

## HIGHNOON LABORATORIES 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	Positive		Positive	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	April 02, 2026		January 24, 2025	

### Shareholding (5% or More)

Mr. Tauqir Ahmed Khan - 11.83%
Mr. Taufiq Ahmed Khan - 9.87%
Pharmatec Investments Limited - 8.33%
Mr. Tausif Ahmad Khan - 7.48%
Ms. Nosheen Riaz Khan - 6.96%
State Life Insurance Corp. of Pakistan - 5.40%
General Public - 28.9%

### Other Information

Incorporated in March 1984
Listed Public Limited Company
Chairman of the Board: Mr. Tariq Wajid
Chief Executive Officer: Dr. Adeel Abbas Haideri
External Auditors: BDO Ebrahim and 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

The rating reflects Highnoon Laboratories Limited's ('Highnoon' or the 'Company') market position within a medium-to-low risk pharmaceutical sector, which benefits from resilient domestic demand and supportive pricing regulations. Despite persistent industry-wide volume pressures and regional export disruptions, the Company has maintained a steady revenue growth trajectory. This momentum is supported by a prudent pricing strategy and a well-diversified product mix; importantly, the Company faces low revenue concentration risk, with its top five products contributing only 26% of total sales. Together, these dynamics have driven consistent margin expansion across operating and net profitability levels.

The assessment also reflects Highnoon's conservative capital structure, underpinned by strong internal capital formation. Consistent cash generation has facilitated active deleveraging, substantially reducing reliance on external borrowings and resulting in low gearing metrics. Moreover, debt coverage indicators have strengthened considerably, reinforcing a comfortable short-term liquidity position. The Company's liquidity reserves and projected operational cash flows provide sufficient flexibility to absorb anticipated capital expenditures for its planned manufacturing facility, thereby preserving its sound financial risk profile. Going forward, the ratings remain underpinned by the Company's

capacity to effectively manage the financial impact of the planned debt mobilization for the new facility, which is intended to support capacity expansion for future growth prospects.

## Company Profile

Highnoon Laboratories Limited ('Highnoon' or the 'Company') is a pharmaceutical company engaged in manufacturing, importing, and marketing pharmaceutical products in Pakistan. Established in 1984 as a private limited company, it was listed on the Pakistan Stock Exchange as a public limited company in November 1995. The Company's registered office and manufacturing facility are located on Multan Road, Lahore, with its corporate office also in Lahore.

The Company through its wholly owned subsidiary, Curexa Health Private Limited, also produces antibiotics, particularly cephalosporins. Curexa's cGMP-compliant manufacturing facilities produce sterile powder for injections, oral suspension powder, and capsules for local and export markets. These products address therapeutic areas including respiratory, gastroenterology, urology, gynecology, and pediatrics.

Additionally, Highnoon has an associate company, Route2Health (the 'Associate' or 'R2H'), which manufactures and markets herbal remedies and dietary supplements. R2H operates in Pakistan, Canada, and the UAE, with a USP-accredited manufacturing facility in Lahore.

## Management and Governance

### CHAIRMAN/CEO PROFILE

Mr. Tariq Wajid is the Chairman of the Company. He completed his MBA at Boston University, Massachusetts, in 1988-89 and later earned another MBA from University of Karachi. He has also served as a Former Vice Chairman of the American Business Council Pharmaceutical Committee Hong Kong, Former Chairman Pharma Bureau at Overseas Chamber of commerce and Industry and Former Member of the Advisory Board at the Lahore University of Management Sciences (LUMS). In addition, he was a Former Member of the Advisory Board at the Institute of Business Administration Karachi. He brings to the Board an in-depth understanding of the health sector and vast experience across industry and academia.

Dr. Adeel Abbas Haideri is the CEO of Highnoon. He holds a bachelor's degree in medicine and surgery, with extensive experience in the pharmaceutical industry. He joined Highnoon as GM Marketing in 2007 and later elevated as CEO. Dr. Adeel has participated in sales, marketing, finance, and general management seminars and served on various boards.

### BOARD & SENIOR MANAGEMENT

Mr. Tariq Wajid	Chairman - Independent Director
Dr. Adeel Abbas Haideri	CEO - Executive Director
Taufiq Ahmed Khan	Non Executive Director (NED)
Tausif Ahmad Khan	Non Executive Director (NED)
Tehmina Saeed Chaudhary	Non Executive Female Director
Tauqir Ahmed Khan	Non Executive Director (NED)
Dr. Aman ullah Khan	Independent Director

The Board of Directors (BoD) currently comprises seven members, including the Chairman and the CEO. The composition includes three independent directors (inclusive of the Chairman and one female director), four non-executive directors, and one executive director. Highnoon's board composition is in compliance with Code of Corporate Governance (CCG) regulations and in line with best practices.

Several significant changes occurred during the period under review. On July 15, 2024, the Board officially fixed the number of directors at seven. Following this, Ghulam Hussain along with Zainab Abbas, retired effective September 2, 2024, prior to the Board elections. On January 15, 2025, Mr. Romesh Alexander resigned as an Independent Director and was succeeded by Dr. Amanullah Khan on the same day. Most recently, Mr. Tariq Wajid replaced Mr. Tausif Ahmed Khan as Chairman, effective July 1, 2025.

Three board-level committees, the Board Audit Committee (BAC), HR & Remuneration Committee (HRRC) and Sustainability Committees exist of which the BAC and HRRC are chaired by independent directors. The audit committee meets every quarter to discuss internal controls while the HR & Remuneration Committee meets semi-annually/annually to review board compensation and HR policies and practices. The Board

has duly complied with the Directors' Training Program requirements and the criteria as prescribed in the Listed Companies Corporate Governance Regulations, 2019.

The sustainability committee is chaired by Ms. Tehmina Saeed (NED). The committee is set up to ensure that the Company effectively address the sustainability related risks and opportunities. Also, it will ensure that Company's sustainability and Diversity, equity and Inclusion related strategies are periodically reviewed and monitored at the Board level.

## AUDIT OPINION

BDO Ebrahim & Co. Chartered Accountants, categorized as 'Category A' on the SBP's Panel of Auditors and with satisfactory QCR rating from ICAP, has provided an unqualified and unmodified opinion, affirming that the Company's financial statements comply with accounting standards and accurately portray the Company's financial position as of December 2024.

## Business Risk

### INDUSTRY UPDATE

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 to 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 916bn 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 1,049bn 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 457mn in FY25 (FY24: USD 341mn). Combined therapeutic goods exports, including medical devices and nutraceuticals, stood at USD 909mn, 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.

### REVENUE

During the period under review, Highnoon maintained a steady growth trajectory in line with broader industry trends, with net revenue increasing from PKR 19.42bn in CY23 to PKR 23.20bn in CY24 (Y/Y growth of 19.4%), despite loss of the Afghan export market, which previously accounted for approximately 6% of total revenue, following the ban on pharmaceuticals originating from Pakistan. This top-line momentum carried into the ongoing year, with the Company recording net sales of PKR 18.61bn during 9MCY25 compared to PKR 16.96bn during 9MCY24. The Company benefits from a well-diversified product portfolio, mitigating revenue concentration risk; notably, its top five products accounted for only 26% of total sales revenue during 9MCY25 (CY24: 23%). While the Company's operational scale ranks it among the top fifteen pharmaceutical companies by sales volume in Pakistan, its estimated market share experienced a slight dilution to 2.55% (CY24: 2.78%) amid an overall industry-wide increase in revenues. The Company's revenue growth was achieved despite persistent industry-wide volume pressures. Furthermore, management considers the overall operating environment to be fairly stable, bolstered by a supportive policies of the Drug Regulatory Authority of Pakistan (DRAP), particularly concerning export facilitation.

The Company's sales mix remains predominantly domestic, with market sales channeled through distributors comprising approximately 75% of total revenue. Institutional bulk sales account for around 20%, while export sales constitute the remaining 7-8%. In alignment with established pharmaceutical distribution practices in Pakistan, Highnoon's distributor agreements mandate a minimum 45-day inventory and primarily operate on cash or advance payments. This approach ensures optimal working capital management and an uninterrupted market supply. On the procurement side, operations are supported by a secure supply chain with no current banking or logistical bottlenecks. Raw materials are primarily imported, with sourcing evenly split between China (~40%) and Europe (~40%), alongside imports from India accounting for ~5%. The Company actively manages supply risks through long-term supply agreements that also secure stable pricing and consistently identifies and engages backup suppliers.

Looking ahead, operations will be guided by a four-pronged expansion strategy encompassing launching new products, diversification into Central Asian and African markets, pursuing strategic acquisitions, and constructing a new manufacturing facility. The planned FDA-compliant plant at the Quaid-e-Azam Business Park SEZ is expected to take three years to build and is strategically aimed at unlocking broader global markets to offset challenges such as the recent Afghan ban on Pakistani pharmaceuticals. Operationally, Highnoon continues to focus on oral formulations and toll manufacturing, including existing arrangements with Abbott, while leaving injectables to its wholly-owned subsidiary, Curexa Health. To sustain organic growth, the Company plans to launch up to 10 new products over the coming year, deliberately avoiding active pharmaceutical ingredient (API) manufacturing due to its associated high research and development costs and lower margins.

## PROFITABILITY

Highnoon reported a notable improvement in its profitability metrics during the review period. The Cost of Sales increased by 10.8% from PKR 10.17bn in CY23 to PKR 11.27bn in CY24, and stood at PKR 8.38bn in 9MCY25, the cost base remained heavily concentrated in raw and packing materials consumed. Despite these input cost escalations, gross profit increased from PKR 9.25bn in CY23 to PKR 11.93bn in CY24, scaling further to PKR 10.24bn in 9MCY25 supported by growth in revenues. Resultantly, gross margins expanded from 47.6% in CY23 to 51.4% in CY24, reaching 55.0% in 9MCY25. This margin expansion was driven by a favorable mix of volumetric growth and strategic pricing; total production increased by approximately 12.3% (from 99.67mn to 111.95mn units), while the remainder of the growth was realized through price adjustments. Ultimately, sales revenue grew by 19.4% year-on-year, significantly outpacing the 10.8% increase in the cost of sales.

The positive momentum at the gross level successfully trickled down to the operating and net bottom lines. Total operating expenses were predominantly driven by Distribution, Selling and Promotional expenses, which rose to PKR 5.81bn in CY24 (CY23: PKR 4.95bn) and amounted to PKR 5.07bn in 9MCY25, fueled by elevated outlays on employee salaries and benefits, promotional activities, and traveling expenses. Administrative and General expenses stood at PKR 0.80bn in CY24 and increased to PKR 1.06bn in 9MCY25, largely driven by upward payroll revisions. Despite rising overheads, operating margins improved from 17.7% in CY23 to 22.5% in CY24, stabilizing at 22.6% in 9MCY25.

Profitability was further supported by a healthy uptick in Other Income, which surged to PKR 0.43bn in CY24 (CY23: PKR 0.19bn), largely attributable to exchange gains and profit on bank deposits. During 9MCY25, Other Income remained steady at PKR 0.33bn, augmented by bank deposit income and dividend income from its subsidiary. Consequently, the net margin improved from 12.4% in CY23 to 14.0% in CY24, maintaining consistency at 14.1% in 9MCY25, with profit after tax closing at PKR 3.25bn in CY24 and PKR 2.63bn for 9MCY25.

Looking ahead, the Company's profitability and revenue outlook remain favorable. Management projects a 14% year-on-year organic growth trajectory, while also actively pursuing a confidential acquisition targeted to add an estimated 20% to the topline upon materialization.

## Financial Risk

### CAPITAL STRUCTURE

Highnoon's capitalization profile is reflective of a robust, internally generated equity base and a steady declining reliance on external borrowings. Total equity, excluding the revaluation surplus, grew from PKR 8.70bn as at December end, 2023 to PKR 10.36bn as at December end, 2024. This internal capital formation continued into the ongoing year, with the equity base further expanding to PKR 10.88bn as at September end, 2025. Concurrently, the Company has actively deleveraged its balance sheet. Total debt decreased from PKR 1.41bn as at December end, 2023 to PKR 1.34bn as at December end, 2024, and notably reduced to PKR 0.81bn by September end, 2025. This deleveraging trend was initially supported by a significant decrease in long-term debt, which fell from PKR 1.24bn as at December end, 2023 to PKR 0.59bn as at December end, 2024, before adjusting to PKR 0.33bn as at September end, 2025. Furthermore, the overall debt reduction was cemented by the full retirement of short-term borrowings, which dropped to nil as at September end, 2025.

Consequently, the Company's risk metrics portray a highly conservative and sound capital structure. Gearing improved significantly to 0.03x as at September end, 2025, down from 0.13x as at December end, 2024 and 0.16x as at December end, 2023. Overall leverage remained within a comfortable range over the review period, despite increasing from 0.42x in CY21 to a peak of 0.51x in CY23, before moderating to 0.47x in CY24. As of September-end 2025, leverage stood slightly higher at 0.48x, indicating relative stability with a marginal uptick.

Looking forward, Highnoon's capital structure is positioned to comfortably absorb the capital expenditures associated with its medium-term expansion strategy. The planned construction of the new FDA-compliant facility at the Quaid-e-Azam Business Park SEZ entails an estimated capital outlay of PKR 6.00bn. Management intends to fund this expansion through a mix of internally generated funds and committed financing lines from commercial banks. Additionally, the Company is actively seeking to secure subsidized Long Term Financing Facility (LTFF) line from the State Bank of Pakistan. Given these committed debt facilities and the Company's healthy internal cash generation, management does not anticipate any need to inject further equity.

### DEBT COVERAGE & LIQUIDITY

Highnoon's debt coverage profile has strengthened considerably, driven by sustained cash generation and concurrent deleveraging. Funds from Operations (FFO) grew to PKR 3.21bn as at December end 2024 (December end 2023: PKR 2.80bn) and remained steady at PKR 3.40bn as at September end, 2025. This healthy cash flow, against a backdrop of declining debt, propelled the FFO-to-Total Debt ratio to 1,391.7% by September end, 2025 (December end 2024: 240.2%). Furthermore, the Debt Servicing Coverage Ratio (DSCR) stood at a comfortable 23.72x as at September end, 2025 (December end 2024: 6.14x), indicating ample capacity to meet financial obligations.

Short-term liquidity indicators reflect a secure position. The current ratio stands at 2.78x as at September end, 2025 (December end 2024: 3.22x). The cash conversion cycle shortened to 115 days as at September end, 2025 (December end 2024: 137 days). The liquidity is further supported by combined cash, bank balances, and short-term investments of PKR 2.15bn at the close of the nine-month period.

Looking ahead, the Company's liquidity reserves and projected operational cash flows are deemed sufficient to manage routine working capital needs. These internal funds will also be utilized alongside targeted external financing to support the estimated PKR 6.00bn capital expenditure for the upcoming manufacturing facility, preserving the overall financial risk profile.

FINANCIAL SUMMARY					PKR Mn
<b>Balance Sheet</b>	<b>CY21A</b>	<b>CY22A</b>	<b>CY23A</b>	<b>CY24A</b>	<b>9MCY25M</b>
Property, Plant and Equipment	1,389.81	1,702.15	3,516.23	3,346.87	3,551.76
Intangible Assets	21.19	35.84	32.29	46.87	45.78
Long-term Investments	200.00	200.00	200.00	200.00	325.00
Stock in Trade	2,315.94	3,776.28	4,650.30	4,054.66	5,287.47
Trade Debts	582.34	1,330.34	2,120.42	2,311.74	3,877.51
Short term Investments	2,059.74	1,338.89	2,168.79	3,638.85	1,368.33
Cash & Bank Balances	812.05	287.32	204.34	1,459.21	778.57
Other Assets	659.01	1,969.29	1,133.47	1,004.11	1,740.08
<b>Total Assets</b>	<b>8,040.08</b>	<b>10,640.11</b>	<b>14,025.84</b>	<b>16,062.31</b>	<b>16,974.50</b>
<b>Creditors</b>	<b>-</b>	<b>660.13</b>	<b>861.81</b>	<b>1,564.77</b>	<b>3,554.34</b>
Long-term Debt incl. Current Portion	360.89	278.66	1,244.86	585.18	325.37
Short term Borrowings	-	464.51	163.89	750.00	-
<b>Total Debt</b>	<b>360.89</b>	<b>743.17</b>	<b>1,408.75</b>	<b>1,335.18</b>	<b>325.37</b>
Other Liabilities	1,916.57	1,791.56	2,158.57	1,941.16	1,364.58
<b>Total Liabilities</b>	<b>2,277.46</b>	<b>3,194.86</b>	<b>4,429.13</b>	<b>4,841.11</b>	<b>5,244.29</b>
Paid up Capital	380.76	418.84	529.83	529.83	529.83
Revenue Reserve	4,990.53	6,659.68	8,167.53	9,825.91	10,352.53
Equity excl. Revaluation Surplus	5,371.29	7,078.52	8,697.36	10,355.74	10,882.36
<b>Income Statement</b>	<b>CY21A</b>	<b>CY22A</b>	<b>CY23A</b>	<b>CY24A</b>	<b>9MCY25M</b>
Net Sales	13,000.78	15,815.93	19,424.25	23,195.15	18,614.84
Gross Profit	6,415.59	8,030.08	9,254.46	11,929.61	10,239.70
Operating Profit	2,399.08	3,399.90	3,439.05	5,213.44	4,212.79
Finance Costs	26.95	54.40	136.47	393.89	91.13
Profit Before Tax	2,372.13	3,345.50	3,302.58	4,819.55	4,121.66
Profit After Tax	1,808.02	2,417.17	2,403.01	3,253.49	2,628.38
<b>Ratio Analysis</b>	<b>CY21A</b>	<b>CY22A</b>	<b>CY23A</b>	<b>CY24A</b>	<b>9MCY25M</b>
Gross Margin (%)	49.3%	50.8%	47.6%	51.4%	55.0%
Operating Margin (%)	18.5%	21.5%	17.7%	22.5%	22.6%
Net Margin (%)	13.9%	15.3%	12.4%	14.0%	14.1%
Funds from Operations (FFO) (PKR Mn)	1,869.06	2,425.90	2,808.02	3,207.07	3,396.13
FFO to Total Debt* (%)	517.9%	326.4%	199.3%	240.2%	1391.7%
FFO to Long-term Debt* (%)	517.9%	870.6%	225.6%	548.0%	1391.7%
Gearing (x)	0.07	0.10	0.16	0.13	0.03
Leverage (x)	0.42	0.45	0.51	0.47	0.48
Debt Servicing Coverage Ratio (x)	7.45	18.55	6.15	6.14	23.72
Current Ratio (x)	3.87	3.34	3.55	3.22	2.78
Stock in Trade + Trade Debts/STD (x)	-	11.12	41.70	8.60	-
Return on Average Assets* (%)	24.6%	25.9%	19.5%	21.6%	21.2%
Return on Average Equity* (%)	38.3%	38.8%	30.5%	34.2%	33.0%
Cash Conversion Cycle (days)	58	149	156	137	115
*Annualized if required					
A-Actual Accounts					
M-Management Accounts					

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Highnoon Laboratories 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
	<b>RATING TYPE: ENTITY</b>				
	02-Apr-26	A+	A1	Positive	Reaffirmed
	24-Jan-25	A+	A1	Positive	Reaffirmed
	20-Sep-23	A+	A1	Positive	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 Meeting Conducted	S.No	Name	Designation	Date	
	1.	Mr. Muhammad Mukarram	Director Finance	March 12, 2026	
	2.	Ms. Saba Sultan	Lead Treasury		
	3.	Mr. Adeel Aslam	Head of Treasury		