

Analyst:

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ASPIN PHARMA (PRIVATE) LIMITED

Chief Executive: Tariq Moinuddin Khan

RATING DETAILS

RATINGS CATEGORY	LATEST RATING	PREVIOUS RATING
	Short-term	Short-term
STS-2	A1	A1 (plim)
RATING ACTION	Final	Preliminary
RATING DATE	August 06, 2025	June 23, 2025

**APPLICABLE
METHODOLOGY(IES):****Corporate Rating**

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

Instrument Rating

(<https://docs.vis.com.pk/Methologies-2025/IRM-Apr-25.pdf>)

Rating Scale:

(<https://docs.vis.com.pk/docs/VISRatingScales.pdf>)

RATING RATIONALE

The rating incorporates the Company's exposure to the pharmaceutical sector, which carries a business risk profile categorized as Low to Medium, supported by stable demand fundamentals and tempered by regulatory and input cost pressures. The Company's financial profile is characterized by relatively stable profitability, supported by demand inelasticity and product pricing dynamics. Although recent liquidity pressures have emerged due to internally financed capital expenditure, management's plan to secure long-term funding is expected to address the current asset-liability mismatch. Debt coverage metrics remain adequate, underpinning the assigned instrument rating. The Company may rollover/refinance STS-2 by way of new issue earlier than the maturity of STS-2, if needed.

COMPANY PROFILE

Aspin Pharma (Private) Limited ('APPL' or 'the Company') was incorporated as a private limited company on 14 December 2013. The registered office of the Company is situated at Plot No.10 & 25, Sec-20, Korangi Industrial Area, Karachi. The Company is a wholly owned subsidiary of Aitkenstuart Pakistan (Private) Limited (parent company). Principal activities of the Company include import, marketing, export, distribution, wholesale and manufacturing of all kinds of pharmaceuticals.

The Company operates across a diverse range of therapeutic areas, including Gastroprokinetics, Anthelmintics, Antifungals, and Motility Inhibitors. Its leading products, in terms of revenue, include Motilium, Imodium, Daktarin, Vermox, U-Progest, Sibelium, Stugeron, and Sporonox.

The Company has made a strategic investment in developing a new Hormonal Plant. This facility will be equipped with state-of-the-art technology to enhance production capabilities while ensuring compliance with regulatory standards. In parallel, the Company has implemented the SAP S/4HANA ERP system to streamline its business processes. This system features modules such as Financial Accounting and Controlling (FICO), Sales and Distribution (SD), Materials Management (MM), and Production Planning (PP).

STRUCTURE OF SHORT TERM SUKUK (STS) – 2:

The Company has issued a privately placed, unlisted, and unsecured Short-Term Sukuk (STS) based on Musharakah (Shirkat-ul-Aqd), with a total issue size of Rs. 2,250 million. The purpose of the Sukuk is to support the working capital needs of the Company.

- The instrument has a tenor of six (06) months, starting from the disbursement.
- Profit rate on the instrument is 6 Month KIBOR+1.00%.
- Profit will be payable at the time of the maturity of the Sukuk along with the principal payment.
- The Issue Agent for this issue is The Bank of Punjab ("BOP").

INDUSTRY PROFILE & BUSINESS RISK

The business risk profile of Pakistan's pharmaceutical sector is assessed as Low to Medium. This assessment is underpinned by stable demand fundamentals, driven by the essential nature of pharmaceutical products, which tend to exhibit limited sensitivity to macroeconomic volatility. However, the risk profile is moderated by regulatory and cost-related challenges. Regulatory constraints on the development of new manufacturing facilities and the introduction of new drugs, alongside a high dependence on imported raw materials, contribute to operational risk.

Demand-side risk remains low due to the sector's non-cyclical nature. Medicine consumption is driven by population growth, chronic disease prevalence, and rising

health awareness. Even amid economic headwinds, demand has remained resilient, as evidenced by a 22% increase in industry sales in CY24, despite price revisions and the constrained economic environment. The sector's inelastic demand characteristics provide insulation from broader economic cycles.

The industry comprises over 600 licensed entities; however, the market remains top-heavy, with the top 50 firms capturing the majority of market value. Entry barriers for generic manufacturers are relatively low; however, established players retain advantages through brand loyalty and distribution networks. The domestic focus of the sector, with local manufacturers fulfilling the majority of demand and now exploring export avenues provides further revenue diversification options.

Regulatory oversight remains a key risk factor for the sector. Historically, the price mechanism of the Drug Regulatory Authority of Pakistan (DRAP) have constrained margin expansion; however, during periods of elevated input costs, one-off price increases were given to the sector. In February 2024, the government deregulated pricing for non-essential drugs, which contributed to a recovery in sector profitability in CY24. Additionally, the CY25-26 federal budget reduced import duties on several APIs and packaging materials. While the immediate impact may be limited, cost benefits are expected to emerge gradually.

Technology risk remains low due to the sector's focus on generic drug formulation with minimal innovation or R&D activity. Capital intensity is also moderate, with production facility development and quality certification generally funded through internal accruals or market instruments, including sukuk.

Energy-related risks are considered low. Although consistent power supply is operationally important, energy costs represent a minor portion of total production expenses. Most manufacturers have adequate mitigation mechanisms in place.

The sector outlook for CY25 is stable, supported by sustained domestic demand, partial deregulation of pricing, and easing cost pressures due to currency stabilization and tariff reductions on inputs. Continued implementation of pricing reforms and avoidance of regulatory reversals will be important for preserving recent gains. The business risk profile is expected to remain in the "Low to Medium" band, underpinned by durable demand and gradual policy improvements.

FINANCIAL RISK

Capital Structure

The Company in recent years has maintained a conservative capitalization profile; however, in 1QCY25, both gearing and leverage metrics increased to their highest levels since CY21. Previously, internal cash generation was sufficient to meet working capital requirements. However, with recent expansion-related outflows, a significant portion of operational cash has been redirected. As per management, current working capital needs are being met through short-term debt facilities and the issuance of short-term instruments. To create fiscal space for internal requirements as well as further CAPEX needs, the Company plans to secure long-term financing going forward.

Profitability

As a pharmaceutical company, the Company operates in a sector characterized by relatively stable demand dynamics. Profitability remains influenced by the degree of pricing control, which is higher for non-essential drugs compared to essential drugs. Revenue grew by 38.82%, which was driven by increased focus of the Company on its major brands and the nature of products provides stability of demand. However, a portion of the growth is attributed to price adjustment in non-essential drugs which were deregulated by the Government in February 2024 and implemented by the Company in July 2024.

Gross margin fluctuations are minimal and primarily due to cost factors together with shifts in the product mix. Additionally, delays in implementing price adjustments in response to cost escalations contribute to variability in margins. Despite these factors, gross margins have generally remained within a range of 51% to 56%, indicating relative consistency. This margin stability supports the assigned ratings by providing a degree of predictability to earnings.

Debt Coverage & Liquidity

The Company's coverage profile remains adequate, supported by stable revenues, high profitability margins, and a relatively low debt burden. However, liquidity has experienced a decline in recent periods and has depicted pressure during 1QCY25, primarily due to ongoing capital expenditure being met largely through internal cash resources and short term borrowings. To address the resulting current asset-liability mismatch, management is considering the acquisition of long-term debt financing, which is expected to support the restoration of the liquidity profile to levels commensurate with the assigned ratings.

Financial Summary			Appendix I
Balance Sheet (PKR Millions)	CY23A	CY24A	1QCY25M
Property, plant and equipment	1,901.21	2,380.94	2,637.95
Intangible Assets	313.14	386.01	380.51
Long-term Investments	942.15	2,279.34	2,279.34
Stock-in-trade	1,374.36	914.14	1,820.85
Trade debts	164.42	381.80	566.25
Short-term Investments	3.05	3.83	3.83
Cash & Bank Balances	127.43	47.54	0.00
Other Assets	766.69	970.06	1,125.74
Total Assets	5,592.45	7,363.66	8,814.47
Creditors	174.59	442.12	102.68
Long-term Debt (incl. current portion)	460.00	230.00	230.00
Short-Term Borrowings	652.61	382.15	2,703.91
Total Debt	1,112.61	612.15	2,933.91
Other Liabilities	881.35	1,156.63	1,317.54
Total Liabilities	2,168.55	2,210.90	4,354.13
Paid up Capital	367.86	367.86	367.86
Other Equity (excl. Revaluation Surplus)	3,056.04	4,784.88	4,092.46
Equity (excl. Revaluation Surplus)	3,423.90	5,152.74	4,460.32
Income Statement (PKR Millions)	CY23A	CY24A	1QCY25M
Net Sales	4,552.49	6,319.97	1,703.32
Gross Profit	2,564.61	3,246.91	952.10
Operating Profit	995.00	1,557.12	507.17
Finance Costs	278.44	158.28	90.57
Profit Before Tax	716.56	1,398.84	416.60
Profit After Tax	463.46	840.53	270.79
Ratio Analysis	CY23A	CY24A	1QCY25M
Gross Margin (%)	56.33%	51.38%	55.90%
Operating Margin (%)	21.86%	24.64%	29.78%
Net Margin (%)	10.18%	13.30%	15.90%
Funds from Operation (FFO) (PKR Millions)	602.52	1,296.29	416.60
FFO to Total Debt* (%)	54.15%	211.76%	56.80%
FFO to Long Term Debt* (%)	130.98%	563.60%	724.52%
Gearing (x)	0.32	0.12	0.66
Leverage (x)	0.63	0.43	0.98
Debt Servicing Coverage Ratio* (x)	1.71	3.80	2.81
Current Ratio (x)	1.34	1.15	0.83
(Stock in trade + trade debts) / STD (x)	2.49	3.71	0.95
Return on Average Assets* (%)	8.58%	12.98%	13.39%
Return on Average Equity* (%)	14.69%	19.60%	22.54%
Cash Conversion Cycle (days)	173.27	115.06	158.41

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES				Appendix II	
Name of Rated Entity	Aspin Pharma (Private) Limited				
Sector	Pharmaceutical				
Type of Relationship	Solicited				
Purpose of Rating	Instrument Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook/Rating Watch	Rating Action
	RATING TYPE: STS 2				
	06/08/2025	A1			Final
	23/06/2025	A1 (plim)			Preliminary
Instrument Structure	The instrument is a privately placed, unlisted, and unsecured Short-Term Sukuk (STS) based on Musharakah (Shirkat-ul-Aqd), with a total issue size of Rs. 2,250 million. The purpose of the Sukuk is to support the working capital of the Company. The instrument has a tenor of six (06) months, starting from the disbursement. Profit rate on the instrument is 6 Month KIBOR+1.00%. Profit will be payable at the time of the maturity of the Sukuk along with the principal payment. The Issue Agent for this issue is The Bank of Punjab (“BOP”).				
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 Meetings Conducted	Name	Designation		Date	
	N/A				