VIS
Credit Rating Company Limited

RATING REPORT

AL-GHAZI TRACTORS LIMITED

Chairman: Robert McAllister
Chief Executive: Sakib Eltaff

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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	CY23	CY24	1HCY25
Net Sales	34,544	34,574	7,727
PBT	4,687	5,709	(137)
PAT	2,612	3,542	(75)
Paid up capital	290	290	290
Equity (incl. surplus on PEE)	5,780	9,197	9,122
Total Debt	1,706	2,476	3,758
Debt Leverage (x)	1.46	1.22	1.09
Gearing (x)	0.30	0.27	0.41
FFO	2,445	3,904	(295)
FFO/Total Debt (x)*	1.43	1.58	-
NP Margin	7.6%	10.2%	-1.0%

RATING DETAILS

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	**A+**	**A1**	A+	A1
RATING OUTLOOK/ WATCH	**Stable**		Stable	
RATING ACTION	**Reaffirmed**		Reaffirmed	
RATING DATE	**October 17, 2025**		October 3, 2024	

RATING RATIONALE

Ratings are supported by strong profile of Al-Ghazi Tractors Limited's ('AGTL' or 'the Company') sponsors – Al-Futtaim Group and CNH Industrial. Financial metrics improved in CY24 despite decline in sales volumes amid higher prices. Topline increased in CY24 while lower input costs led to improved profit margins. As a result, stronger cash flow generation augmented debt servicing ratios. The Company's capitalization structure improved by end-CY24, on the back of equity expansion and a minimal dividend payout.

Notable downtrend in industry-wide sales, decline in AGTL's market share, the impact of delay in renewal of Green Tractor Scheme by the GoP (Government of Punjab) affected the Company's revenues and profitability carrying through to financial metrics in HY25. The second phase of the scheme has subsequently been announced and the Company expects improvement along with new model tractors in the projected full year accounts. The Company's net sales decreased by around half as inventory turnover declined and receivables recovery also increased, indicating weakening market position vis-à-vis tractor peer. To maintain its market competitiveness and reduce potential overheads, the Company launched a higher horsepower tractor in October 2024 and successfully completed the digital transformation of its core operations through the implementation of SAP S4HANA. Both of these initiatives may help in improving market share and profitability in CY26. Assigned ratings are dependent and sensitive to achieving projected improvements in sales and financial metrics, going forward.

COMPANY PROFILE

AGTL is a public listed agricultural machinery manufacturer established in June, 1983. The Company is engaged in the assembly and sale of agricultural tractors, implements and spare parts. Al-Futtaim Group acquired AGTL in 1991 and holds majority stake. AGTL also has technical collaboration agreement with CNH Industrial Italia SpA, a leading assembler and manufacturer of the "New Holland" tractors. The Company's registered office is located in Karachi while the corporate office is located in Lahore. The assembly plant, located at Dera Ghazi Khan, has production capacity of 30,000 units per annum on a single-shift basis. The marketing offices of the Company are located in Lahore, Multan, Islamabad and Sukkur. AGTL has a robust dealership network of around 100 dealers nationwide with the majority of dealers located in Punjab.

Sponsor profile

AGTL majority shareholders are two multinational conglomerates. Al Futtaim Industries Company LLC holds 50.02% shares in AGTL. Al Futtaim started as a trading business in 1930 and now has more than 200 companies in diverse sectors including automotive, electronics, engineering & technologies, retail, financial services, general services and real estate. It employs 42,000+ people across the globe.

CNH Industrial N. V. (CNHI) was founded in 2012 and holds 43.17% shares in AGTL. CNHI is present in 180 countries having 12 brands, 67 manufacturing plants, and 56 research centers and employs more than 63,000 people. CNHI designs, produces and sells agricultural and construction equipment (tractors, combines, excavators), wheel loaders, trucks, commercial vehicles, buses and specialty vehicles. AGTL has a technical agreement with CNHI Italia SpA, a leading assembler and manufacturer of the "New Holland" tractors. In November, 2024, Fitch Ratings affirmed CNHI's Long-Term Issuer Default Rating (IDR) and senior unsecured debt at 'BBB+'.

Board of Directors

Board of Directors comprises of 10 members as of Dec'24. Out of these, one female director is present. The composition of the Board complies with regulatory and compliance requirements. The Board has constituted an Audit Committee, a Human Resource & Remuneration Committee, and a Technical Committee to aid in fulfilling its responsibilities. Subsequent to the Election of Directors held on March 01, 2024, Samiha Zahid was appointed on a casual vacancy occurred by the passing away of Farah Qureshi. On May 23, 2025, Malik Ehtisham Ikram resigned from the Board and was replaced by Paul Terence Wagstaff. The latter is a qualified management accountant and has been previously been associated with Walt Disney, the NFL and Inchcape. He is also serving as General Manager – Finance at Al-Futtaim Automotive.

INDUSTRY PROFILE & BUSINESS RISK

Auto sector recovered in FY25 from a two year slump, on the back of stable macroeconomic conditions, declining financing rates, and discounts offered by OEMs (original equipment manufacturers) amidst intense competition, although figures were below the peak achieved in FY22. As per PAMA (Pakistan Automobile Manufacturers Association), overall automobile sales improved by 21.8%, with passenger cars (PC) up 37.5% YoY in FY25. Future growth depends on several key factors that include reduced inflationary pressures, lower financing costs, stable exchange rate, the impact of the NEV Policy (2025-30), a new automotive policy for FY26-27. Additionally, broader customer choices, influenced by the market penetration of Chinese and Korean automakers (Kia, Haval, Jolion, BYD, Changan) in an industry traditionally dominated by Honda, Toyota, and Suzuki, will also remain an important in factor in driving auto sector growth. Four-wheeler sales volumes are as follows:

Automobile Offtake *(Units)*	FY22	FY23	FY24	FY25
Passenger Cars	234,180	96,812	81,577	112,203
SUVs/Crossover/Pickups	45,087	30,067	22,250	35,820
Tractors	*43,981*	*30,942*	*45,494*	*29,192*
Trucks	5,669	3,182	2,210	5,322

figures based on PAMA data

According to the Agricultural Census 2024 of the Pakistan Bureau of Statistics (PBS), the average farm size has decreased due to population growth, declining to 5.1 acres (2021: 6.4 acres). Since 2021, the cultivable area has expanded by 10.2 million acres, supporting the demand of tractors. However, prices increase in recent years has adversely impacted demand. Pakistan's tractor sector, a duopoly of Millat Tractors Limited (MTL) and AGTL, faced elevated business risk as as market size squeezed by 1.7% YoY in CY24. The reduction in demand was more pronounced in 1HCY25, as sales volumes dropped to 11,795 units (1HCY24: 22,500), representing the lowest half-year production in more than a decade. In the ongoing year, amid delay in Kharif season, farmers buying power further deteriorated. The ongoing wheat crisis has also compressed demand. Furthermore, devastating floods during August and September 2025 may also compound tractor sector woes. To support farmers, the first phase of the Government of Punjab's Green Tractor Program was executed in 2HCY24. This lottery-based subisized buying scheme adversely impacted demand cycle. A second phase of the same initiative, promoting financial assistance to purchase 75 to 85 hp (horsepower) tractors of AGTL with subsidy of Rs. 1m, could support financial metrics of the Company in coming year. Based on the aforementioned factors, it is expected that tractor industry will contract in CY25. The table below depicts tractor sector performance:

Tractor industry results					
Production (Units)	**CY21**	**CY22**	**CY23**	**CY24**	**1HCY25**
Al-Ghazi (Fiat/New Holland)	*17,120*	*21,216*	*14,317*	*11,553*	*3,375*
Millat Tractors (Massey Ferguson)	37,074	34,887	24,752	25,245	8,609
Total Tractors	**54,493**	**56,103**	**39,069**	**37,887**	**11,984**
Sales (Units)	**CY21**	**CY22**	**CY23**	**CY24**	**1HCY25**
Al-Ghazi (Fiat/New Holland)	*18,156*	*19,929*	*15,934*	*14,269*	*3,322*
Millat Tractors (Massey Ferguson)	37,243	24,052	24,818	25,628	8,473
Total Tractors	**55,663**	**43,981**	**40,572**	**39,897**	**11,795**

figures based on PAMA data

Market Share

The erosion in market share is point of concern from ratings standpoint. By 1HCY25, AGTL's market share declined to 28% (CY24: 36%, CY23: 39%), due to stronger demand of MTL's higher horsepower tractors. Efforts to address the decline in market position included launching a new 85-horsepower (HP) NH850 tractor in October 2024 with features suited towards market demands. The Company completed implementation of SAP/S4 Hana in May'2024. This new module ecompasses operations including financial accounting, controlling material ledger, material management, sales & distribution, production planning, quality management, plant management and extended warehouse management.

Product Profile & Capacity

During CY24, AGTL maintained its annual production capacity of 30,000 units. However, capacity utilization declined slightly to 45% (CY23: 48%) and sales to production ratio dropped to 105% (CY23: 111%) in CY24 on account of lower demand from customers. Annual maintenance of the manufacturing plant commenced on January 04, 2025, and concluded on January 19, 2025, when normal operations resumed. Capacity utilization dropped to 22.5% in 1HCY25 on account of consisent decrease in demand.

FINANCIAL RISK

Capital Structure

Tier-1 equity increased to Rs. 9.2b (end-CY23: Rs. 5.9b) at end-CY24, due to retained profits. Gearing ratio was largely intact at 0.27x (end-CY23: 0.30x) while leverage improved to 1.22x (end-CY23: 1.46x) at end-CY24. The Company used internal funds for SAP/S4 Hana software upgrades, limiting impact on capitalization ratios.

However, decrease in equity at end-HY25, along with increase in short-term debt due to higher working capital requirements, led to an increase in gearing to 0.41x at end-HY25. Nevertheless, reduction in trade and other payables caused further decline in leverage to 1.09x at end-HY25. The Company's dividend payout has remained minimal since 2022 due to SBP restrictions.

Profitability

Net sales stabilized (CY24: Rs. 34.6b, CY23: Rs. 34.5b) as decline in volumes was virtually offset by price increase. Sales volumes dipped 7.5% to 14,269 units (CY23: 15,420) in CY24 while average price per unit was up 11.8% in the same period. Improvement in gross margin to 24.4% (CY23: 18.6%) in CY24 was a product of lower input costs.

Local sales volumes were concentrated mostly in Multan, representing 50% (CY23: 52%), followed by Lahore, which accounted for 26% (CY23: 27%) in CY24. Sales mix in terms of products fluctuated in CY24 and HY25, mainly on account of overall stress in demand of higher hp tractors. In HY25, contribution to overall sales from 85 hp tractors increased on the back of early market entry sales volumes of NH850. Product-wise sales volumes are as tabulated:

Model	HP	Units Sold 2023%	Units Sold 2024%	Units Sold 1H2025%
NH 480 S	55	20.6%	22.9%	42.1%
NH 480 PP	55	12.6%	21.6%	15.5%
NH GHAZI	65	41.9%	36.0%	22.3%
NH 640	75	21.5%	16.3%	7.8%
NH 70-56	85	0.2%	0.0%	0.0%
NH 850	85	0.0%	2.8%	12.3%
NH DABANG	85	3.2%	0.4%	0.0%
Total		**100%**	**100%**	**100%**

Operating costs increased by 53.3% to Rs. 2.3b (CY23: Rs. 1.5b), mainly due to increased advertising expenses, trade debt provisions, and software upgrade fees. Finance costs also rose to Rs. 447m (CY23: Rs. 356m) in CY24 due to higher borrowings. However, net profit improved by 35.6% to Rs. 3.5b, driven by a higher gross margin and lower taxes, resulting in an uptick in net margin to 10.2% (CY23: 7.6%) in CY24.

Net sales decreased by 55.9% to Rs. 7.3b (HY24: Rs. 17.5b) as sales volumes declined by 52.3% in HY25, on account of demand pressures. Gross margin declined (HY25: 17.5%, HY24: 22.5%) due to lower prices, amid subsidized buying under the Green Tractor Scheme. Operating expeneses increased by 40% owing to higher marketing costs while financial charges held steady in HY25. The Company recorded a net loss of Rs. 75.2m in HY25 compared to a substantial net profit of Rs. 1.7b in the SPLY, primarily due to erosion in gross margin and higher operating expenses. This loss also reflects a income tax benefit of Rs. 62.1m; without this deferral, the net loss would be larger.

According to management, there will be rebound in CY26 on the back of higher volumes as net sales are projected to reach Rs. 31.6b while profit margins are also anticipated to improve. Achieving these projected improvements in sales and profitability are important, from ratings perspective.

Debt Coverage & Liquidity

Funds from operations (FFO) increased by 59.7% to Rs. 3.9b (CY23: Rs. 2.4b) in CY24, on account of higher profitability. The growth in FFO led to a higher DSCR of 9.06x (CY23: 7.07x) and improved FFO to total debt coverage (CY24: 1.58x, CY23: 1.39x) in CY24. Debt coverages notably weakened in 1HCY25 owing to significant erosion in profits and subsequently negative cash flows.

There was considerable increase in trade debts in CY24, mainly due to subsidized bookings under the Government of Punjab's Green Tractor Scheme. Though trade debts decreased at end-1HCY25, cash conversion cycle significantly extended to 142 days in 1HCY25, reflecting ineffectiveness of the Company's extensive marketing efforts resulting in decelerated inventory turnover and slower receivables recovery. Aging profile of trade debts is as tabulated:

	Total	Subsidies receivable	Other trade receivables	Total
	CY23	CY24		
Not yet due	0%	0%	21%	21%
1 to 6 months	0%	66%	13%	79%
More than 1 year	100%	0%	0%	100%

Current ratio inched up to 1.64x (end-CY3: 1.50x) by end-CY24, driven by higher stock-in-trade and trade debts. Similarly, short-term debt coverage improved to 4.45x in CY24 from 3.69x over the same period. Cash conversion cycle (CCC) increased to 45 days (CY23: 33) in CY24, due to higher receivables days but was adequate. Liquidity pressure stems from significant quantum of sales tax refunds from the Government of Pakistan, that increased to 5.33b (end-CY24: Rs. 5.07b, end-CY23: Rs. 4.21b) at end-HY25.

FINANCIAL SUMMARY						*(amounts in Rs millions)*
BALANCE SHEET	**CY21**	**CY22**	**CY23**	**CY24**	**1HCY25**	**CY25P**
Operating Fixed Assets	1,109	1,331	1,608	1,839	1,848	6,479
Inventories	2,875	5,264	6,084	5,764	5,639	4,802
Trade Debts	5	162	0	5,052	3,805	2,638
Trade Deposits	115	373	96	985	81	795
Salex Tax Receivable	2,983	4,203	4,210	5,072	5,333	5,531
Cash and Bank Balances	1,998	728	1,723	976	390	204
Total Assets	**9,490**	**12,281**	**14,230**	**20,392**	**19,067**	**20,755**
Trade and Other Payables	1,907	2,652	3,813	5,384	3,437	3,799
Customer Advances	3,489	111	131	491	49	0
Long-term Debt	0	58	57	46	0	58
Short-term Debt	0	3,709	1,649	2,429	3,719	3,254
Total Debt	**0**	**3,767**	**1,706**	**2,476**	**3,758**	**3,312**
Dividend Payable	0	2,417	2,417	2,417	2,417	2,417
Total Liabilities	**5,517**	**9,148**	**8,449**	**11,195**	**9,945**	**9,984**
Paid-Up Capital	290	290	290	290	290	291
Total Equity	**3,973**	**3,132**	**5,780**	**9,197**	**9,122**	**10,772**
INCOME STATEMENT	**CY21**	**CY22**	**CY23**	**CY24**	**1HCY25**	**CY25P**
Net Sales	20,579	28,202	34,544	34,574	7,727	24,495
Gross Profit	4,721	4,962	6,423	8,435	1,352	5,535
Finance Cost	(9)	(245)	(356)	(447)	(163)	(248)
Profit Before Tax	4,170	3,796	4,687	5,709	(137)	2,582
Profit After Tax	**2,958**	**2,156**	**2,612**	**3,542**	**(75)**	**1,574**
RATIO ANALYSIS	**CY21**	**CY22**	**CY23**	**CY24**	**1HCY25**	**CY25P**
Gross Margin	22.9%	17.6%	18.6%	24.4%	17.5%	22.6%
Net Margin	14.4%	7.6%	7.6%	10.2%	-1.0%	6.4%
FFO	2,973	2,456	2,445	3,904	(589)	1,721
FFO to Total Debt (x)*	-	0.65	1.43	1.58	-	0.52
FFO to Long Term Debt (x)*	-	42.55	42.59	84.11	-	29.67
Debt Servicing Coverage Ratio (x)*	342.23	9.80	7.27	9.06	-	7.42
Current Ratio (x)	1.51	1.20	1.50	1.64	1.71	1.46
Short-term Debt Coverage (x)	-	1.46	3.69	4.45	2.54	2.29
Cash Conversion Cycle (days)*	36	43	33	45	142	71
Leverage (x)	1.39	2.92	1.46	1.22	1.09	0.93
Gearing (x)	-	1.21	0.30	0.27	0.41	0.31
ROAA*	40.3%	19.8%	19.7%	20.5%	-	7.6%
ROAE*	94.5%	60.7%	58.6%	47.3%	-	15.8%

Annualized, as required
P: Management projections

REGULATORY DISCLOSURES	Appendix I
Name of Rated Entity	Al-Ghazi Tractors Limited
Sector	Automobiles
Type of Relationship	Solicited
Purpose of Rating	Entity Rating
Rating History	see table below
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	see table below

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
RATING TYPE: ENTITY				
17 October 2025	**A+**	**A1**	**Stable**	**Reaffirmed**
3 October 2024	A+	A1	Stable	Reaffirmed
18 September 2023	A+	A1	Stable	Reaffirmed
2 June 2022	A+	A1	Stable	Upgrade
16 March 2021	A	A1	Stable	Reaffirmed
31 December 2019	A	A1	Stable	Reaffirmed

Due Diligence Meetings Conducted

Name	Designation	Date
Mushtaq Ahmed	Manager Funds & Record to Report	5 September 2025