VIS
Credit Rating Company Limited

RATING REPORT

KOMPASS PAKISTAN (PVT) LIMITED

Analyst:
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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	BBB+	A2	BBB+	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Update	
RATING DATE	November 02, 2026		October 01, 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/Methodologies-2026/Corporate-Rating-2026.pdf

Rating Scale

https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

The assigned ratings reflect KPL's established position in the flexible packaging segment, supported by long-standing relationships with leading FMCG players. Ratings also draw support from improved capacity utilization and profitability, alongside adequate liquidity and debt coverage. The acquisition of Merit Packaging Limited's flexible packaging division has expanded the customer base, while planned investments in printing technology are expected to support future growth. However, modest net profitability, customer concentration and elevated leverage, coupled with further debt-funded capital expenditure, remain key constraints. Sustained margins, adequate debt coverage, and prudent capitalization will remain important for the ratings.

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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 operates a fully integrated packaging facility, where it extrudes polyethylene films and procures Biaxially Oriented Polypropylene (BOPP), Biaxially Oriented Polyethylene Terephthalate (BoPET), and Cast Polypropylene (CPP) films from the local market. These films are subsequently printed and laminated according to customer requirements. The Company utilizes two printing technologies, namely Rotogravure and Flexographic, with expertise in both. Its production facilities are located at Port Qasim, Karachi, Pakistan. During FY26, the Company has also acquired Merit Packaging Limited's flexible packaging division primarily aimed at gaining access to MPL's customer base.

Management and Governance

Kompass Pakistan is 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 serve as directors on the Board, with Mr. Umair Jalil acting as the Chief Executive Officer (CEO).

The financial accounts of the Company are audited by 'Yousuf Adil Chartered Accountants', who appear in the category A of SBP Panel of Auditors. The auditor has issued an unqualified opinion on FY25 accounts.

Business Risk

INDUSTRY UPDATE

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, adaptability and suitability for modern retail and e-commerce channels.

The industry is predominantly served by local manufacturers, namely Tri-Pack Films and IPAK that account for 70-80% of the market, with domestically produced BOPP films fulfilling the bulk of demand, while imports and grey-market supplies have receded amid tighter regulatory enforcement. Other local players include Cherat Packaging, Universal Packaging and Packages Limited which are identified as direct competitors of KPL. However, installed local saleable capacity of approximately 160,000 tons significantly exceeds estimated demand of around 78,000 tons, resulting in a supply overhang. This imbalance has increased competition, particularly among medium sized players, constraining pricing power despite steady volume growth.

At the same time, the sector remains exposed to input cost and exchange rate volatility due to its reliance on imported raw materials. Consequently, while demand fundamentals remain resilient, profitability is susceptible to external cost shocks. Industry participants with larger scale, efficient cost structures, technological strength, and diversified client bases are better positioned to withstand these pressures and sustain performance.

Operational Performance

KPL primarily manufactures laminated films, which account for over 70% of total sales. These films are widely used in flexible packaging for FMCG products, including food, household and personal care items, as well as pharmaceuticals, where product protection and shelf life are key considerations.

During FY25, demand recovered modestly following a decline in FY24 amid consumer boycotts of certain FMCG products. Accordingly, overall capacity utilization increased to 59% (FY24: 57%). However, during FY26 production levels improved further, with capacity utilization reaching 74%, supported by a recovery in demand and the addition of new customers following the acquisition of Merit Packaging Limited's (MPL) flexible packaging division.

	FY23	FY24	FY25	FY26
Capacity (Metric Tons)	24,000	24,000	24,000	24,000
Actual Production (Metric Tons)	15,817	13,657	14,268	17,683
Utilization	**66%**	**57%**	**59%**	**74%**

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During FY26, the Company acquired MPL's flexible packaging division for PKR 1.0bn, comprising debt financing of PKR 680mn and the remaining amount through internal cash. The acquisition was primarily aimed at gaining access to MPL's customer base, while most of the acquired machinery was subsequently sold at a loss.

Going forward, management plans to install additional gravure and flexo printing machines to address capacity constraints and enable the Company to compete for high-volume orders requiring higher-quality printing. Such capabilities are often a prerequisite for securing long-term contracts with multinational companies (MNCs). For this purpose, a capex of approximately PKR 1.3bn is planned, which will be primarily debt-funded.

PROFITABILITY

During FY25, the Company's topline remained largely stable at PKR 10.8bn (FY24: PKR 10.6bn), while gross margin declined to 5.2% (FY24: 8.2%) amid persistent cost pressures and limited ability to pass on cost increases in a competitive market. Despite the contraction in gross margin, operating margin remained broadly stable at 4.6% (FY24: 4.5%), supported by a 60% YoY increase in other income, primarily comprising returns on short-term investments. However, a 35% increase in finance costs, coupled with a higher effective tax rate, weighed on the bottom line, resulting in a net loss of PKR 31mn and a net margin of -0.3%.

In FY26, financial performance improved, with revenue increasing by 16.5% to PKR 12.6bn, primarily driven by both; higher prices and increased order volumes following the acquisition of MPL's flexible packaging division and its customer base. Gross margin consequently improved to 11.4%, supported by better pricing, improved operational efficiency and waste reduction. The addition of 2.6MW of solar capacity during the year also helped moderate energy costs. However, in the absence of short-term investments, other income was lower, resulting drop in operating margin to 3.5%. Nevertheless, lower finance costs amid declining interest rates and a lower effective tax rate supported the bottom line, with Company recording a marginal net profit of PKR 70mn and a net margin of 0.6%.

Going forward, management expects steady topline growth, supported by addition of customers from MPL and the planned installation of new printing machines, which will help Company secure additional orders. Gross margins are projected to remain in the range of 8–9%, supported by improved pricing and operational efficiencies. However, the planned capex and associated debt financing are expected to increase finance costs, keeping net profitability constrained in the medium term.

Financial Risk

CAPITAL STRUCTURE

During FY26, the Company availed fresh borrowings of approximately PKR 680mn to finance the acquisition of MPL's flexible packaging division. Consequently, total debt increased significantly to PKR 3.5bn (FY25: PKR 2.3bn), placing pressure on the Company's capitalization indicators. At end-FY26, gearing and leverage ratios increased to 1.25x and 2.65x (FY25: 0.83x and 2.22x), respectively, reflecting an elevated debt level amid ongoing expansion plans.

Going forward, management plans to incur further capex of approximately PKR 1.3bn for the installation of additional printing machines, to be financed through borrowings of around PKR 1.2bn. The planned debt-funded expansion is expected to keep capitalization indicators elevated in the medium term.

DEBT COVERAGE & LIQUIDITY

KPL's liquidity profile is considered adequate, supported by an average current ratio of 1.4x. However, the cash conversion cycle has lengthened in recent years, increasing to 103 days in FY26 (FY25: 92 days), primarily due to slower receivable collections and extended credit terms offered to key customers, including Unilever and Young's.

Debt coverages have remained strong, with the DSCR improving to 1.88x in FY26 (FY25: 1.15x), supported by improved profitability and funds from operations (FFO). Short-term debt coverage also remained strong at 4.14x at end-FY26.

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REGULATORY DISCLOSURES						Appendix II
Name of Rated Entity	Kompass Pakistan (Pvt) Limited					
Sector	Packaging Material					
Type of Relationship	Solicited					
Purpose of Rating	Entity Ratings					
Rating History	Rating Date	Medium to Long Term	Short Term	Outlook / Rating Watch	Rating Action	
	RATING TYPE: ENTITY					
	11/02/2026	BBB+	A2	Stable	Reaffirmed	
	10/01/2025	BBB+	A2	Stable	Update	
	04/07/2025	-	-	-	Suspended	
	01/31/2024	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	
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	S.No.	Name	Designation	Date		
	1.	Mr. Muhammad Huzaifa	Financial Controller	07-October-26		

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