

HALEEB FOODS LIMITED

Analyst:

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RATING DETAILS

Ratings Category	Latest Rating		Previous Rating	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
Entity	A	A1	A	A1
Rating Outlook/ Watch	Stable		Stable	
Rating Action	Reaffirmed		Upgrade	
Rating Date	June 3, 2026		April 17, 2025	

Shareholding (5% or More)

Mega Foods (Pvt) Ltd - 56.0%	Incorporated in 1984
Ilyas M. Chaudhary - 27.61%	Public Limited Company (Unlisted)
Nasreen Ilyas - 5.92%	Chief Executive: M. Habibullah Khan
	External Auditor: KPMG Taseer Hadi

Other Information

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

Haleeb Foods Limited ('HFL' or 'the Company') is an unlisted public limited company established in 1984. The Company operates as a subsidiary of Mega Foods (Pvt) Limited. Sound profile of the parent company provides comfort to the assigned ratings. HFL offers a diverse product portfolio, including packaged milk, tea whitener, fruit juices, a variety of fat-based products, and other related dairy items. Registered office of the Company is located in Lahore, while production facilities are situated at Phool Nagar (Bhai Pheru) and Rahim Yar Khan.

The reaffirmation of ratings reflects the Company's ability to navigate a competitive landscape, marked by pressure from larger formal players, structural challenges from the informal sector, elevated taxation on dairy and juice products, and persistent inflationary headwinds. While these factors, collectively, led to a decline in net sales in FY25, the Company's profitability remained resilient, supported by a strategic shift toward higher-margin tea whiteners and fat-based products. Management remains focused on enhancing geographic presence and diversifying the product portfolio. The ratings also take into account the Company's limited reliance on external borrowings, resulting in negligible gearing, and a comfortable liquidity position. However, dividend payouts have held equity growth in FY25. Going forward, a sustained buildup in the equity base, alongside the materialization of projected improvements in revenue and profitability, will be important for the maintenance of the assigned ratings.

Company Profile

Haleeb Foods Limited ('HFL' or 'the Company') established in 1984, is engaged in manufacturing of dairy products. 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.

Group Profile

Mega Conglomerate (Private) Limited holds a diversified portfolio spanning energy, real estate, dairy, and automotive sectors. Its strategic investments include a significant 19.48% stake in The Hub Power Company Limited (HUBCO), as well as interests in Haleeb Foods (via Mega Foods) and a 50% joint venture with BYD through Mega Motor Company to produce electric vehicles. The group is led by Founder and Chairman Mr. M. Habibullah Khan, supported by Executive Director Mr. Aly Khan and Group CFO Mr. Muhammad Aftab Alam. PACRA maintained the group's long-term credit rating at AA- and short-term rating at A1, in December 2025.

Management and Governance

The CEO, Habib Ullah Khan, is also the founder and Chairman of Mega Conglomerate. The board of directors comprises ten members, elected on January 17, 2025, and there was no change till reporting date. Senior management comprises of individuals with experience across various industries. Financial statements of FY25 were audited by KPMG Taseer Hadi; the external auditor appears in category 'A' of SBP's auditors list.

Industry Profile & Business Risk

Pakistan ranks among the world's top five milk producers, with output exceeding 70 million tons in FY25, supported by a vast base of smallholder farmers and strong domestic demand. However, formal processing remains limited, with only 3-5% of the market captured by packaged milk, while the informal (loose) sector dominates, particularly in rural and peri-urban areas due to lower prices, entrenched distribution, and cultural preferences. This widespread informality restricts the penetration of packaged milk despite its advantages in quality, hygiene, and food safety.

The packaged segment, primarily UHT and pasteurized milk, remains largely urban-centric and faces affordability challenges. Key players such as FrieslandCampina Engro (Olper's) and Nestlé Pakistan (MilkPak) lead the market, benefiting from strong brand equity and scale. Other processors, including Fauji Foods (Nurpur), Haleeb Foods, and Dairyland (Dayfresh), are expanding into value-added categories like flavored milk, cultured dairy, cheese, and butter to diversify revenue streams. Retail prices of packaged milk have risen significantly from around Rs. 280 to approximately Rs. 350 per liter, following the imposition of an 18% GST in FY25, which has dampened consumption. Moreover, 20% FED on juices and beverages has also impacted the demand and profitability. At the same time, rising feed, energy, and logistics costs have pressured margins and reduced formal milk procurement by about 20%, according to industry sources. This decline has led to the closure of nearly 500 milk collection centers and pushed some farmers back toward informal channels. In a move to bolster the dairy sector, the government and the Pakistan Dairy Association (PDA) have discussed a formal proposal for a GST reduction to 10% and strict measures to on loose milk have drawn some support from Punjab Food Authority (PFA).

Quality concerns remain prominent in the loose milk segment, with widespread adulteration and weak hygiene compliance posing health risks. While regulatory efforts to improve food safety and formalization are increasing, implementation remains gradual. Industry stakeholders continue to advocate for reductions in taxes and duties to improve affordability, stimulate demand, and encourage investment in processing and cold-chain infrastructure.

The sector's risk profile is buoyed by rising urban demand for quality dairy products, while the expansion of high-margin value-added segments and digital distribution channels provides a strong buffer against policy pressures, cost inflation, and competition from the informal market.

Operational Update

Pressure on demand has led to lower capacity utilization. Rahim Yar Khan facility was partially utilized for toll manufacturing of non-liquid products by a third-party. The increase in actual production of non-liquid products by 21.5% reflects the Company's gradually shifting focus towards tea whiteners and UHT cream. Given the competition from formal sector and informal segment, the management continued to optimize production levels of liquid products. The production of liquid products reduced by 16% in FY25. The table below shows the operating metrics of the Company:

	FY23			FY24			FY25		
	Capacity	Production	Utilization	Capacity	Production	Utilization	Capacity	Production	Utilization
Bhai Peru									
Liquid (Ltrs)	191,815	119,496	62%	191,815	94,485	49%	191,815	79,250	41%
Non Liquid (Kgs)	6,000	1,198	20%	6,000	738	12%	12,000	897	7%
Rahim Yar Khan									
Non liquid (Kgs)	6,000	2,342	39%	6,000	0	0%	6,000	-	0%

To counter strong competition from formal and informal market players, HFL continues to scale its outreach. The Company's retail network grew to 58,265 by Dec'25 (Jun'25: 44,188, Jun'24: 42,115, Jun'23: 40,489).

Sales & Profitability

In FY25, gross sales remained largely stable at Rs. 22.4b (FY24: Rs. 22.9b). However, net sales decreased to Rs. 16.98b (FY24: Rs. 20.40b) due to the impact of GST, and higher dealer incentives and discounts offered due to competitive pressures. The topline recorded an uptick of 8.8% in 1HFY26 compared to the same period last year.

Tea whiteners remained the dominant revenue contributor at 43%, followed by milk at 35% and fat-based products at 15%, while juices and milk powder accounted for modest shares of 5% and 2%, respectively for the period covering FY23-1HFY26. Sales mix in terms of geographic categories indicates that North remains the primary market at 35%, followed by the Central region at 27% and South at 7%, while food services (11%), key accounts (9%), and modern trade (7%), reflect a modestly diversified base.

Despite decrease in net sales, gross margins (FY25: 13.3%, FY24: 13.7%) and net margins (FY25: 4.9%, FY24: 4.8%) remained largely consistent. Focus on higher-margin, fat-based products such as cream and tea whiteners, contributed to an uptick in gross margins to 13.6% (1HFY25: 11.1%) in 1HFY26. This translated to a 5.9% net margin compared to 3.4% recorded in the SPLY.

The management is aiming to enhance the Company's position in North and South regions while also exploring opportunities to expand penetration in food services through addition of new products and increase exports in the Middle East, in the long-term. However, sales are expected to remain under pressure amidst persistent inflation, domestic competition and the elevated taxes, profitability is expected to enhance on the back of expansion of higher-margin tea whiteners and UHT cream sales.

Financial Risk

Capital Structure

Dividend payout exceeded net profit in FY25, resulting in a decrease in core equity to Rs. 3.91b (end-FY24: Rs. 4.52b) by end-FY25. Tier-1 equity increased to Rs. 4.18b at end-1HFY26 given full profit retention. Consistent equity base growth remains important for the ratings.

HFL continues to operate with minimal reliance on external debt, limited to lease obligations in FY25 and one-time short-term borrowings in 1HFY26. A significant buffer of mutual funds and cash balances ensured that gearing on net debt basis was negligible. Leverage consistently remains below 1.0x.

Debt Coverage & Liquidity

FFO (funds from operations) decreased to Rs. 622m in FY25 (FY24: Rs. 1,032m), primarily due to higher income tax payment. FFO increased Rs. 612m (1HFY25: Rs. 285m) in 1HFY26, owing to higher margins. Given the absence of meaningful external debt and negligible finance costs, debt coverage ratios remain largely insignificant.

The current ratio stood at 1.77x at end-1HFY26 (end-FY25: 1.73x; end-FY24: 1.84x). The cash conversion cycle shortened in FY25, supported by improved inventory turnover, and remained steady in 1HFY26. The aging profile of trade receivables also stayed manageable, with 79.9% (FY25: 90.6%; FY24: 84.5%) falling within 30 days as of 1HFY26.

FINANCIAL SUMMARY

Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	1HFY26M
Property, plant and equipment	3,854	3,536	3,352	3,210
Right-of-use Assets	0	0	102	89
Stock-in-trade	3,502	1,502	1,236	1,172
Trade debts	185	271	341	411
Short-term Investments	0	0	1,703	2,978
Cash & Bank Balances	82	85	199	3
Other Assets	3,655	4,324	1,680	1,411
Total Assets	11,280	9,720	8,613	9,274
Creditors	1,276	1,365	995	1,106
Long-term Debt (incl. current portion)	0	0	118	112
Short-Term Borrowings	2,004	0	0	107
Total Debt	2,004	0	118	220
Other Liabilities	2,213	2,587	2,423	2,633
Total Liabilities	5,493	3,952	3,536	3,958
Paid up Capital	279	279	279	279
Revenue Reserve	3,700	3,764	3,156	3,428
Other Equity (excl. Revaluation Surplus)	479	479	479	479
Equity (excl. Revaluation Surplus)	4,457	4,521	3,913	4,185
Income Statement (PKR Millions)	FY23A	FY24A	FY25A	1HFY26M
Net Sales	20,056	20,397	16,979	9,129
Gross Profit	3,007	2,794	2,263	1,240
Operating Profit	1,633	1,327	1,171	686
Finance Costs	300	102	18	12
Profit Before Tax	1,332	1,225	1,153	674
Profit After Tax	1,081	968	830	542
Ratio Analysis	FY23A	FY24A	FY25A	1HFY26M
Gross Margin	15.00%	13.70%	13.33%	13.59%
Operating Margin	8.14%	6.50%	6.90%	7.51%
Net Margin	5.39%	4.75%	4.89%	5.93%
Funds from Operation (FFO) (PKR Millions)	1,450	1,032	622	613
FFO to Total Debt*	72%	-	527%	558%
FFO to Long Term Debt*	-	-	527%	1089%
Gearing (x)	0.45	-	0.03	0.05
Leverage (x)	1.23	0.87	0.90	0.95
Debt Servicing Coverage Ratio* (x)	5.68	12.19	11.58	23.85
Current Ratio (x)	1.57	1.84	1.73	1.77
(Stock in trade + trade debts) / STD (x)	1.95	-	-	16.85
Return on Average Assets*	11.30%	9.22%	9.05%	12.11%
Return on Average Equity*	27.80%	21.60%	19.70%	26.80%
Cash Conversion Cycle (days)*	20	1	-31	-32

*Annualized, if required

A - Actual Accounts

M - Management Accounts

REGULATORY DISCLOSURES						Appendix I
Name of Rated Entity	Haleeb Foods Limited					
Sector	Dairy					
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					
	03-Jun-2026	A	A1	Stable	Reaffirmed	
	17-Apr-2025	A	A1	Stable	Upgrade	
	23-Jan-2024	A-	A1	Stable	Upgrade	
	23-Sep-2022	A-	A2	Stable	Maintained	
	29-Jul-2021	A-	A2	Negative	Reaffirmed	
	24-Jun-2020	A-	A2	Negative	Downgrade	
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 Meeting Conducted	Name		Designation		Date	
	Ahmed Umair		CFO		21-April-2026	
	Habib Ullah Dilshad		Manager Finance			