VIS
Credit Rating Company Limited

THE SEARLE COMPANY LIMITED

Analyst:
Musaddeq Ahmed Khan
(musaddeq@vis.com.pk)

RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	AA-	A1	AA-	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Maintained	
RATING DATE	September 30, 2025		July 10, 2024	

Shareholding (5% or More)	Other Information
International Brands (Private) Limited – 50.25%	Incorporated in 1965
General Public (Local & Foreign) – 28.60%	Public Limited Company (Listed)
	Chief Executive: Mr. Tahir Ahmed
	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 assigned ratings to The Searle Company Limited (TSCL) reflect its established market position in Pakistan's pharmaceutical sector, well-diversified therapeutic portfolio, and continued sponsor support from the IBL Group. The Company has sustained topline growth and healthy gross margins; however, net profitability has been constrained by the leveraged buyout of its subsidiary and further suppressed by one-off impairment charges on its divestment. Sector fundamentals remain favorable, underpinned by resilient demand, ongoing pricing reforms, and growing export potential, though exposure to exchange rate volatility and uncertainty around the continuity of pricing deregulation pose risks. TSCL's strengthened capital structure, improved liquidity profile, and strategic entry into higher-margin segments such as biosimilars are expected to underpin earnings stability and support medium-term growth.

Company Profile

The Searle Company Limited ('TSCL' or the 'Company') was incorporated in Pakistan as a private limited company in October 1965 and subsequently converted into a public limited company in November 1993. Its shares are listed on the Pakistan Stock Exchange (PSX). The Company is principally engaged in the manufacture and marketing of pharmaceuticals and other consumer healthcare products, with its registered office located in Karachi.

According to IQVIA, TSCL maintained its standing among the leading players in the pharmaceutical industry, ranking as the fifth-largest company by value and the third-largest by volume. As of May 2025, the Company's market share stood at 4.1% (May 2024: 4.4%). TSCL operates a broad-based product portfolio encompassing pharmaceuticals (e.g., Extor, Hydryllin, Nuberol), biopharmaceuticals (e.g., Dalimab, Clotenox), nutraceuticals (e.g., Ostegem, Vitrum), nutrition (e.g., Enfragrow), consumer health products (e.g., Canderel, Vitamin Water), and medical devices/disposables. Strategic focus remains on expanding in core therapeutic areas, including cardiovascular, cold & cough, diabetes, infant formula, probiotics, and antibiotics, while also investing in emerging, high-value segments such as biosimilars (e.g., Adalimumab), nutraceuticals, genomic sciences, and intravenous therapies. In line with this strategy, the Company acquired Searle IV Solutions (Private) Limited to strengthen its intravenous product line.

TSCL is part of the International Brands Limited (IBL) Group, which holds a controlling stake of 50.25% in the Company. Other major shareholders include the general public (28.60%), trusts and funds (5.32%), banks/DFIs/NBFIs (5.02%), modarabas and mutual funds (3.81%), joint stock companies (3.12%), and foreign companies (2.86%).

The Company also maintains a diversified investment portfolio, which represented 46.6% of its non-current assets as of 9MFY25. During FY24, TSCL invested PKR 7.3 billion in acquiring new subsidiaries, including Stellar Ventures (Private) Limited and Searle IV Solutions (Private) Limited. Stellar Ventures was acquired against settlement of related-party receivables while Searle IV Solutions was funded through right issuance. Stellar Ventures (Private) Limited, comprises three subsidiaries: Mycart (Private) Limited, operating in the retail sector; Prime Health (Private) Limited, specializing in pharmaceutical product inspection; and IBL Frontier Markets (Private) Limited, whose principal assets are land holdings. These land holdings represent the main asset base of Stellar and are expected to be monetized through strategic disposals in due course, providing potential liquidity support to the Group. During the period, the Group successfully completed the disposal of its subsidiary, Searle Pakistan Limited (SPL).

Subsidiaries of the Company	Percentage Shareholding		
	Jun'23	Jun'24	Mar'25
Listed Company			
-IBL HealthCare Limited	74.19%	74.19%	74.19%
Unlisted Company			
-Searle Pakistan Limited	90.61%	90.61%	-
-Searle Pharmaceuticals (Private) Limited	100.00%	100.00%	100.00%
-Searle Laboratories (Private) Limited	100.00%	100.00%	100.00%
-Searle Biosciences (Private) Limited	100.00%	100.00%	100.00%
-IBL Future Technologies (Private) Limited	100.00%	100.00%	100.00%
-Searle IV Solutions (Private) Limited	-	100.00%	100.00%
-Stellar Ventures (Private) Limited	-	100.00%	100.00%

Management and Governance

The Company maintains a well-structured governance framework with a balanced composition of its seven-member Board of Directors, including three non-executive, two independent, and two executive directors. The Board is led by Chairman, Mr. Adnan Asdar Ali, who brings extensive experience in engineering, project management, and social development. Oversight is supported by two committees—the Board Audit Committee (BAC) and the Board Human Resource & Remuneration Committee (BHR&RC)—both chaired by independent directors, ensuring adherence to best practices in accountability and transparency. During FY24, nine Board meetings and multiple committee meetings were held, reflecting active engagement in oversight. The annual Board evaluation rated performance as satisfactory, while compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019, remains on track, with five directors having completed Directors' Training Program (DTP) certification and plans in place to train the remaining members.

The Company recently underwent a significant leadership transition. Effective July 1, 2025, Mr. Tahir Ahmed assumed the role of Chief Executive Officer (CEO), bringing over 25 years of experience in pharmaceutical strategy, brand development, and organizational transformation, succeeding Mr. Syed Nadeem Ahmed, who continues to serve as Executive Director and Senior Advisor to the Board after a long tenure as CEO since 2015. Alongside the CEO transition, key changes in the senior management team were also implemented, with Mr. Syed Asim Raza Zaidi appointed as Chief Financial Officer, replacing Mr. Mobeen Alam, and Mr. Mudassir Habib Khan taking over as Company Secretary from Mr. Zubair Razzak Palwala.

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

TSCL maintains a well-diversified therapeutic mix, reducing reliance on any single segment. In FY25, the Alimentary Tract & Metabolism segment remained the largest contributor at 24.9% of sales (FY24: 25.4%), followed by Cardiovascular at 24.6% (FY24: 26.2%), Musculo-Skeletal at 16.7% (FY24: 18.4%), and Respiratory at 13.7% (FY24: 8.9%). Product concentration also remains contained, with the top three brands—Nuberol, Hydryllin, and Extor—together accounting for 34.5% of revenues (FY24: 33.9%).

The Company continues to actively broaden its portfolio, with a pipeline of over 200 products at different stages of regulatory approval. This pipeline spans established therapeutic areas such as cardiovascular, respiratory, diabetes, infant nutrition, probiotics, and antibiotics, while also positioning TSCL to capture growth in emerging, higher-margin domains. Strategic focus is being placed on biosimilars, medical devices, nutraceuticals, genomic sciences, and intravenous therapies, in line with management's objective of diversifying revenue streams, strengthening market presence, and improving long-term profitability.

I.A / IT INFRASTRUCTURE / CERTIFICATIONS

TSCL has undertaken several technology-related enhancements across its manufacturing and enterprise functions. During the review period, upgrades were made at the plant level, including the induction of high-capacity blenders ranging from 1,000L to 2,400L and a 1,000L blender to enable a 100% increase in batch size. Additionally, an automatic high-capacity coater (135kg) was commissioned at HOTC, contributing to a 50% reduction in cycle time and effectively increasing production capacity. The integration of a blister inspection system further strengthens quality assurance by enabling precise, real-time monitoring during packaging.

ESG-SUSTAINABILITY

During the review period, TSCL advanced its commitment to environmental, social, and governance (ESG) practices through a series of employee-centric, community-focused, and innovation-driven initiatives. On the social front, the Company launched its Stride Ahead program to promote employee wellness and foster a culture of healthy living, complemented by Chair Yoga and Stretch Workshops aimed at mitigating the risks of sedentary work. Creativity and mental well-being were supported through art therapy initiatives, while leadership development was strengthened through focus group sessions and recognition programs that cultivated future leaders. TSCL also placed emphasis on women's health and empowerment by organizing awareness programs on epilepsy in females and breast cancer, underscoring its commitment to public health and gender inclusion.

PROFITABILITY

TSCL has continued to report steady topline growth, although margins and profitability have come under strain due to adverse currency movements and elevated interest rates. During FY24, revenues stood at PKR 25.8 bn, up 19.3% from PKR 21.6 bn in FY23, supported by higher unit prices. The government's decision in February 2024 to deregulate non-essential medicines—accounting for nearly 80% of TSCL's portfolio—further aided sales, pushing gross margin to 48.6% (FY23: 44.1%).

Despite revenue growth, operating performance weakened as distribution and administrative expenses rose to PKR 8.6 bn (FY23: PKR 6.7 bn). Additionally, the Board resolved to divest SPL, a subsidiary acquired through a leveraged buyout (LBO), given the strain of high borrowing costs on liquidity and the impact of currency depreciation on SPL's imported product portfolio. Following a reassessment of SPL's profitability outlook, an impairment charge of PKR 5.2 bn was booked, resulting in an operating loss of PKR 910.6 mn (FY23: operating profit of PKR 3.8 bn). Elevated finance costs of PKR 3.6 bn (FY23: PKR 3.3 bn) further weighed on results, leading to a net loss of PKR 3.3 bn versus a Profit-after-Tax (PAT) of PKR 631.3 mn in FY23.

In 9MFY25, sales were flat at PKR 19.1 bn (9MFY24: PKR 19.1 bn). Gross margins improved to 50.3% on account of continued price pass-through for non-essential drugs, though another impairment charge of PKR 927.5 mn on SPL was recognized. Expense growth was contained, while finance charges eased to PKR 1.7 bn (9MFY24: PKR 2.7 bn) as debt levels declined and the monetary policy rate softened amid an improving macroeconomic backdrop. Consequently, the Company reported a PAT of PKR 268.8 mn (9MFY24: PKR 111.3 mn).

Going forward, management projects gross margins to cross 54.0% by FY26, driven by the sustained impact of price deregulation on non-essential drugs and a more favorable product mix. Net profit margins are also expected to rebound above 10% by FY26, supported by monetary easing and lower finance costs. A significant milestone was achieved with the regulatory approval and launch of Adalimumab, the country's first locally manufactured biosimilar, developed in collaboration with BioRay Biopharmaceuticals Co. Limited. Targeting conditions such as rheumatoid arthritis, psoriasis, and Crohn's disease, this entry into the biosimilar segment is expected to broaden the Company's portfolio, strengthen its position in biotechnology-based therapies, and provide medium-term revenue diversification. In parallel, the management is pursuing export expansion into GCC and CIS markets to diversify earnings streams and increase foreign currency inflows. While performance remains susceptible to macroeconomic risks, particularly exchange rate volatility and inflationary pressures, the Company intends to maintain earnings stability through disciplined cost management, new product introductions, and enhanced cash flow generation.

Financial Risk

CAPITAL STRUCTURE

As of Jun'24, the Company's equity base (excl. revaluation surplus) increased to PKR 25.0 bn (Jun'23: PKR 24.0 bn), despite incurring a net loss of PKR 3.3 bn. The growth was primarily supported by a rights issue of PKR 4.3 bn, raised to finance the acquisition of 100% ownership in Searle IV Solutions (Private) Limited from IBL Operations (Private) Limited. A portion of the proceeds was also utilized towards debt reduction. The debt profile remained skewed towards short-term borrowings for working capital needs, while long-term debt declined to PKR 3.8 bn (Jun'23: PKR 6.0 bn) on account of scheduled repayments. Short-term debt also reduced slightly to PKR 9.5 bn (Jun'23: PKR 10.1 bn). Consequently, gearing and leverage improved to 0.54x (FY23: 0.67x) and 0.85x (FY23: 0.97x), respectively, by end-FY24.

By Mar'25, total debt had declined further to PKR 7.7 bn (Jun'24: PKR 13.4 bn), mainly due to repayment through proceeds from the disposal of SPL. Over the same period, equity (excl. revaluation surplus) rose modestly to PKR 25.5 bn, supported by profit retention. As a result, gearing and leverage strengthened further to 0.30x and 0.57x, respectively.

Looking ahead, management expects improved profitability, supported by higher production volumes, sustained market demand, and lower finance costs. No major CAPEX is planned over the next two years given sufficient current capacity, with earnings retention expected to further enhance equity and capitalization indicators.

DEBT COVERAGE & LIQUIDITY

Operating cash flow generation strengthened, with Funds from Operations (FFO) recovering to PKR 829.5 mn in FY24 (FY23: negative PKR 512.0 mn), aided by higher operating profitability (adjusted for one-off impairment). Consequently, debt-servicing capacity improved, as reflected in DSCR of 1.22x (FY23: 0.73x), while coverage indicators, though still modest, showed improvement with FFO/Total Debt and FFO/Long-Term Debt at 0.06x and 0.22x, respectively.

By 9MFY25, liquidity metrics strengthened materially. The current ratio improved to 1.62x, largely supported by receipt of sale proceeds and reduction in borrowings. Coverage metrics also improved significantly—DSCR rose to 1.87x, while FFO/Total Debt and FFO/Long-Term Debt increased to 0.23x and 13.04x, respectively, reflecting reduced leverage and enhanced internal cash flow generation.

Going forward, liquidity and coverage indicators are projected to improve on the back of higher sales volumes supported by planned marketing and advertising initiatives. The extent of improvement will depend on the Company's ability to maintain effective working capital management while mitigating risks arising from exchange rate volatility.

Financial Summary *Appendix I*

Balance Sheet (PKR Millions)	FY23A	FY24A	9MFY25M
Property, plant and equipment	6,544.52	7,051.79	6,827.59
Right-of-use Assets	60.09	50.43	43.05
Intangible Assets	40.40	25.97	15.43
Long-term Investments	18,816.31	20,866.72	9,666.72
Stock-in-trade	2,535.46	2,177.19	2,677.23
Trade debts	11,570.05	10,705.82	10,225.22
Short-term Investments	100.00	100.00	100.00
Cash & Bank Balances	196.78	120.44	176.74
Other Assets	10,936.71	9,373.53	14,119.46
Total Assets	50,800.32	50,471.89	43,851.44
Creditors	1,399.76	1,969.67	NA
Long-term Debt (incl. current portion)	6,002.39	3,846.77	135.18
Short-Term Borrowings	10,092.55	9,554.19	7,546.16
Total Debt	16,094.94	13,400.96	7,681.34
Other Liabilities	5,636.85	6,006.32	2,659.82
Total Liabilities	23,131.55	21,376.95	14,487.69
Paid up Capital	3,900.66	5,114.95	5,114.95
Revenue Reserve	14,001.61	10,832.48	11,252.58
Sponsor Loan	0.00	0.00	0.00
Equity (excl. Revaluation Surplus)	23,951.69	25,032.56	25,452.66

Income Statement (PKR Millions)	FY23A	FY24A	9MFY25M
Net Sales	21,641.28	25,827.21	19,114.80
Gross Profit	9,543.69	12,556.39	9,610.88
Operating Profit	3,757.94	(910.61)	2,115.95
Finance Costs	3,348.10	3,560.88	1,715.79
Profit Before Tax	409.84	(4,471.49)	400.16
Profit After Tax	302.14	(3,330.86)	268.81

Ratio Analysis	FY23A	FY24A	9MFY25M
Gross Margin (%)	44.10%	48.62%	50.28%
Operating Margin (%)	17.36%	-3.53%	11.07%
Net Margin (%)	1.40%	-12.90%	1.41%
Funds from Operation (FFO) (PKR Millions)	(511.96)	829.45	1,322.47
FFO to Total Debt* (%)	-3.18%	6.19%	22.96%
FFO to Long Term Debt* (%)	-8.53%	21.56%	1304.40%
Gearing (x)	0.67	0.54	0.30
Leverage (x)	0.97	0.85	0.57
Debt Servicing Coverage Ratio* (x)	0.73	1.22	1.87
Current Ratio (x)	1.33	1.05	1.62
(Stock in trade + trade debts) / STD (x)	1.42	1.36	1.71
Return on Average Assets* (%)	0.61%	-6.58%	0.76%
Return on Average Equity* (%)	1.27%	-13.60%	1.42%
Cash Conversion Cycle (days)	213.66	175.88	NA

**Annualized, if required*
A - Actual Accounts
M - Management Accounts

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	The Searle Company Limited
Sector	Pharmaceutical
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
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	Rating Action
RATING TYPE: ENTITY				
30-Sep-25	AA-	A1	Stable	Reaffirmed
10-July-24	AA-	A1	Stable	Maintained
19-May-23	AA-	A1	Negative	Maintained
15-Feb-22	AA-	A1	Stable	Reaffirmed
21-Dec-20	AA-	A1	Stable	Reaffirmed
09-Dec-19	AA-	A1	Stable	Initial

Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Syed Asim Raza Zaidi	Chief Financial Officer (CFO)	29th July 2025
Mr. Zohaib Yousuf	Lead Manager – FP&A	