

CENTURY BOARD & PAPER MILLS LIMITED

Analyst:

Rida Hashmi
(rida.hashmi@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		Reaffirmed	
RATING DATE	July 01, 2026		May 22, 2025	

Shareholding (5% or More)

Associated Companies, Undertakings & Related Parties - 68.66%

Modarabas & Mutual Funds - 7.67%

General Public - 13.62%

Other Information

Incorporated in 1992

Public Limited Company (Listed)

Chairman: Mr. Iqbal Ali Lakhani

Chief Executive: Mr. Aftab Ahmad

External Auditor: BDO Ebrahim & 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 ratings assigned to Century Paper & Board Mills Limited ('CPBML' or the 'Company') reflect its established market position in Pakistan's paper and paperboard industry, supported by its affiliation with the Lakson Group, integrated operations, experienced management, and sound governance framework.

The operating environment remained challenging during the review period due to weak domestic demand, intense import competition, and limited pricing flexibility, resulting in lower revenues, compressed margins, and weaker earnings despite ongoing operational efficiency initiatives. Consequently, cash flow generation, debt servicing capacity, and liquidity indicators weakened, while reliance on short-term borrowings increased. Nevertheless, the Company's sizeable equity base, established banking relationships, financial flexibility, and continued sponsor support provide comfort against refinancing and liquidity risks.

Continued sponsor support is an important rating consideration. The ratings will continue to be driven by sustained improvement in profitability and cash flow coverages. The latest measures announced by the National Tariff Commission on imported Coated Bleached Board to provide level playing field to domestic Industry, if implemented, may improve the competitive environment for local players.

Company Profile

Century Paper & Board Mills Limited ('CPBML' or the 'Company'), the flagship Company of the Lakson Group, was incorporated in 1984 and commenced commercial production in 1990. It manufactures a wide range of Paper and Paperboard products, including Coated and Uncoated Boards, Writing and Printing Papers, Machine-glazed Papers, and Corrugated Cartons. The company operates superior quality Corrugated Cartons facility, catering to industries such as FMCG, Home Appliances, and Tobacco. CPBML emphasizes sustainability through use of recycled fiber and energy-efficient processes. Its operations are supported by an Oracle-based ERP system.

Group & Sponsor Profile

CPBML is part of Lakson Group Company. The Lakson Group is one of Pakistan's leading business conglomerates, established in 1954. It manages and owns companies in various sectors including agri-business, call centers, consumer non-durables, fast food, financial services, paper and board, printing and packaging, surgical instruments, technology (data-networking, BPO and software) and travel. The group's assets exceed USD 1 bn with 15+ companies in Pakistan; providing direct employment to around 17,000+ persons.

Management and Governance

CHAIRMAN & CEO PROFILE

Mr. Iqbal Ali Lakhani is the Chairman of Lakson Group of Companies. He holds a degree in Business Administration from the University of California, Berkeley, and has over four decades of experience in managing and leading businesses in Pakistan. In recognition of his philanthropic services, he was honored with the Sitara-e-Imtiaz by the Government of Pakistan in 2019.

Mr. Aftab Ahmad serves as the CEO of CPBML. Prior to joining Lakson Group, he worked at Packages Limited in Pakistan, Saigal Brothers and Azzawya Oil Refinery in Libya. With his engineering background, he successfully implemented the mega project of Century Paper's new board machine PM-7, thereby building CPBML's brand in terms of quality and reliability in the market.

BOARD & SENIOR MANAGEMENT

Name	Director
Mr. Iqbal Ali Lakhani	Chairman – Non-Executive Director
Mr. Amin Mohammad Lakhani	Non-Executive Director
Mr. Babar Ali Lakhani	
Ms. Anushka Lakhani	
Mr. Ali Aamir	Independent Director
Mr. Asif Qadir	
Mr. Aftab Ahmad	CEO

The Board comprises seven directors, including the CEO, with a balanced composition of four Non-Executive Directors (including one female), two Independent Directors, and one Executive Director, featuring independence and diversity. During FY25, the directors were elected for a three-year term through an Extra-Ordinary General Meeting (EOGM), with all existing members, including the Chairman and CEO, reappointed, with no new additions on the Board.

The Board operates through three committees: the Audit Committee (AC), Human Resource & Remuneration Committee (HRRC), and Sustainability Committee (SC); all chaired by Independent Directors, ensuring robust governance and oversight. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

No major changes were reported in Board or Senior Management during the period under review.

NON-MANDATORY NON-COMPLIANCES

Currently the Board has not constituted a separate Nomination Committee (Regulation 29 (1)), and a separate Risk Management Committee (Regulation 30 (1)); these functions are being performed by the Board.

AUDIT OPINION

BDO Ebrahim & Co. Chartered Accountants, categorized as 'Category A' on the SBP's Panel of Auditors 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 for FY25.

Business Risk

INDUSTRY UPDATE

The Paper and Paperboard (P&B) industry coupled with packaging industry in Pakistan remains an essential segment of the manufacturing and industrial value chain, supplying core materials to downstream sectors including fast-moving consumer goods (FMCG), pharmaceuticals, e-commerce logistics, textiles, and export packaging. The business profile of the sector is assessed as medium to high. Sector performance has historically followed a cyclical trajectory, heavily influenced by macroeconomic indicators, import dependency, and raw material cost volatility. The P&B sector remained under pressure in FY25, reflecting the uneven recovery in Large-Scale Manufacturing (LSM) and weak domestic demand. Key downstream sectors, particularly FMCG, operated at subdued levels, limiting packaging demand. The industry also faced continued competition from cheaper imports and the presence of undocumented local players, creating an uneven playing field for compliant manufacturers. These structural challenges constrained overall growth and pricing power.

During 9MFY26, the LSM sector recorded growth, reflecting a gradual recovery in industrial and consumer activity. This has supported underlying demand for packaging materials and provided a consistent demand base for the Paper & Board sector. On the cost side, both local & imported raw material and fuel prices after showing stability in the first half of the FY26 are now trending upwards. Higher working capital requirements are expected to exert upward pressure on finance costs.

Future outlook remains dependent on evolving macroeconomic conditions. Latest measures announced by the National Tariff Commission on imports of Two-Side Coated Bleached Board from China until February 27, 2027 may improve the demand and margin of products of the local industry; depending on the outcome of the ongoing litigation.

OPERATIONAL PERFORMANCE

Capacity & Production - Tons	FY24	FY25	1HFY26
Segment	Capacity Utilization		
Coated Board	80%	70%	83%
Paper	81%	69%	69%
Paper & Paper Board Produced	68%	59%	69%
Paper & Paper Board Conversion (Box Biz)	62%	70%	68%

During FY25, due to pressure from imports and challenges from the unorganized sector, CPBML adopted a targeted production strategy focused on maximizing operational efficiency, resulting in total production of 157,834MT (FY24: 179,964MT). This translated into capacity utilization of 59% (FY24: 68%) for paper & paper board, though capacity utilization of Coated Duplex Board Machine (PM-7) and Coated Bleached Board Machine (PM-4) remained 78% (FY24: 87%) and 78% (FY24: 62%). Furthermore, capacity utilization improved to 70% (FY24: 62%) for corrugated boxes, owing to better outsourcing arrangements, supporting higher output and better cost management.

During 9MFY26, capacity utilization of the packaging board machines further improved, particularly for PM-7, driven by stronger demand for its products (Coated Duplex Board). Utilization of PM-4 also increased following the continuous introduction of lower-cost product variants (Coated Bleached Board & Uncoated Board), which supported higher market acceptance. As a result, management successfully increased the capacity utilization of both PM-4 and PM-7 to nearly 90%. Management remained focused on developing cost-efficient products on energy-efficient machines in order to maintain competitiveness in a challenging market environment.

SALES MIX

Quantity Sold (Tons)	FY24	FY25	9MFY26
Coated Board	136,722	121,456	106,701
Uncoated Board	7,706	8,115	7,199
Paper	18,840	16,153	12,380
Box Plant	21,640	24,463	18,724

Total	184,908	170,187	145,005
Proportion in Net Sales (%)	FY24	FY25	9MFY26
Coated Board	71.4%	69.1%	70.3%
Uncoated Board	4.3%	5.0%	5.5%
Paper	13.7%	12.1%	11.2%
Box Plant	10.6%	13.7%	13.0%
Total (PKR Mn)	42,015.5	37,281.5	29,943.6

CPBML's sales are almost entirely domestic, comprising Paper & Paper board and Corrugated Boxes. Paper & Paperboard account for approximately 87.0% of total revenues, while Box Biz contributes 13.0%. The Paper & Paperboard include Coated Board, Uncoated Board and paper products. Customer concentration remains high with top ten customers contributing 45.6% of revenues in FY25 (FY24: 47.6%). While this reflects a concentrated customer base, the associated risk is mitigated by the long-standing relationships maintained with these customers, many of whom are recurring clients with established business ties. The continuity of these relationships, built on mutual understanding reduces the risk typically associated with customer concentration and provides stability to the Company's revenue stream. Sales to related parties comprise approximately 9.7% of total revenues; reflecting some vertical integration.

PROFITABILITY

In FY25, net sales fell by 11.3% to PKR 37,281.5mn (FY24: PKR 42,015.5mn), driven by an 8.6% reduction in sales volumes and a 3.6% decrease in average selling prices. This decline resulted from subdued domestic demand and heightened import competition, which necessitated downward price adjustments to protect market share. The impact of price reduction was contained to an extent by the favorable recycled paper prices and contained energy costs in view of lower coal and gas rates; gross margins still narrowed to 7.1% (FY24: 9.9%) and gross profit amounted to PKR 2,663.5mn (FY24: PKR 4,065.8mn). Administrative and selling expenses increased by 8.5%, largely due to inflationary pressures, while other income improved by 25.9% owing to higher profit on investments and income from non-financial assets. Operating profit stood at PKR 1,678.0mn, compared to PKR 3,021.3mn in the prior year. Finance costs eased to PKR 1,647.9mn due to monetary softening, leaving a marginal profit before tax of PKR 30.0mn. However, the company posted a net loss of PKR 345.4mn following an aggregate tax charge of PKR 375.5mn. The year's aggregate levy & tax charge of PKR 375.5mn (FY24: PKR 649.6mn) included PKR 349.0mn relating to minimum taxes for 2013-2017. These amounts, recognized as a benefit in previous tax years (FY13-FY17) under provisions of the Income Tax Ordinance, 2001, had to be reversed during the year following an adverse decision by the Supreme Court on a long-standing litigation. In FY25, actual cash outlay in lieu of taxes was PKR 1.3bn (FY24: PKR 839mn).

During 9MFY26, net sales increased by 3.3% to PKR 29,943.6mn (9MFY25: PKR 28,980.7mn), owing to better market activity in the 1st and 3rd quarters. Gross margins continued to compress further to 5.9% (9MFY25: 7.5%). Operating profit fell to PKR 951.4mn, though the impact was partially cushioned by a significant reduction in finance costs to PKR 860.7mn, driven by lower interest rates prevalent during the period. The levy-minimum tax differential and taxes imposed during the period converted the profit before tax and levies of PKR 90.7mn into a loss for the period of PKR 335.6mn. Actual tax related cash outlay in the period was PKR 468.2mn. While margins remain below levels observed in previous years, they have shown improvement on a sequential timeline basis during 9MFY26. Gross margin improved to 5.9% from 5.0%, operating margin increased to 3.2% from 2.2%, and the net loss margin narrowed to 1.1% from 1.4%, indicating a gradual recovery in overall profitability.

Management expects volumetric growth of approximately 10.0% YoY in FY26. On the cost front, CPBML has already secured its imported raw material requirements while gradually increasing reliance on local raw material sources to mitigate potential supply chain disruptions arising from ongoing geopolitical uncertainties. Additionally, the Company continues to undertake operational efficiency initiatives aimed at optimizing energy consumption and reducing associated costs. Freight and logistics expenses are largely passed on to customers, limiting their impact on margins. Consequently, CPBML remains well-positioned from a cost management perspective which should support improvement in operating profitability, going forward. However, post-tax profitability is expected to remain constrained in the near term due to higher tax charges stemming from prior year tax adjustments and minimum turnover tax.

Financial Risk

CAPITAL STRUCTURE

By Mar'26, the Company's equity base slightly declined to PKR 13,079.8mn (FY25: PKR 13,145.4mn; FY24: PKR 13,681.9mn), owing to the loss incurred in the period under review. Paid-up capital remained unchanged at PKR 4,017.1mn. Long-term debt (including current portion) declined to PKR 2,836.8mn (FY25: PKR 3,930.7mn; FY24: PKR 5,293.9mn), reflecting scheduled repayments. However, there is a persistent

rise in the short-term borrowings to PKR 9,363.3mn (FY25: PKR 7,094.9mn; FY24: PKR 4,304.2mn). Consequently, gearing increased to 1.01x (FY25: 0.84x; FY24: 0.70x), while leverage increased to 1.55x (FY25: 1.23x; FY24: 1.16x).

DEBT COVERAGE & LIQUIDITY

The Company's FFO turned negative PKR 248.9mn in FY25 (FY24: PKR 1,283.5mn; FY23: PKR 2,035.6mn). As a result, DSCR declined to 0.42x (FY24: 0.99x; FY23: 1.12x). In 9MFY26, FFO turned positive to PKR 384.0mn, with FFO to total debt and FFO to long-term debt measured at 3.1% and 13.5%, respectively. DSCR slightly improved to 0.58x. DSCR below 1x indicates reduced capacity to meet debt obligations from internal cash flows for the period under review. The liquidity position has weakened in the last year, resulting in ratios below the acceptable threshold, though ratings continue to draw support from overall group support.

The current ratio stood at 1.23x as of Mar'26 (FY25: 1.40x; FY24: 1.62x), slightly lower due to higher short-term borrowings and payables. The ageing profile of trade receivables remained satisfactory. Receivables aged six months or more represented 1.3% of total receivables as of 1HFY26, reflecting a modest increase from 0.8% in FY25. Net Working capital amounted to PKR 4,181.6mn as of end-Mar'26. CPBML has utilized approximately PKR 9.5bn of its total available short-term borrowing limit of PKR 13.0bn. To alleviate reliance on short-term financing and strengthen its liquidity profile, management is in the process of securing a medium-term loan of up to PKR 3.0bn. This proposed financing is expected to provide liquidity cushion and improve funding flexibility.

Financial Summary				(PKR Mn)
Balance Sheet	FY23A	FY24A	FY25A	9MFY25M
Property, plant and equipment	11,717.7	11,505.2	10,932.3	10,775.3
Intangible Assets	13.7	14.7	15.4	9.4
Stock-in-trade	8,755.4	6,857.4	6,524.0	7,990.8
Trade debts	5,182.0	5,086.3	5,378.4	6,632.2
Short-term Investments	0.0	0.0	321.0	0.0
Cash & Bank Balances	801.0	788.5	865.8	1,314.4
Other Assets	3,698.7	5,284.8	5,864.9	6,628.3
Total Assets	30,168.5	29,536.9	29,901.8	33,350.4
Creditors	1,293.0	1,625.2	1,743.8	2,651.3
Long-term Debt (incl. current portion)	6,408.5	5,293.9	3,930.7	2,836.8
Short-Term Borrowings	4,071.1	4,304.2	7,094.9	9,363.2
Total Debt	10,479.7	9,598.0	11,025.6	12,200.0
Other Liabilities	5,283.9	4,631.9	3,717.0	5,419.4
Total Liabilities	17,056.5	15,855.1	16,486.4	20,270.7
Paid up Capital	4,017.1	4,017.1	4,017.1	4,017.1
Revenue Reserve	6,193.9	6,763.8	6,497.3	9,062.6
Equity (excl. Revaluation Surplus)	13,112.0	13,681.9	13,415.4	13,079.8
Income Statement	FY23A	FY24A	FY25A	9MFY25M
Net Sales	47,661.3	42,015.5	37,280.6	29,943.6
Gross Profit	4,441.6	4,065.8	2,663.5	1,773.3
Operating Profit	3,437.2	3,021.3	1,678.0	951.3
Finance Costs	2,015.6	1,847.8	1,647.9	860.7
Profit Before Tax	1,421.6	1,173.5	30.0	90.7
Profit/(Loss) After Tax	905.0	523.9	(345.4)	(335.7)
Ratio Analysis	FY23A	FY24A	FY25A	9MFY25M
Gross Margin (%)	9.3%	9.7%	7.1%	5.9%
Operating Margin (%)	7.2%	7.2%	4.5%	3.2%
Net Margin (%)	1.9%	1.3%	-0.9%	-1.1%
Funds from Operation (FFO) (PKR Mn)	2,035.6	1,283.5	(248.9)	382.2
FFO to Total Debt* (%)	19.4%	13.4%	-2.3%	4.2%
FFO to Long Term Debt* (%)	31.8%	24.3%	-6.3%	18.0%
Gearing (x)	0.80	0.70	0.82	0.93
Leverage (x)	1.30	1.16	1.23	1.55
Debt Servicing Coverage Ratio* (x)	1.12	0.99	0.42	0.58
Current Ratio (x)	1.70	1.62	1.40	1.23
(Stock in trade + trade debts) / STD (x)	4.10	3.72	2.21	1.99
Return on Average Assets* (%)	3.1%	1.8%	-1.2%	-1.4%
Return on Average Equity* (%)	7.1%	3.9%	-2.6%	-3.4%
Cash Conversion Cycle (days)	99.4	105.7	104.0	104.1
*Annualized, if required				
A - Actual Accounts				
M - Management Accounts				

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Century Paper & Board Mills Limited				
Sector	Paper & Board				
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-Jul-2026	AA-	A1	Stable	Reaffirmed
	22-May-2025	AA-	A1	Stable	Reaffirmed
	26-Feb-2024	AA-	A1	Stable	Reaffirmed
	30-Dec-2022	AA-	A1	Stable	Reaffirmed
	10-Nov-2021	AA-	A1	Stable	Upgrade
	01-Dec-2020	A+	A1	Positive	Maintained
	21-Nov-2019	A+	A1	Stable	Reaffirmed
	23-Nov-2018	A+	A1	Stable	Reaffirmed
	11-Dec-2017	A+	A1	Stable	Reaffirmed
	23-May-2016	A+	A1	Stable	Reaffirmed
	15-Dec-2014	A+	A1	Stable	Reaffirmed
20-Nov-2013	A+	A1	Stable	Upgrade	
07-Dec-2012	A	A2	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 Meeting Conducted	Name	Designation		Date	
	Mr. Rashid Dastagir	CFO		June 04, 2026	
	Mr. Tanvir Ahmed	COO			