

# RATING REPORT

## Haleeb Foods Limited (HFL)

**REPORT DATE:**

April 17, 2025

**RATING ANALYST:**

M. Amin Hamdani

[amin.hamdani@vis.com.pk](mailto:amin.hamdani@vis.com.pk)

**RATING DETAILS**

Rating Category	Latest Rating		Previous Rating	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
Entity	A	A1	A-	A1
Rating Date	April 17, 2025		January 23, 2024	
Rating Outlook/Watch	Stable		Stable	
Rating Action	Upgrade		Upgrade	

**COMPANY INFORMATION**

**Incorporated in 1984**

**External auditors:** KPMG Taseer Hadi & Company, Chartered Accountants

**Unlisted Public Limited Company**

**Chairman of the Board:** Mr. Aly Khan

**Key Shareholders (more than 5%):**

**Chief Executive Officer:** Mr. Muhammad Habib Ullah Khan

*Mega Foods (Pvt.) Limited – 56.0%*

*Mr. Ilyas Mubammad Chaudhry – 27.6%*

*Ms. Nasrin Ilyas Chaudhry – 6.0%*

**APPLICABLE METHODOLOGY**

**Applicable Rating Criteria:**

Corporates <https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

Rating Scale & Definitions <https://docs.vis.com.pk/docs/VISRatingScales.pdf>

**Haleeb Foods Limited (HFL)**

**OVERVIEW OF THE INSTITUTION**

*Haleeb Food Limited (HFL) was established in 1984 as a public (unlisted) limited company. The registered office of the Company is located in Lahore. While production facilities are situated at Bhai Peru and Rahim Yar Khan.*

**Profile of Chairman**

*Mr. Aly Khan is an Honors M.Sc. Graduate from Boston College and an Undergraduate B.S. from Northeastern University. He has cultivated his professional career working in London, Singapore and New York for various global institutions including Citi Group and Yang Ming Marine Transport Corporation in several management and training capacities. He has extensive experience in dairy sector that includes HFL. He also serves as a director of the Hub Power Company Limited, Qasim International Container Terminal and is a SECP certified director in corporate governance.*

**Profile of CEO**

*Mr. Habib Ullah Khan is the Founder and Chairman of Mega Conglomerate. The Mega & Forbes Group of Companies (Mega Group – MFG) is a diversified conglomerate with business holdings including the country's largest container terminal, third largest*

**RATING RATIONALE**

Haleeb Foods Limited ('HFL' or 'the Company') established in 1984, is engaged in dairy sector. The Company operates as a subsidiary of Mega Foods (Pvt.) Ltd. (MFPL), which has 56% shareholding in the Company.

HFL offers a diverse product portfolio, including packaged milk, tea whitener, fruit juices, a variety of fat-based products, and related dairy items. The registered office of the Company is located in Lahore while production facilities are situated at Bhai Peru and Rahim Yar Khan.

**Change in senior management**

On February 19, 2024, Mr. Habib Ullah Khan, the founder and Chairman of MFPL assumed the role of CEO of the HFL, replacing the previous CEO, Mr. Syed Mazher Iqbal.

**Operational update**

HFL's Bhai Peru plant is used for production of both liquid and non-liquid products while the Rahim Yar Khan plant is used only for production of non-liquid products. During FY24 production levels at Bhai Peru plant declined while the Company did not utilize production capacity of the Rahim Yar Khan plant due to low demand, resulting in a decline in utilization levels as under:

**Operating Metrics**

	2023		2024	
	Capacity	Production	Capacity	Production
<b>Bhai Peru</b>				
Liquid (Ltrs)	191,815	119,496	191,815	94,485
Non liquid (Kgs)	6,000	1,198	6,000	738
<b>Utilization - liquid</b>		<b>62.30%</b>		<b>49.25%</b>
<b>Utilization - non-liquid</b>		<b>20.0%</b>		<b>12.3%</b>
<b>Rahim Yar Khan</b>				
Non liquid (Kgs)	6,000	2,342	6,000	0
<b>Utilization</b>		<b>39.0%</b>		<b>0.0%</b>

**Sector review**

VIS considers the business risk profile of the packaged milk industry in Pakistan to be medium. The industry faces intense competition, albeit a significant growth opportunity exists due to the untapped loose milk market. During FY22 to FY24, milk production in Pakistan increased from approximately 65.7m MT to 70.1m MT, reflecting a CAGR of about 7.8%, with 80.5% deemed fit for human consumption in FY24. Fresh milk prices rose significantly, averaging PKR 185.0/liter in FY24, a 21.6% YoY increase, while powdered milk prices jumped to PKR 820.2 for 390g, up 28.0% YoY.

As per SBP trade data, dairy imports surged to PKR 31.6b (FY23: PKR 27.3b) in FY24, a 15.7% increase, as local production continued to rely on imported skimmed milk in the formal sector. In FY24, dairy exports increased to PKR 2.3b (FY23: PKR 1.9b). The sector is largely informal, with smallholder farms lacking modern technology, impacting both domestic supply and export capacity.

*dairy producer, top tier cement manufacturing company, vertically integrated shipping company and the progressive real-estate developer responsible for the only L.E.E.D. certified commercial building in Pakistan. He has served as CEO of HFL since Feb'19, 2024.*

Major players include:

**Public listed companies:** Friesland Campina Engro Pakistan (Olper's), Nestle Pakistan (Milkpak), Fauji Foods Limited (Nurpur), At-Tahur Limited (PREMA)

**Private limited or public unlisted companies:** Haleeb Foods Limited (Haleeb), Adams Milk Foods (Adams), Dairyland (Private) Limited (Dayfresh), Millac Foods (Private) Limited, Shakarganj Foods (Private) Limited

**Ratings drivers**

**Despite contraction of sales volume, HFL has sustained positive net sales momentum**

HFL's net sales have increased at a CAGR of 26.1% between FY21 and FY24 with the Company enhancing its marketing activities and aligning business strategies to suit market needs. Leveraging cost-effective procurement and producing and storing skimmed milk during flush season, has helped the Company improve its margins in recent years. In FY24, the dairy sector was impacted by higher duties and taxes on products, which the Company was able to pass on to the customer, albeit at the cost of reduction in sales volumes. As a result, volumetric sales decline 22.8% YoY in FY24. However, increase in prices contributed to a modest 1.5% increase in net sales to PKR 20.4b (FY23: PKR 20.1b) in FY24. In FY25, sales volumes and topline are projected to remain rangebound.

**Sales volumes**

Volumetric Sales	FY23	FY24	YoY
Product	Ltr volume	Ltr volume	
All Max	37,167,515	31,828,748	-14.4%
Haleeb	18,751,850	16,688,284	-11.0%
Asli Milk	14,389,350	14,817,141	3.0%
Cream	4,934,478	4,711,471	-4.5%
Tea Max	19,204,846	12,733,299	-33.7%
Juices	18,639,736	7,687,041	-58.8%
Daizy Queen	8,014,396	4,485,825	-44.0%
Bulk Powder	312,593	902,589	188.7%
Ghee	322,596	182,686	-43.4%
Butter	245,971	81,252	-67.0%
<b>Total</b>	<b>121,983,331</b>	<b>94,118,336</b>	<b>-22.8%</b>

Salex mix was largely similar in FY24 compared to FY23 as tea whitener and packaged milk products contributed to roughly 80% of the revenue during the review period. Pricing revisions in tea whitener and packaged milk contributed to stability in topline despite decline in sales volume. Production levels and sales of juices were significantly impacted due to imposition of FED, resulting in lower demand. Product-wise sales revenue during FY24 vis-à-vis FY23 are as follows:

Gross sales	FY23		FY24		YoY
Product-wise	Sales (Rs in m)	% of sales	Sales (Rs in m)	% of sales	
All Max	5,834.5	26.8%	6,601.5	28.9%	13.1%
Haleeb	3,583.0	16.5%	3,913.0	17.1%	9.2%
Asli Milk	2,399.3	11.0%	3,079.3	13.5%	28.3%
Cream	2,664.2	12.2%	2,918.6	12.8%	9.5%
Tea Max	3,081.9	14.2%	2,766.9	12.1%	-10.2%
Juices	1,926.0	8.8%	1,164.0	5.1%	-39.6%
Daizy Queen	1,340.3	6.2%	1,056.6	4.6%	-21.2%
Bulk Powder	302.5	1.4%	940.4	4.1%	210.9%
Ghee	429.2	2.0%	323.4	1.4%	-24.7%
Butter	216.9	1.0%	101.5	0.4%	-53.2%
<b>Total</b>	<b>21,777.8</b>		<b>22,865.0</b>		<b>5.0%</b>

Region-wise sales were mostly unchanged. More than one-third of the revenue emanates from Khyber Pakhtunkhwa and northern areas due to low availability of loose milk in those areas. HFL's revenue from central and southern regions of the country declined due to competitive factors. The Company's exports, although marginal compared to total revenue, have grown over the years and the management continues to explore markets in the USA and South Asia. Region-wise sales numbers are tabulated below:

Gross sales Region/Segment	FY23		FY24		YoY
	Sales (Rs in m)	% of sales	Sales (Rs in m)	% of sales	
North	7,945.0	36.5%	8,436.9	36.9%	-2.7%
Central	6,474.8	29.7%	6,258.8	27.4%	11.3%
South	2,058.1	9.5%	1,805.1	7.9%	38.5%
Food Services	2,930.9	13.5%	3,066.7	13.4%	4.7%
Key Account	1,292.1	5.9%	1,822.8	8.0%	41.4%
Modern Trade	1,024.2	4.7%	1,416.0	6.2%	6.5%
Export	52.7	0.2%	58.7	0.3%	-11.8%
<b>Total</b>	<b>21,777.8</b>		<b>22,865.0</b>		<b>5.0%</b>

**Financial risk profile depicts positive trajectory characterized by relatively stable sales, robust profit margins**

HFL's gross margin rose consecutively from FY20 to FY23. However, gross margin decreased marginally to 13.7% (FY23: 15.4%) in FY24 primarily due to an increase in packaging costs, salaries and wages, and depreciation expense.

Operating expenses rose to PKR 1.8b (FY23: PKR 1.6b) in FY24 on account higher selling and marketing costs. Other income increased to PKR 317.0m (FY24: PKR 277.1m) in FY24 driven by increased income from mutual funds due to high interest rates. Financial charges decreased significantly to PKR 101.9m (FY23: PKR 300.4m) due to reduced borrowings in FY24.

HFL reported losses from FY19 to FY21, checking its loss-making trend in FY22. However, net profit decreased slightly to PKR 968.0m in FY24 compared to PKR 1.1b in FY23 (FY22: PKR 34.1m). Despite slight reduction in net profit, the net margin remained sound at 4.7% (FY23: 5.4%), above the industry average.

**Debt coverages and liquidity metrics improved on a timeline basis**

In FY24, while FFO (funds from operations) decreased to PKR 1.0b (FY23: PKR 1.5b) due to lower profits, however DSCR (debt servicing coverage ratio) increased to 12.19x (FY23: 4.69x) due to reduced finance costs and no principal repayments on long-term loans. Current ratio increased to 1.84x (end-FY23: 1.57x) at end-FY24 mainly due to reduction in short-term debt. Moreover, cash conversion cycle was significantly reduced to 1 day in FY24 (FY23: 20), primarily driven by an increase in days payable. The Company carried short-term investments of PKR 1.2b (FY23: PKR 932.1m) at end-FY24, mitigating liquidity risk to some extent. Overall financial risk profile will remain robust in terms of liquidity and coverages.

**HFL's debt-free balance sheet signifies low financial risk**

Total equity was intact at PKR 4.5b (end-FY23: 4.5b) at end-FY24, given that contribution of the retained earnings was offset by virtually equal dividend payout. HFL funded working capital requirements through its internal fund generation, maintaining a debt-free balance sheet in FY24. Moreover, debt leverage declined (end-FY24: 0.87x, end-FY23: 1.23x) in tandem with growing equity base. HFL's capitalization indicators demonstrate positive trajectory compared to industry peers, which is favorable in the context of ratings. The Company is expecting to maintain debt free balance-sheet during the rating horizon.

**Haleeb Foods Limited (HFL)**
**Annexure I**

<b>FINANCIAL SUMMARY</b>				
<i>(amounts in PKR millions)</i>				
<b><u>BALANCE SHEET</u></b>	<b><u>FY21</u></b>	<b><u>FY22</u></b>	<b><u>FY23</u></b>	<b><u>FY24</u></b>
Operating Fixed Assets	3,280.5	3,141.9	3,861.3	3,539.8
Stock-In-Trade	1,378.6	1,786.9	3,501.7	1,502.2
Trade Debts	107.3	125.4	184.8	271.3
Tax Refunds Due from Government	980.7	1,285.3	2,132.4	2,390.8
Short Term Investments	927.7	929.6	932.1	1,169.8
Cash & Bank Balances	113.4	88.4	82.1	85.2
<b>Total Assets</b>	<b>7,266.3</b>	<b>7,866.0</b>	<b>11,279.6</b>	<b>9,720.5</b>
Trade and Other Payables	1,308.1	1,434.4	2,277.7	3,037.4
Short Term Debt	1,228.8	1,556.9	2,004.1	0.0
Long Term Debt	192.6	64.2	0.0	0.0
<b>Total Debt</b>	<b>1,421.4</b>	<b>1,621.1</b>	<b>2,004.1</b>	<b>0.0</b>
<b>Total Liabilities</b>	<b>3,266.6</b>	<b>3,765.0</b>	<b>5,492.5</b>	<b>3,952.0</b>
Paid-Up Capital	278.6	278.6	278.6	278.6
<b>Equity</b>	<b>3,220.6</b>	<b>3,324.5</b>	<b>4,457.5</b>	<b>4,521.4</b>
<b><u>INCOME STATEMENT</u></b>	<b><u>FY21</u></b>	<b><u>FY22</u></b>	<b><u>FY23</u></b>	<b><u>FY24</u></b>
Net Sales	10,167.4	12,426.0	20,055.8	20,397.4
Gross Profit	739.3	1,496.8	3,007.4	2,794.0
Finance Cost	82.7	124.6	300.4	101.9
Profit Before Tax	-254.1	291.5	1,332.3	1,224.8
<b>Profit After Tax</b>	<b>-371.1</b>	<b>34.1</b>	<b>1,081.3</b>	<b>968.0</b>
<b><u>RATIO ANALYSIS</u></b>	<b><u>FY21</u></b>	<b><u>FY22</u></b>	<b><u>FY23</u></b>	<b><u>FY24</u></b>
Gross Margin	7.3%	12.0%	15.0%	13.7%
Net Margin	-3.7%	0.3%	5.4%	4.7%
Net Working Capital	917.0	1,320.8	2,703.0	2,825.0
Current Ratio (x)	1.30	1.39	1.57	1.84
Short Term Debt Coverage (x)	1.21	1.23	1.84	-
Cash Conversion Cycle (days) *	(0)	10	20	1
FFO	(64.3)	622.3	1,450.2	1,031.9
FFO to Total Debt (x) *	(0.05)	0.38	0.72	-
FFO to Long Term Debt (x) *	(0.33)	9.69	-	-
Debt Servicing Coverage Ratio (x)*	0.43	2.76	4.69	12.19
ROAA*	-5.2%	0.5%	11.3%	9.2%
ROAE*	-11.0%	1.0%	27.8%	21.6%
Gearing (x)	0.44	0.49	0.45	-
Leverage (x)	1.01	1.13	1.23	0.87

\*Annualized

P: Management projections

REGULATORY DISCLOSURES					Appendix II
<b>Name of Rated Entity</b>	Haleeb Foods Limited (HFL)				
<b>Sector</b>	Consumer Goods				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Entity Ratings				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook/Watch</b>	<b>Rating Action</b>
	<b>RATING TYPE: ENTITY</b>				
	4/17/2025	A	A1	Stable	Upgrade
	1/23/2024	A-	A1	Stable	Upgrade
	9/23/2022	A-	A2	Stable	Maintained
	7/29/2021	A-	A2	Negative	Reaffirmed
	6/24/2020	A-	A2	Negative	Downgrade
	1/11/2018	A	A2	Stable	Reaffirmed
	10/31/2017	A	A2	Stable	Initial
<b>Instrument Structure</b>	n/a				
<b>Statement by the Rating Team</b>	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.				
<b>Probability of Default</b>	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.				
<b>Disclaimer</b>	Information herein was obtained from sources believed to be accurate and reliable; however, VIS Credit Ratings Company Limited (VIS) does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. VIS, the analysts involved in the ratings process and members of its ratings committee do not have any conflict of interest relating to the ratings(s)/ranking(s) mentioned in this report. VIS is paid a fee for most ratings assignments. This ratings/ranking is an opinion and is not a recommendation to buy or sell any securities. Copyright 2025 VIS Credit Ratings Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.				
<b>Due Diligence Meetings Conducted</b>	<b>Name</b>	<b>Designation</b>	<b>Date</b>		
	Ahmed Umair	CFO	1. 11th December 2024		
	Habib Ullah Dilshad	Manager Finance	2. 7th January 2025		