VIS
Credit Rating Company Limited

KOMPASS PAKISTAN (PVT) LIMITED

Analysts:
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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	BBB+	A2	-	-
RATING OUTLOOK/ WATCH	Stable		-	
RATING ACTION	Update		Suspended	
RATING DATE	October 01, 2025		April 07, 2025	

Shareholding (5% or More)	Other Information
Mr. Umair Jalil – 50%	Incorporated in 2007
Mr. Hasan Jalil – 50%	Private Limited Company
	Chief Executive: Mr. Umair Jalil
	External Auditor: Yousuf Adil 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 take into account Kompass Pakistan Private Limited's market position in the sustainable packaging segment, supported by a diversified customer base and long-term supply arrangements with leading FMCG players. Recent initiatives, including the acquisition of Merit Packaging Limited's flexible packaging division and investment in advanced flexo-printing technology, are expected to enhance production efficiency and strengthen the Company's product offering. Ratings are supported by a sound liquidity profile and adequate debt coverage; however, constraints due to modest profitability, limited topline growth, elevated leverage, and customer concentration persist. Amidst, sector-wide challenges, including intense competition and rising cost pressures, gradual strengthening of margins and capitalization metrics will be important for ratings.

Company Profile

Kompass Pakistan (Pvt.) Ltd. (“KPL’’ or “the Company”) is a family-owned company primarily engaged in the manufacturing of flexible packaging materials including wrappers, bags, pouches and other laminated plastic packaging products which are utilized mainly by the Fast-Moving Consumer Goods (FMCG) industry. KPL has a fully integrated packaging facility in which it extrudes polyethylene films and procures Biaxially Oriented Polypropylene Films (BOPP), biaxially oriented polyethylene terephthalate (BoPET) and Cast Polypropylene (CPP films) from the local market which are then printed and laminated in accordance with the customer needs. The Company has two types of printing- (i) Rotogravure & (ii) Flexographic, mainly specializing in both technologies. Production units of the Company are situated at Port Qasim, Karachi Pakistan.

Management and Governance

Kompass Pakistan is a family-owned private limited company, operated and managed in line with a typical family business structure. The Company is equally owned by Mr. Umair Jalil and Mr. Hasan Jalil, each holding a 50% stake. Both also serve as directors on the Board, with Mr. Umair Jalil acting as the Chief Executive Officer (CEO).

IT INFRASTRUCTURE / CERTIFICATIONS:

The company has recently upgraded its management information system and implemented SAPS S4/HANA which is a state-of-the-art system.

Business Risk

INDUSTRY

The packaging industry in Pakistan is assessed as high to medium risk, marked by strong demand drivers but significant cost-side vulnerabilities. Demand is primarily supported by the FMCG, food, beverage, and pharmaceutical sectors, which continue to grow in line with rising population, urbanization, and consumer preference for branded products. Flexible packaging, in particular, has gained traction due to cost efficiency and versatility.

On the other hand, the sector faces intense competition from numerous medium-sized players, limiting pricing flexibility. The industry remains heavily reliant on imported raw materials such as polymers and films, making it highly sensitive to exchange rate volatility, global oil prices, and import restrictions linked to LC openings. These factors exert pressure on margins and cash flows.

Overall, while the sector benefits from a resilient and expanding demand base, profitability remains constrained by external cost shocks and regulatory challenges. Companies with scale, technological edge, and diversified client bases are better positioned to withstand competitive and macroeconomic pressure.

OPERATIONAL UPDATE:

During FY24, production declined to 13,657 MT (FY23: 15,817 MT), translating into capacity utilization of ~57% (FY23: ~66%) on an installed capacity of 24,000 MT, mainly due to weaker demand amid the consumer boycott of certain FMCG products. To reinforce its operational base, the Company is adding new flexible packaging machine, while in June 2025 the shareholders approved the acquisition of the flexible packaging division of Merit Packaging Limited (MPL) for PKR 1.0 billion (USD 11.6m). The acquisition, together with investments in advanced flexo-printing technology, is expected to enhance production capacity by 25%, improve efficiency, and diversify the Company’s product portfolio.

Plant Capacity and Production (Printing)	FY24	FY23
Production Capacity (Metric Tons)	24,000	24,000
Actual Production (Metric Tons)	13,657	15,817
Capacity Utilization	57.0%	65.9%

Its customer profile includes several blue-chip clients in the food, beverage, personal care, and household segments. However, revenue concentration remains high, with the top ten customers accounting for over 70% of sales, thereby exposing the Company to clientspecific risks. The addition of new prominent FMCG clients (*Tapal*, *Nestle*, *Unilever*), alongside sustained relationships with existing ones, is expected to mitigate concentration risk over time.

ESG - Sustainability

The Company has been actively investing in sustainable technologies to align with the environmental and social objectives of its key clients, particularly multinational FMCG companies. In this regard, Kompass Pakistan has partnered with Constantia Flexibles—the world's third-largest producer of flexible packaging—to introduce high-barrier Machine Direction Oriented (MDO) PE metallized films as a local alternative to aluminum foil. Developed through technical collaboration with Constantia Flexibles, these films offer enhanced recyclability and reduced environmental impact, while catering to a wide range of applications including snacks, confectionery, dairy, beverages, cereals, hygiene, and home care products.

PROFITABILITY:

The Company's revenue trajectory has demonstrated resilience despite a challenging operating environment. In FY24, topline stood at PKR 10.67b (FY23: PKR 11.56b), reflecting the impact of softer average selling prices and lower volumetric offtake amid a difficult macroeconomic backdrop and shifting consumer trends, including the effect of regional boycott campaigns. Encouragingly, in FY25, improving macro indicators and proactive pricing strategies enabled the Company to deliver topline growth. Net sales increased by ~3% to PKR 10.95b, supported by a ~4% rise in average selling prices, which helped offset continued demand pressures from boycott campaigns. Laminated film sustained its position as the core business segment, contributing ~70% of gross sales and underscoring the Company's strong market presence in this category.

In FY24, gross margins contracted sharply to 8.27% (FY23: 16.12%), primarily due to subdued topline, elevated input costs, inflationary pressures, and higher depreciation. However, margins staged a recovery in FY25, improving to 9.49% on the back of lower polymer prices. While operating and net margins remained under pressure, the impact was partly cushioned by tax credits during the year.

The Company's topline is poised to benefit from new client acquisitions, long-term FMCG contracts, the Merit Packaging acquisition, and upcoming flexo machinery, while profitability should gain support from reduced customs duties and enhanced operational efficiency; however, sustained boycott campaigns and rising competition may temper growth and margin sustainability.

Financial Risk

CAPITAL STRUCTURE

Over the past four years, the Company's capitalization profile has strengthened, supported by scheduled repayments and profit retention, which have contributed to a gradual decline in gearing and leverage. As of Jun'25, the equity base (excluding revaluation surplus) stood at PKR 2.63b (Jun'24: PKR 2.52b), underpinned by retained earnings. Gearing and leverage ratios were reported at 0.97x and 2.57x, respectively (Jun'24: 0.79x and 2.42x; Jun'23: 1.24x and 3.07x). The increase in FY25 primarily stemmed from higher short-term borrowings to meet working capital needs, alongside existing long-term debt related to capex. Going forward, capitalization indicators are expected to rise further with the planned acquisition of Merit Packaging Limited's flexible packaging unit (PKR 1.0b, ~85% debt-funded) and the addition of new flexo-printing machinery, which will necessitate additional debt drawdowns. While gearing remains at a manageable level, elevated leverage underscores the importance of sustained equity accretion and capitalization strengthening as key rating drivers.

DEBT COVERAGE & LIQUIDITY

The Company's debt coverage indicators remain adequate, with DSCR recorded at 1.27x as at Jun'25 (Jun'24: 1.40x; Jun'23: 1.31x), reflecting stable debt servicing capacity. FFO/Total debt remained comfortable at 27%. Although short-term debt coverage moderated during FY25 amid higher working capital requirements, it remained sound at 4.20x (Jun'24: 9.74x; Jun'23: 4.74x). Liquidity is further supported by a manageable cash conversion cycle, although lengthened slightly to 92 days in FY25 (FY24: 84 days; FY23: 71 days). The slowdown in receivables mirrors prevailing macroeconomic headwinds, particularly from local clients.

Projected coverages are expected to remain adequate, underpinned by stable cash flows and prudent working capital management.

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REGULATORY DISCLOSURES	Appendix I				
Name of Rated Entity	Kompass Pakistan Private Limited				
Sector	Packaging Material				
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				
	10/01/2025	BBB+	A2	Stable	Update
	04/07/2025	-	-	-	Suspended
	01/312024	BBB+	A2	Positive	Maintained
	03/17/2023	BBB+	A2	Stable	Maintained
	06/10/2022	BBB+	A2	Positive	Reaffirmed
	05/07/2021	BBB+	A2	Positive	Maintained
	04/08/2020	BBB+	A2	Stable	Reaffirmed
	02/01/2019	BBB+	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.				
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Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Mehmood Zubair	Chief Financial Officer (CFO)	08/04/2025
Mr. Muhammad Huzaifa	Manager Reporting and Controlling	08/04/2025