VIS
Credit Rating Company Limited

SAAKH PHARMA (PRIVATE) LIMITED

Analyst:
Musaddeq Ahmed Khan
(musaddeq@vis.com.pk)

RATING DETAILS		
RATINGS CATEGORY	Initial Rating	
	Long-term	Short-term
ENTITY	A-	A2
RATING OUTLOOK/ WATCH	Stable	
RATING ACTION	Initial	
RATING DATE	August 29, 2025	

Shareholding (5% or More)	Other Information
Syeda Sardar Bano – 99.9%	Incorporated in 2014
	Private Limited Company
	Chief Executive: Syed Mustafa Hussain Kazmi
	External Auditor: Baker Tilly Mehmood Idrees Qamar 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 reflect the significant capitalization of the Company by the sponsors, aimed at mitigating liquidity risks in an industry where prevailing prices are determined by market forces and raw material prices fluctuate heavily due to import dependency. Being a volume driven industry, it also requires heavy investment in working capital. The sponsors have injected PKR 410 mn in FY25 and a further PKR 450 mn in August 2025 and has enabled the Company to rationalize its borrowings and maintain adequate working capital to support volume generation. The production team has also enhanced productivity by addressing bottlenecks, leveraging their learning curve to achieve sustained margin improvements driven by increased volumes.

With improved capitalization and liquidity, higher margins, and greater capacity utilization contributing to a stronger bottom line, the Company is expected to gain enhanced access to working capital lines, enabling continued growth. The recent downward trend in interest rates has further strengthened the Company's financial position.

Company Profile

Saakh Pharma (Private) Limited ('SAAKH' or the 'Company') was incorporated on June 9, 2014 in Pakistan under the Companies Ordinance, 1984 (repealed by Companies Act, 2017). The Company's registered office is situated in Karachi and the manufacturing facility of the Company is located in North West Industrial Zone, Port Qasim, Karachi. The Company is engaged in manufacturing and sale of Active Pharmaceutical Ingredients (APIs).

The Company operates across three segments: Antibiotics APIs, General APIs, and Pelletization & Taste Masking. The Antibiotics segment comprises two subclasses—Penicillin and Cephalosporins. Within the General segment, the product portfolio includes APIs for Paracetamol, Ciprofloxacin, and Sitagliptin. The Pelletization & Taste Masking segment covers products such as Esomeprazole, Omeprazole, Lansoprazole, Itraconazole, and Diclofenac Sodium.

Sponsor Profile

The Company is a family-owned and controlled entity, with 100% of its shares held by Ms. Syeda Sardar Bano. Operations are managed by her two sons, Syed Mujtaba Hussain Kazmi and Syed Mustafa Hussain Kazmi, both of whom are actively involved in the day-to-day operations.

Syed Mujtaba Hussain Kazmi is currently managing strategic functions across various businesses under the Saakh Group of Companies, including pharmaceuticals, real estate, logistics, and indenting services. His responsibilities involve growth planning, partnership management, and alignment of business operations with financial structures. Previously, he served as Head of Business Finance at BankIslami Pakistan Limited (2007–2018), where he oversaw corporate lending, investment banking, and deposit mobilization. From 2000 to 2007, he held a similar leadership role at ORIX Investment Bank Pakistan Limited, focusing on investment banking.

Mr. Syed Mustafa Hussain Kazmi is serving as the CEO. He is a pharmaceutical industry professional with over 16 years of managerial experience in sterile manufacturing, production operations, and quality management. His prior experience includes roles in both local and international firms, where he was responsible for production planning, regulatory compliance, process validation, and cross-functional coordination. He has held senior positions at firms such as PharmEvo, ZAFA Pharmaceuticals, ATCO Laboratories, and Himont Pharmaceuticals. Mr. Kazmi holds a Master's degree in International Marketing Strategy from the University of Northampton and a Bachelor's in Health & Science (Pharmacology) from Karachi University.

GROUP COMPANIES

CKD Pharmaceuticals Pakistan (Private) Limited

CKD Pharmaceuticals was originally established in 1983 by the renowned South Korean Company Chong Kun Dang (CKD). In 2017, CKD Pharmaceuticals became a part of Saakh Group Pvt. Ltd. The company is engaged in the manufacturing of finished pharmaceutical formulations, including oral and injectable medicines. SAAKH owns 56.28% shares of CKD Pharmaceuticals, while the remaining shares are owned by Mr. Mustafa Hussain Kazmi.

Focus & Rulz Healthcare (Private) Limited

Established in 2004, Focus & Rulz is engaged in the manufacturing and export of nutraceutical products. SAAKH owns a 50.0% ownership stake in the company.

The position of the group companies in terms of total assets, equity, revenue, and net profit as of Jun'24 is presented below:

As of Jun'24 (PKR Million)	Total assets	Total Equity	Total revenues	Net profit
CKD	675	475	131	(38)
Focus	269	(174)	389	(37)

Management and Governance

Composition of Board of Directors

SAAKH's Board of Directors (BoD) comprises seven (07) members, including one independent director and three (03) executive directors.

Name	Designation
Mr. Muhammad Naimuddin Farooqui	Chairperson / Independent Director
Mrs. Bushra Ali	Non-Executive Director
Mrs. Ambreen Zehra	Non-Executive Director
Ms. Syeda Sardar Bano	Non-Executive Director
Mr. Syed Mujtaba Hussain Kazmi	Executive Director
Mr. Syed Sohail Raza Zaidi	CFO and Company Secretary
Mr. Syed Mustafa Hussain Kazmi	CEO

Mr. Naim Farooqui is a seasoned banking and finance professional with 40+ years of experience, including senior roles at AFIC (an ADB affiliate in Philippines) and as President & CEO of Sindh Bank. He holds a BS in Industrial Engineering (University of Houston) and an MBA (Texas Southern University), and has been on the Board since 2022.

Mr. Sohail Raza serves as the Executive Director and CFO. He is a Fellow Chartered Accountant (ICAP) and ICAEW member, with 20+ years of experience. As Director & CFO of Saakh Pharma, he has played a key role in building and managing operations from inception, with expertise in finance, project management, and governance.

Corporate governance standards advocate for separation of Board and management functions to protect investor interests and support long-term business success by establishing a framework for effective management and oversight. Establishment of an independent board and segregation of the oversight and management functions will be important as the Company moves towards its goals for a future public listing.

Business Risk

INDUSTRY UPDATE

The API segment remains a structurally constrained yet essential component of Pakistan's pharmaceutical sector. As of FY24, the pharmaceutical market was valued at approximately USD 3.2 billion, contributing around 1.0% to the national GDP. The industry comprises over 650 pharmaceutical companies, with local firms accounting for 74% of the market and multinationals holding the remaining 26%. However, domestic API manufacturing continues to represent a small fraction of national demand.

Pakistan currently relies on imports for approximately 85–90% of its API requirements, sourced predominantly from China and India. In FY24 and FY25, this dependence continued to expose the sector to foreign exchange pressures and supply chain disruptions.

As of early-FY25, there were 23 licensed API manufacturers in the country, though only seven are operational. These facilities collectively meet an estimated 15% of domestic demand, producing mainly intermediate APIs such as paracetamol, ibuprofen, amoxicillin, azithromycin, cefixime, ciprofloxacin, moxifloxacin, and cefadroxil. The focus remains on semi-basic manufacturing, while capabilities for basic manufacturing remain limited. The Drug Regulatory Authority of Pakistan (DRAP) has granted approvals for 39 APIs and issued semi-basic licenses for 117 molecules, though actual production remains constrained by capacity, infrastructure, and scale.

The working capital-intensive nature of API manufacturing, coupled with low margins, requires economies of scale for commercial viability. Regulatory inefficiencies, including prolonged approval timelines and limited availability of quality testing and bioequivalence laboratories, continue to hinder industry development. Furthermore, switching costs for formulation companies—once supply relationships with API producers are established—remain high, reducing opportunities for new entrants.

API prices in Pakistan are not directly regulated by DRAP and follow international market dynamics. However, the formulation segment operates under a semi-regulated pricing structure, creating indirect constraints on cost pass-through for integrated manufacturers.

During FY25, Pakistan's pharmaceutical exports reached USD 457 million, up from USD 341 million in FY24. However, APIs contributed minimally to this figure, with exports primarily comprising finished formulations to markets such as Afghanistan, the Philippines, Uzbekistan, Sri Lanka, Cambodia, and Iraq. The global API market, estimated at USD 238 billion in 2023, is projected to exceed USD 309 billion by 2028. Additionally, the expiry of several high-value API patents by 2025, valued at approximately USD 380 billion globally, presents potential opportunities for local producers—contingent on regulatory readiness and quality compliance.

DRAP's 2022 API Policy offers incentives such as reduced import duties on machinery and intermediates, export retention benefits, and support for infrastructure development, including API parks. However, implementation progress has been limited. In June 2025, the Ministry of Health directed DRAP to prepare a concept note for a naphtha cracker facility, indicating intent to support backward integration of key raw materials. Industry stakeholders have also requested revisions to tax structures and accelerated policy execution.

In the near term, domestic API production is expected to remain below 20% of total demand. Improvement in sector performance will depend on regulatory reform, infrastructure development, private sector investment, and the operationalization of policy measures aimed at import substitution and export enhancement.

OPERATIONAL UPDATE

Capacity Utilization (%)	FY22	FY23	FY24	9MFY25
Antibiotic APIs	67.2%	34.3%	56.8%	114.2%
General APIs	17.0%	35.5%	10.6%	20.1%
Pelletization	52.8%	98.1%	63.3%	73.9%

Pharma is a heavily regulated industry and production of APIs require separate sections for different groups of APIs. Over the past few years, raw material costs have been steadily increasing with inflation, amplified by PKR devaluation and freight costs.

In FY2023, capacity utilization in the antibiotics segment suffered as the cost of raw material for Amoxillin spiraled affecting demand as the customers' margins narrowed with delay in price increase by DRAP. Saakh diverted the excess working capital funds towards the other two segments to achieve volumes though at lower margins.

Demand situation and margins have gradually stabilized as DRAP allowed price increases and deregulation of prices of non-essential drugs in April 2024 leading to demand growth. Consequently, demand for antibiotic APIs, the high margin segment, has picked up. At the same time, capacity utilization of all segments has improved steadily during the past two years with improving financial position through sponsor support.

PRODUCT CONCENTRATION

The trend in product concentration reflects the above production pattern. The Company's two flagship products—Amoxicillin and Cefixime—account for a significant portion of sales at 90% in FY25.

Top Products	FY23	FY24	9MFY25
Amoxicillin	13.2%	41.3%	57.4%
Cefixime	48.6%	34.2%	32.9%
Paracetamol	17.6%	3.9%	4.3%
Cephradine	3.7%	7.7%	0.8%
Omeprazole Pellets 8.5%	1.5%	1.0%	0.7%

PLANNED CAPACITY ENHANCEMENT IN PELLETIZATION SECTION

Installed capacity for the Pelletization segment has remained constant at 72,000 KGs. In FY23, output peaked at 70,625 KGs, with a utilization rate of 98.1% due to the reallocation of working capital from the Antibiotic APIs segment to Pelletization exhibiting the demand potential.

The Company is undertaking a capacity expansion in the Pelletization segment through the development of a new export-grade facility, which will increase monthly installed capacity to 25,000 KGs. This project is part of a broader investment of over PKR 1.0 bn by SAAKH Group to establish Pakistan's largest pelletization and taste-masking production facility in Karachi. The plant is scheduled for completion by December 2026.

RAW MATERIAL SUPPLY

Raw materials used in the manufacturing of APIs—including 6-Aminopenicillanic Acid (6-APA), Cefixime Methyl Ester, PHPG Methyl Ester, 7-Aminocephalosporanic Acid (7-ACA), PAP, among others—are primarily imported from China. These APIs are subsequently combined with inactive ingredients (salts) to formulate consumable medicines. The Company relies almost entirely on imported raw materials, and this high level of import dependence renders SAAKH's profitability sensitive to fluctuations in exchange rates, freight costs and at times delay in deliveries.

There is significant client concentration, however, they are well-reputed players in the industry. It also validates the Company's positioning as a reliable and quality supplier of APIs. During 9MFY25, the top-3 clients contributed approximately 56.0% of total sales (FY24: 48.8%; FY23: 26.0%).

The Company benefits from its operational location near Port Qasim. Major formulators are based in Karachi and proximity to key customers not only minimizes transportation costs but also provides comfort to the customers in terms of timely delivery. Moreover, supplier switching in this segment is generally limited due to quality assurance requirements, contributing to customer stickiness.

The Company operates as a price taker across much of its portfolio—not only for APIs used in essential formulations, where retail prices are regulated, but also for APIs used in non-essential formulations, where pricing flexibility is limited due to the concentration of demand among large-scale formulators with high bargaining power.

PROFITABILITY

The Company recorded a five-year revenue CAGR of 18.6%, with topline increasing from PKR 2.3 bn in FY20 to PKR 5.4 bn in FY25. Revenue growth up to end-FY22 was primarily driven by heightened demand during the pandemic period, particularly for Paracetamol, which saw a surge in volumes amid successive waves of COVID-19 and recurring seasonal outbreaks such as dengue and influenza.

In FY23, the Company's three leading products—Cefixime, Paracetamol, and Amoxicillin—accounted for approximately 79.3% of total sales. Although sales volumes in the antibiotic segment declined, overall revenue rose due to price increases in key antibiotics and higher volumes of Paracetamol. Margin expansion was supported by growth in the high-margin pelletization segment.

During FY24, revenue from the antibiotic segment showed minimal growth despite increased operational utilization. This was due to a shift in product mix, with Cefixime volumes halving while Amoxicillin volumes doubled. Given that Amoxicillin is a lower-value product compared to Cefixime, the shift had a muted impact on topline. A significant decline in Paracetamol volumes further weighed on topline, driving overall revenue down by 18.9% to PKR 3.7bn (FY23: PKR 4.5bn). Although the PKR/USD exchange rate remained relatively stable during the year, the average rate was higher than in FY23, keeping input costs elevated. Consequently, gross margin fell to 12.4% (FY23: 15.1%).

The Company's profitability during FY24 was supported by an exchange gain of PKR 3.1 mn, compared to an exchange loss of PKR 32.0 mn in the previous year, along with an unrealized gain of PKR 186.3 mn on investment property (FY23: PKR 24.7 mn). However, these gains were offset by higher finance costs, stemming from increased borrowings and elevated interest rates. Consequently, the Company reported a net loss of PKR 152.0 mn in FY24, compared to a profit-after-tax (PaT) of PKR 84.9 mn in FY23.

In 9MFY25, the Company recorded a recovery, with revenue increasing to PKR 4.3 bn (9MFY24: PKR 2.9 bn; +48.3% YoY). Despite downward price adjustments in key products, growth was primarily driven by higher volumes, led by stronger sales of Antibiotic APIs, particularly Amoxicillin. Gross margin improved to 17.2% (9MFY24: 15.0%), supported by a greater focus on higher-margin APIs. Amoxicillin's gross margin rose to 37.1% (FY24: 18.3%), while Cefixime's improved to 39.1% (FY24: 32.9%), reflecting lower procurement costs due to easing international raw material prices. Moreover, finance cost reduced to PKR 338.3 mn (9MFY24: PKR 396.5 mn) due to lower interest rates. Consequently, the Company reported a profit after tax (PaT) of PKR 147.2 mn (9MFY24: net loss of PKR 118.1 mn).

As per management, full-year FY25 sales stood at PKR 5.4 bn, with a slight improvement in gross margin to 17.4%. Finance costs totaled PKR 415.1 mn, and the Company reported a net profit of PKR 200.3 mn for the year.

Going forward, growth is expected to materialize from increased capacity utilization with greater availability of working capital funds while margins are expected to remain range bound given the nature of the industry. Compared to previous years, the Company will have the advantage of lower cost of borrowing as interest rates have declined.

Financial Risk

CAPITAL STRUCTURE

SAAKH has been operating at a high degree of leverage historically. The sponsors realize the need to capitalize the Company in order to improve access to working capital for growth, rationalization of financial charges and greater financial flexibility in an industry where API manufacturers do not have leverage to pass on rising costs on a timely basis. Equity injections have totaled over PKR 1.0 bn since FY22, including PKR 179.0 mn in FY22, PKR 401.2 mn in FY24, and PKR 485.2 mn during 9MFY25. In addition, an interest-free sponsor loan of PKR 103.9 mn was extended to support liquidity.

Gearing and leverage ratios peaked at 3.4x and 5.4x, respectively, in FY23. This deterioration was driven primarily as requirement for working capital increased with short-term borrowings doubling to PKR 1,835.6 mn in FY23 from previous year to finance rising raw material costs amid industry-wide supply chain disruptions, extended LC settlement cycles, elevated interest rates, and FX volatility.

In FY24, the Company obtained a long-term loan of PKR 650.0 mn, of which PKR 250.0 mn was used to finance the acquisition of a 50% stake in CKD, while PKR 400.0 mn was utilized towards repayment of short-term borrowings. The facility was subsequently repaid over the following months, partly through profit generated during 9MFY25 and partly from an advance against equity amounting to PKR 0.5 bn by Mar'25. As a result, total debt declined to PKR 2.4 bn at Mar'25 (Jun'24: PKR 2.6 bn). However, the capital structure remains skewed towards short-term borrowings, which accounted for approximately 72% of total debt end of Mar'25. Improved capitalization and debt reduction have resulted in substantially reduced gearing and leverage ratios at 1.33x and 1.93x, respectively, as at the end of Mar'25.

Going forward, management aims to maintain a conservative capital structure, supported by a further equity injection of PKR 450 mn in August 2025. According to the management, future expansion plans will also be supported by additional equity.

DEBT COVERAGE & LIQUIDITY

The Company's financials have remained under stress in the past five years due to low volumes, margins, and constraints of access to working capital funds. The recent equity injections by the sponsors and improved productivity have significantly improved the financial health of the Company on back of improved liquidity and capacity utilization. Consequently, cashflow coverages have improved in FY25 and are expected to be sustainable given the measures taken by the management. The Debt Servicing Coverage Ratio (DSCR) improved to 1.00x in 9MFY25. While this indicates the Company's capacity to meet debt obligations through internal cash flows, the coverage remains modest and sensitive to earnings volatility. The current ratio also improved to 1.30x as of Mar'25. The decline in cash and bank balances to PKR 20.6 mn (FY24: PKR 130.9 mn) was primarily due to repayment of long-term facility.

Receivables increased to PKR 984.1 mn as of Mar'25 (FY24: PKR 795.3 mn), broadly aligned with revenue growth and recovery against receivables also improved. The sponsors commitment to operate at a low leverage and support the expansion plans of the Company with a combination of debt and equity is a source of comfort.

<table>
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<tr><td>Type of Relationship</td><td>Solicited</td></tr>
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<tr><td>29/08 /2025</td><td>A-</td><td>A2</td><td>Stable</td><td>Initial</td></tr>
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</td></tr>
<tr><td>Instrument Structure</td><td>N/A</td></tr>
<tr><td>Statement by the Rating Team</td><td>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.</td></tr>
<tr><td>Probability of Default</td><td>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.</td></tr>
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<tr><td>Due Diligence Meetings Conducted</td><td>
<table>
<tr><th>Name</th><th>Designation</th><th>Date</th></tr>
<tr><td>Mr. Sohail Raza</td><td>Chief Financial Officer (CFO)</td><td rowspan="2">01st August 2025</td></tr>
<tr><td>Mr. Hasan Ali Jokhio</td><td>Financial Controller</td></tr>
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