, which reached PKR 916 billion in FY24. This growth was largely attributable to price adjustments following the partial deregulation of drug pricing in February 2024, while volume growth remained modest at 2–5%.

The momentum persisted in FY25, with retail pharmaceutical sales surpassing PKR 1,049 billion by March 2025, marking a 20.62% YoY increase. However, unit volumes grew by only 3.63%, underscoring the price-led nature of topline expansion, with more than two-thirds of the growth attributed to pricing revisions. Export performance also strengthened: pharmaceutical exports rose by 34% to USD 457 million in FY25 (FY24: USD 341 million). Combined therapeutic goods exports, including medical devices and nutraceuticals, stood at USD 909 million, reflecting the sector's growing competitiveness and export capability.

The sector comprises over 600 licensed manufacturing entities, though market concentration remains high, with the top 50 firms accounting for the bulk of industry revenues. According to IQVIA, as of May 2025, the top 25 companies accounted for 74.0% of the market, while the top 50 collectively made up 87.0%.

Regulatory oversight remains a key risk factor. Historical price controls imposed by the Drug Regulatory Authority of Pakistan (DRAP) have restricted margin flexibility, particularly amid elevated input costs and exchange rate volatility. However, recent reforms—including the deregulation of prices for non-essential drugs and a one-time adjustment for essential medicines—have supported a recovery in profitability. Further, the FY25–26 federal budget introduced a rationalized tariff structure for imports of Active Pharmaceutical Ingredients (APIs) and packing materials, consolidated into four slabs (0%, 5%, 10%, 15%). Although the near-term benefit is likely to be modest, the phased implementation is expected to lower cost pressures over time. Nonetheless, regulatory unpredictability—especially regarding facility approvals and new product registrations—continues to weigh on sector planning.

The outlook for FY26 is stable. Sustained domestic demand, easing input costs, and supportive pricing reforms are expected to underpin sectoral performance. Going forward, consistent implementation of regulatory measures particularly maintaining partial deregulation and introducing tiered pricing frameworks that balance innovation with affordability will be critical to preserving recent gains.

PRODUCT MIX & CLIENT CONCENTRATION

As of FY24, the Company's product portfolio reflects moderate concentration, with the top five products contributing 32.6% of revenues (FY23: 31.5%). Revenue contribution from leading products has remained broadly stable over the past three years. Key contributors included Titan, Cobolmin, Pegtism, Venticort, and Relaxin. Within the top products, several occupy notable positions in their respective therapeutic segments. Titan held a 9.0% market share (2nd in the market), Cobolmin 7.5% (3rd), Pegtism 90.0% (1st), Venticort 12.4% (2nd), and Salmicort 53.5% (1st). The presence of products with established market shares provides resilience to earnings and partially offsets the concentration risk associated with reliance on a limited set of products.

Client concentration within the top ten customers stood at 31.5% in FY24 (FY23: 29.6%). While the share of top clients has increased slightly, the level remains within acceptable limits. The combination of moderate product and client concentration, together with the strength of leading brands, supports stability in revenue generation.

During 9MFY25, the Company also introduced new products aimed at expanding its therapeutic footprint and diversifying the portfolio. These included Upacnet (Upadacitinib) for inflammatory conditions, Indyco M (Glycopyrronium + Indacaterol + Mometasone) as a triple inhaler for asthma, Digebro Syrup for gastrointestinal conditions, and Seglutide (Semaglutide), the first rDNA-based semaglutide launched in Pakistan for diabetes and obesity. The continued emphasis on research and development, supported by manufacturing and commercial capabilities, is expected to aid in broadening the revenue base and mitigating concentration risks over the medium term.

PROFITABILITY

Net turnover for FY24 stood at PKR 7,535.4 mn (FY23: PKR 6,680.4 mn), reflecting growth of 13%. The increase was primarily driven by higher unit prices, supplemented by volumetric growth in certain product categories. Core prescription sales remained the main revenue contributor, posting a 23% increase to PKR 6,533 mn (FY23: PKR 5,324 mn). Key brands, including Pegstim in oncology, Mac-Epo in nephrology, and Titan in anti-infectives, supported this growth trajectory. On the other hand, revenues from institutional sales declined to PKR 277 mn (FY23: PKR 448 mn), down 38%, owing to management's cautious stance on government tenders in light of delayed payments across the industry.

In February 2024, the deregulation of non-essential medicines allowed market-based pricing, covering nearly 60% of the Company's portfolio. This policy change positively impacted gross margins, which improved marginally to 42.2% (FY23: 41.7%). The impact was partial during the year given the timing of implementation. On the cost side, selling and distribution as well as administrative expenses amounted to PKR 2,471.9 mn (FY23: PKR 2,157.6 mn), in line with broader inflationary pressures. Finance costs rose to PKR 101 mn (FY23: PKR 61 mn), up 64%, reflecting higher average policy rate and some increase in average borrowings. Resultantly, the Company reported net profit of PKR 427.2 mn (FY23: PKR 392.9 mn) in FY24.

During 9MFY25, the topline recorded significant growth, with net turnover reaching PKR 7,346.5 mn, a 36% increase over the corresponding period last year. Growth was broad-based across all revenue segments—prescription, institutional, and export—each posting double-digit growth. Exports, in particular, increased by 94% year-on-year, reflecting management's focus on enhancing the contribution of exports to the overall revenue mix. Gross margins strengthened to 44.7%, aided by easing macroeconomic conditions and the full-year effect of deregulated pricing for non-essential drugs.

Distribution and administrative expenses also increased in line with higher activity levels. Nevertheless, higher sales and improved margins translated into operating profit of PKR 844.6 mn (9MFY24: PKR 382.8 mn). Finance costs remained largely stable despite higher average borrowings, as the effect of lower policy rates offset the increase in debt. Consequently, net profit improved to PKR 486.9 mn (9MFY24: PKR 280.9 mn).

The overall profitability profile has benefited from supportive regulatory changes, stabilization of external factors, and an increased export contribution. Sustained improvement in margins remains contingent upon continued regulatory consistency, while higher product and client diversification is expected to support revenue stability.

Financial Risk

CAPITAL STRUCTURE

As of March 2025, the Company's equity base (excluding revaluation surplus) stood at PKR 3,638.2 mn (Jun'24: PKR 3,197.1 mn; Jun'23: PKR 2,870.7 mn). Growth in equity was primarily driven by partial profit retention.

During 9MFY25, the Company recorded capital expenditure, with gross additions to operating fixed assets of PKR 507 mn, compared to PKR 90 mn in the same period last year. The largest outlay was on motor vehicles (PKR 335 mn), followed by gas and other installations (PKR 138 mn). In parallel, capital work-in-progress (CWIP) expanded to PKR 410 mn (Jun'24: PKR 231 mn). Additions of PKR 570 mn were made across categories, in buildings (PKR 139 mn), plant and machinery (PKR 138 mn), and others (PKR 293 mn). Of this, PKR 391 mn was transferred to operating fixed assets during the period.

Total borrowings increased to PKR 938.7 mn (June 2024: PKR 534.6 mn; June 2023: PKR 495.7 mn). Of this, long-term debt accounted for PKR 788.7 mn, while short-term debt amounted to PKR 150.0 mn. The increase in long-term financing was primarily linked to Diminishing Musharaka arrangements for vehicles, secured against hypothecation charges over current and fixed assets. Short-term borrowings were largely utilized to bridge working capital requirements, reflecting a deviation from the Company's recent practice of minimal reliance on short-term lines.

Resultantly, capitalization indicators, though increased, remained low, with gearing increasing to 0.26x (FY24: 0.17x; FY23: 0.17x) and leverage to 0.87x (FY24: 0.69x; FY23: 0.72x). Nonetheless, moderate size of the equity base continues to constrain the overall capital profile, limiting the Company's financial flexibility.

Looking forward, the Company does not anticipate challenges in meeting working capital requirements, given unutilized short-term facilities of around PKR 3.9 bn. Any planned capital expenditure is expected to be funded through internal sources, with no additional debt drawdown. With profitability projected to improve on the back of higher sales, improving margins and lower finance costs, further equity accretion is expected, which in turn should strengthen capitalization metrics.

DEBT COVERAGE & LIQUIDITY

As of Mar'25, the Company's liquidity position remained adequate, with a current ratio of 1.68x (FY24: 1.90x; FY23: 1.76x) and short-term borrowing coverage of 21.7x. Trade receivables stood at PKR 614.9 mn, of which PKR 133.6 mn was classified as doubtful under the ECL model and is fully provided for. The doubtful receivables were largely attributable to legacy institutional credit sales; in response, the Company has adopted an advance-payment policy for institutional clients to mitigate further exposure.

Stock-in-trade increased to PKR 2,748.8 mn (June 2024: PKR 1,972.0 mn; June 2023: PKR 1,776.2 mn), reflecting strategic procurement at favorable rates, buildup for anticipated product launches, and precautionary stocking due to supply chain concerns following the suspension of trade with India. While this inventory buildup extended the net cash cycle, normalization is expected as sales volumes align with planned product rollouts. The Company continues to explore alternative sourcing strategies to address potential raw material constraints.

Funds from Operations (FFO) amounted to PKR 848.1 mn (FY24: PKR 662.1 mn; FY23: PKR 701.5 mn). Coverage indicators remained sufficient, with FFO-to-total debt coverage at 120.5% (FY24: 123.7%; FY23: 141.5%) and DSCR improving to 4.09x (FY24: 3.31x; FY23: 4.84x). Liquidity is further supported by unutilized short-term facilities of around PKR 4.0 bn, providing additional financial flexibility.

Financial Summary — Appendix I

Balance Sheet (PKR Millions)	FY22	FY23	FY24	9MFY25
Property, plant and equipment	1,679.34	2,052.47	2,067.23	2,549.08
Intangible Assets	2.30	1.53	2.06	1.63
Long-term Investments	300.00	300.00	300.00	300.00
Stock-in-trade	1,260.46	1,776.16	1,971.96	2,748.84
Trade debts	301.36	382.86	389.90	481.23
Short-term Investments	159.71	0.00	0.00	16.84
Cash & Bank Balances	212.73	54.38	184.25	73.99
Other Assets	522.60	356.00	497.70	622.37
Total Assets	4,438.50	4,923.40	5,413.10	6,793.98
Creditors	791.13	575.34	531.95	766.24
Long-term Debt (incl. current portion)	343.79	495.69	534.55	788.69
Short-Term Borrowings	0.00	0.00	0.00	150.00
Total Debt	343.79	495.69	534.55	938.69
Other Liabilities	728.23	981.68	1,149.50	1,450.82
Total Liabilities	1,863.15	2,052.71	2,216.00	3,155.75
Paid up Capital	458.11	458.11	458.11	458.11
Revenue Reserve	891.39	1,186.72	1,513.14	1,954.25
Capital Reserve	1,225.86	1,225.86	1,225.86	1,225.86
Equity (excl. Revaluation Surplus)	2,575.36	2,870.69	3,197.11	3,638.22

Income Statement (PKR Millions)	FY22	FY23	FY24	9MFY25
Net Sales	5,311.25	6,680.40	7,535.38	7,346.48
Gross Profit	2,374.10	2,784.72	3,181.63	3,285.52
Operating Profit	528.29	618.21	712.67	844.54
Finance Costs	38.47	61.37	100.57	72.39
Profit Before Tax	489.82	556.84	612.10	772.15
Profit After Tax	317.54	392.87	427.16	486.91

Ratio Analysis	FY22	FY23	FY24	9MFY25
Gross Margin (%)	44.70%	41.68%	42.22%	44.72%
Operating Margin (%)	9.95%	9.25%	9.46%	11.50%
Net Margin (%)	5.98%	5.88%	5.67%	6.63%
Funds from Operation (FFO) (PKR Millions)	663.85	701.51	662.08	848.06
FFO to Total Debt* (%)	193.10%	141.52%	123.86%	120.46%
FFO to Long Term Debt* (%)	193.10%	141.52%	123.86%	143.37%
Gearing (x)	0.13	0.17	0.17	0.26
Leverage (x)	0.72	0.72	0.69	0.87
Debt Servicing Coverage Ratio* (x)	3.74	4.84	3.31	4.09
Current Ratio (x)	1.71	1.76	1.90	1.68
(Stock in trade + trade debts) / STD (x)	NA	NA	NA	21.69
Return on Average Assets* (%)	7.79%	8.39%	8.27%	10.64%
Return on Average Equity* (%)	16.18%	14.43%	14.08%	19.00%
Cash Conversion Cycle (days)	85.97	96.93	129.41	131.59

*Annualized, if required

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Macter International Limited
Sector	Pharmaceutical
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
29-Sep-25	A	A1	Stable	Reaffirmed
02-Aug-24	A	A1	Stable	Upgrade
13-Jun-23	A	A2	Stable	Reaffirmed
20-Apr-22	A	A2	Stable	Reaffirmed
15-Jan-21	A	A2	Stable	Reaffirmed
17-Sep-19	A	A2	Stable	Downgrade
01-Jun-18	A	A1	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.
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.
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Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Syed Naveed Rizvi	Chief Financial Officer (CFO)	28th August 2025
Mr. Shabbir Butt	Senior Manager Treasury and Finance	