

AL-GHAZI TRACTORS LIMITED

Analysts:

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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		Reaffirmed	
RATING DATE	October 2, 2026		October 17, 2025	

Shareholding (5% or More)

Other Information

M/s. Al-Futtaim Industries Company (LLC) – 50.02%	Incorporated in 1983
M/s. CNH Industrial N.V. – 43.17%	Public Listed Company
	Chief Executive: Mr. Yasin Seker
	External Auditor: A. F. Ferguson & Co., Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
<https://docs.vis.com.pk/Methodologies-2026/Corporate-Rating-2026.pdf>

Rating Scale

<https://vis.com.pk/docs/VISRatingScales.pdf>

Rating Rationale

The reaffirmation of Al-Ghazi Tractors Limited's ('AGTL' or 'the Company') rating reflects the Company's low financial risk profile, underpinned by a healthy balance sheet and prudent leverage, against the elevated business risk stemming from the Company's declining market share over the past four years, caused by a shift in preference toward higher horsepower tractors, volatile market conditions on account of weak farm economics and broader macro-economic pressures facing the agriculture sector.

The ratings are supported by the strong profiles of the sponsors, Al-Futtaim Group and CNH Industrial N.V. Ongoing IT initiatives aimed at improving operational efficiency and enhancing coordination with internal and external stakeholders also support the reaffirmation of the ratings.

Profitability weakened in CY25 due to lower net sales from weakened demand and rising operating costs. However, capitalization and debt coverage metrics remained strong due to the repayment of long-term borrowings at end-CY25 through savings in dividend payouts. Financial metrics improved modestly in 1QCY26, driven by higher net sales and better margins, amid sector policy impetus, which included a PKR 15 billion Wheat Package via the Kisan Card, and a two-tranche Green Tractor Scheme for 19,500 subsidized tractors in Punjab. AGTL secured 39% of the high-horsepower tractors allocation and over 45% of the medium-horsepower tractors under the Punjab government tractor subsidy scheme. Going forward, the ratings will depend on the Company improving its market share, recovering profitability, and maintaining an un-levered risk profile.

Company Profile

Al Ghazi Tractors Limited ('AGTL' or 'the Company') is a publicly listed agricultural machinery manufacturer incorporated in June 1983. The Company is principally engaged in the assembly and sale of agricultural tractors, implements, and spare parts. In 1991, Al-Futtaim Group acquired a controlling interest in AGTL. Al-Futtaim Group and CNH Industrial N.V. are major shareholders. AGTL has a technical collaboration agreement with CNH Industrial N.V. for the assembly and manufacture of New Holland tractors.. The Company's registered and head offices are located in Lahore with a liaison office in Karachi. Its tractor assembly facility in Dera Ghazi Khan has an installed production capacity of 30,000 units per annum on a single-shift basis. AGTL operates marketing offices in Lahore, Multan, Islamabad, and Sukkur, and supports its nationwide operations through a well-established dealership network of 104 dealers, with a significant concentration in Punjab.

Management and Governance

The Company's governance framework is supported by a ten-member Board of Directors comprising of one executive director, six non-executive directors, and three independent directors, including one female member. To facilitate effective oversight, the Board operates through three committees, namely the Audit Committee, the Human Resource & Remuneration Committee, and the Technical Committee. The management team comprises experienced professionals, supported by a function-based organizational structure with clearly defined departmental responsibilities and reporting lines.

The Company's FY25 financial statements were audited by A. F. Ferguson & Co., Chartered Accountants a QCR-rated audit firm and categorized as 'A' on the State Bank of Pakistan's panel of auditors. The auditors expressed an unqualified opinion on the Company's FY25 financial statements.

Business Risk

INDUSTRY UPDATE

The global tractor market has faced headwinds, with mature markets registering notable declines; American market experienced a 14% decline from last year amid lower crop prices, reduced farm cash receipts, high interest rates, and elevated used-equipment inventories, while Europe's market contracted due to unfavorable weather conditions, lower grain prices, and economic uncertainty among farmers. Overall, the global farm tractor market has been experiencing a decline in sales from 2023 to mid-2026, though a gradual recovery is anticipated after 2026 as financing conditions improve. Structurally, demand is shifting toward emerging economies, with Asia-Pacific and Africa expected to lead growth on the back of rising mechanization investment, while stricter emissions regulations globally are pushing up production costs and reshaping product mix. Over the medium-to-long term, the market is expected to return to steady growth, supported by farm mechanization, food security needs, and adoption of precision-farming and automation technologies.

Pakistan's tractor industry remained under significant pressure during CY25 despite a considerable improvement in macroeconomic indicators. Industry sales declined to approximately 24,700 units in CY25 from around 44,800 units in CY24, representing a contraction of nearly 45% YoY and marking the lowest annual sales level in almost two decades. Weak farm economics remained the key demand constraint, as depressed wheat prices, lower crop profitability, delayed Kharif sowing, and elevated input costs continued to erode farmers' purchasing power. Nevertheless, long-term fundamentals remain supportive, as Pakistan's cultivable area has expanded to approximately 52.8 million acres in 2025, while mechanization levels remain below regional benchmarks, indicating substantial untapped demand potential. The table shown below highlights the automobile off-take trends:

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

Policy support for the sector strengthened during CY25-CY26 through the expansion of the Punjab Government's Green Tractor Scheme. Following the initial phase, the government approved the phase II targeting the distribution of approximately 20,000 locally manufactured tractors, while maintaining subsidies of up to PKR 1 million per tractor and expanding eligibility to a broader base of farmers. The scheme continues to support locally assembled models, including AGTL's New Holland tractors, particularly in the 75–85 horsepower segment.

Furthermore, tariff rationalization measures introduced under the FY26 budget and the easing of import restrictions on industrial and agricultural components are expected to improve supply chain availability and partially alleviate input cost pressures for local assemblers.

Despite weak volumes, tractor manufacturers have generally maintained healthy profitability owing to their localized vendor base and disciplined inventory management. However, margin expansion remained constrained by underutilization of production capacity and competitive pricing pressures.

The industry production and sales trends are depicted in the table below:

Tractor industry results						
Production (Units)	CY21	CY22	CY23	CY24	CY25	HCY26
Al-Ghazi (Fiat/New Holland)	17,120	21,216	14,317	14,069	8,277	5,719
Millat Tractors (Massey Ferguson)	37,074	34,887	24,752	25,245	18,637	10,546
Total Tractors	54,493	56,103	39,069	37,887	28,607	16,265
Sales (Units)	CY21	CY22	CY23	CY24	CY25	HCY26
Al-Ghazi (Fiat/New Holland)	18,156	19,929	15,934	14,269	7,739	5,367
Millat Tractors (Massey Ferguson)	37,243	24,052	24,818	25,628	18,580	10,495
Total Tractors	55,663	43,981	40,572	39,897	29,192	15,862

Source:PAMA

OPERATIONAL PERFORMANCE

Under pressure from subdued farmer purchasing power on account of imposition of 10% GST on farm machinery and weak farm economics, AGTL produced 8,277 units in CY25 (CY24: 14,069 units) representing a 41% decline in production, while sales volumes decreased by 45.8% YoY to 7,739 units (CY24: 14,269 units). Consequently, capacity utilization fell to 28% in CY25 from 47% in CY24, indicating significant underutilization of the Company's installed capacity. The sales-to-production ratio also declined to 94% in CY25 from 101% in CY24, indicating a build-up of unsold inventory alongside the broader demand slowdown. The persistent gap between installed capacity and actual production underscores the cyclical weakness in tractor demand; however, the Company's ability to broadly align production with market conditions demonstrates continued operational flexibility.

Going forward, the Company plans to launch a new Horsepower (HP) tractor in the 75–85 HP range, expected to support sales volumes in 4QCY26, alongside broader product diversification initiatives in the pipeline; both are expected to improve utilization and contribute to revenue growth due to the comparatively higher prices, as per management.

Operational Performance				
	CY23	CY24	CY25	1QCY26
Capacity	30,000	30,000	30,000	30,000
Production	14,317	14,069	8,277	2,858
Sales	15,934	14,269	7,739	2,777
Utilization %	48%	47%	28%	10%
Sale/Production %	111%	101%	94%	97%

The Company has entered a collaboration with CNH Industrial N.V for research and development, aimed at bridging the existing technological gap in the 85 and 95 HP tractor segments. In line with this, AGTL has also made additions to its operating assets, including testing beds and other R&D equipment, to strengthen in-house testing capabilities and support ongoing efficiency-focused initiatives.

AGTL's advanced Project Falcon, its four-year digital transformation initiative aimed at upgrading the existing ERP (SAP) is progressing smoothly and is expected to bring more efficiency in operation.

PROFITABILITY

AGTL's net sales declined 41% YoY to PKR 20.4b (CY24: PKR 34.6b), driven by steep volume contraction. The Company is reliant on the continuation and expansion of the Green Tractor Scheme, cost management and improving farmer economics in ongoing year, to recover its sales going forward. Notably, the Company's performance showed notable improvement in 1QCY26, with sales reaching PKR 7.0 billion (1QCY25: PKR 3.6 billion). The recovery was primarily driven by sales under the Punjab Government's Green Tractor Scheme.

AGTL's declining market share is being driven by both long-term structural and cyclical factors. The Green Tractor Scheme (GTS) has helped boost overall industry sales, but at the same time, it has taken away some of AGTL's own regular sales. Gross margin settled at 25.4% in CY25 (CY24: 24.4%). The Company's operating expenses increased in CY25 mainly due to higher salaries, and IT related expenses. Furthermore, drop in other income in CY25 also curtailed profitability as net profit after tax reduced by 62.8% to PKR 1.3 billion in CY25 from PKR 3.5 billion in CY24, despite finance costs decreasing to PKR 289 million (CY24: PKR 447 million) in CY25. Resultantly, AGTL's net margin declined notably to 6.4% (CY24: 10.25%). Profit margins recovered at 1QCY26, with gross margin increasing to 27.1% (1QCY25: 21.47%), through efficient procurement and manufacturing cost controls. Net profit increased significantly to PKR 678 million (1QCY25: PKR 58.57 million) and net margin improving to 9.6% (1QCY25: 1.61%), reflecting better gross margin, and significantly lower finance cost.

A planned export of 2,000 tractors to Afghanistan failed to materialize in CY25 amid ongoing tensions at Pak-Afghan border, representing a further lost avenue for volume growth. Furthermore, it is also attributable to the GTS balloting mechanism, under which tractors allocated to non-paying farmers were not reallocated. The management expects volumes in CY26 to recover close to CY24 levels on the back of sales under GTS and anticipated improvement in farmer economics.

Financial Risk

CAPITAL STRUCTURE

AGTL's capital structure moved to near-zero debt position in CY25. Total debt decreased from PKR 2,476 million in CY24 to approximately PKR 31 million in CY25, and stood at PKR 38 million in 1QCY26, comprising lease liabilities. The gearing ratio was negligible in CY25 compared to 0.3x in CY24. The leverage ratio also improved to 0.79x (CY24: 1.22x) in CY25 and stood at 0.83x in 1QCY26 due to an uptick in customer advances.

Equity increased from PKR 9,197 million to PKR 10,535 million and further to PKR 11,213 million in 1QCY26, with retention of profits amid curbs on repatriation of dividends. The Company currently carries minimal debt, which limits interest expenses as well as the financial risk.

DEBT COVERAGE & LIQUIDITY

Funds from operations (FFO) decreased to PKR 1.6 billion in CY25 from PKR 4.0 billion in CY24, primarily due to lower operating profits further compounded by the GTS subsidy receivable from the Government of Punjab, declining sharply to PKR 1,042 million in 2025 from PKR 3,419 million in 2024, due to weak demand for the Company's low-medium horsepower tractors. However, the Company's debt servicing capacity remained robust, supported by its conservative leverage profile and limited financing. The Debt Service Coverage Ratio (DSCR) stood at a healthy 6.6x in CY25 (CY24: 9.2x). Furthermore, lower finance costs and a modest debt burden supported strong coverage metrics, with FFO-to-Total Debt improving significantly to 51.6x in CY25.

The current ratio improved to 1.97x (CY24: 1.64x), though this was driven by higher inventory levels due to slower turnover. The Company's cash conversion cycle increased notably to 87 days in CY25, from 46 days in CY24. Receivable days increased to 70 days (CY24: 27 days), and inventory holding periods also increased to 140 days (CY24: 83 days) over CY25, despite the Company extending its payable cycle to 123 days from 64 days in CY24. In addition, the Company's accumulated sales tax refund claims reached PKR 5,206 million by 2025 (FY24: PKR 5,072 million), dating back to July 2019. Payouts remain stuck at the FBR due to ongoing litigation over Statutory Regulatory Order (SRO) 563(I)/2022, an administrative tax notification that introduced stricter refund rules for tractor manufacturers and was applied retroactively to block historical claims. While management remains confident of full recovery, the prolonged pendency of these claims has tied up a significant amount of funds, contributing to liquidity pressure on the Company. However, the cash position has since improved, rising from PKR 1,45b in CY24 to PKR 3,27b in 1QCY26, primarily on account of collections against trade receivables; the aging profile of trade receivables has remained within normal ranges.

FINANCIAL SUMMARY		(amounts in PKR millions)		
BALANCE SHEET	CY23	CY24	CY25	1QCY26
Fixed Assets	1,608	1,839	2,217	2,211
Inventories	6,084	5,764	5,903	6,332
Trade Debts	0	5,052	2,757	1,668
Trade Deposits	325	0	0	67
Sales Tax Refunds from the GoP	4,210	5,072	5,205	5,119
Cash and Bank Balances	1,723	976	1,449	3,276
Other Assets	280	108	99	-
Total Assets	14,230	20,392	18,894	20,534
Trade and Other Payables	3,813	5,101	2,787	1,686
Customer Advances	131	491	550	899
Long-term Debt	46	46	31	38
Short-term Debt	1,649	2,429	0	0
Total Debt	1,695	2,476	31	38
Dividend Payable	2,417	2,478	2,476	2,417
Other Liabilities	393	0	0	0
Total Liabilities	8,449	11,194	8,360	9,321
Paid-Up Capital	290	290	290	290
Total Equity	5,780	9,197	10,535	11,212
INCOME STATEMENT	CY23	CY24	CY25	1QCY26
Net Sales	34,544	34,574	20,371	7,028
Gross Profit	6,423	8,435	5,165	1,905
Finance Cost	-356	-447	-289	-8
Profit Before Tax	4,687	5,709	2,177	1,118
Profit After Tax	2,612	3,542	1,301	678
RATIO ANALYSIS	CY23	CY24	CY25	1QCY26
Gross Margin	18.60%	24.40%	25.40%	27.10%
Net Margin	7.60%	10.20%	6.40%	9.60%
FFO	2,372	3,973	1,623	1,247
FFO to Total Debt (x)	1.4	1.6	51.6	32.8
FFO to Long Term Debt (x)	51.1	85.6	51.6	32.8
Debt Servicing Coverage Ratio (x)*	18.30	9.20	6.60	23.50
Current Ratio (x)	1.5	1.6	2.0	1.9
(Trade Debts+Stock-in-Trade)/Short-term Debt	3.7	4.5	-	-
Cash Conversion Cycle*	33	46	87	45
Leverage (x)	1.5	1.2	0.8	0.8
Gearing (x)	0.3	0.3	0.0	0.0
ROAA*	19.7%	20.5%	26.5%	13.80%
ROAE*	58.6%	47.3%	52.7%	24.90%

*annualized

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	Al-Ghazi Tractors Limited				
Sector	Automobile				
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				
	01 Oct 2026	A+	A1	Stable	Reaffirmed
	17 Oct 2025	A+	A1	Stable	Reaffirmed
	03 Oct 2024	A+	A1	Stable	Reaffirmed
	18 Sept 2023	A+	A1	Stable	Reaffirmed
	02 Feb 2022	A+	A1	Stable	Upgrade
	16 Mar 2021	A	A1	Stable	Reaffirmed
	31 Dec 2019	A	A1	Stable	Reaffirmed
24 Dec 2018	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
		Mushtaq Ahmad	Manager – Funds & Record to Report		5-August-2026
		Qaiser Javed	CFO		