

MULLER & PHIPPS PAKISTAN (PRIVATE) LIMITED

Chief Executive: Kamran Nishat

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		Reaffirmed	
RATING DATE	October 24, 2025		September 09, 2024	

RATING RATIONALE

Muller & Phipps Pakistan (Private) Limited (M&P or the Company) benefits from a strong and long-standing presence in Pakistan's logistics and distribution sector. The Company maintains a leading position, supported by its extensive nationwide footprint, diversified customer portfolio, and relationships with over 75 principals across pharmaceutical, healthcare, consumer goods, and telecommunication divisions. These segments are characterized by relatively stable and inelastic demand, lending resilience to the topline. The Company's ability to consistently add new principals, expand into new towns, and strengthen its logistics network reinforces its competitive standing against smaller, regionally concentrated players. Despite industry challenges, the Company is well-positioned to navigate a competitive market, optimize margins, and effectively manage cost fluctuations. The Company demonstrates resilience and consistent revenue growth, despite the cost-sensitive operating model and a requirement for significant working capital. While the working capital-intensive model necessitates strategic capital allocation, management is successfully navigating this dynamic. Sustained strengthening of capitalization and cash flow coverage, alongside maintenance of adequate liquidity, will be important rating considerations.

COMPANY PROFILE

M&P boasts a long operational history exceeding a century in the logistics and distribution sector. The Company is headquartered in Karachi. As a leading national distributor, the Company offers comprehensive logistics and distribution services across Pakistan, including cold chain warehousing, sales, marketing, and after-sales support.

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APPLICABLE METHODOLOGY(IES):

**VIS Entity Rating Criteria
Methodology – Industrial
Corporates:**

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

Rating Scale:

<https://docs.vis.com.pk/docs/ISRatingScales.pdf>

RS. million	CY22	CY23	CY24
Debt Leverage (x)	2.98	4.25	3.47
Gearing (x)	1.67	2.51	1.92
FFO/Total Debt (x)*	0.15	0.10	0.10
NP Margin	0.60%	0.31%	0.34%

Investments in associates and subsidiaries

Total value of investments in subsidiaries stood at Rs. 3.97b (end-CY23: Rs. 3.77b) at end-CY24. These companies include M&P Express Logistics (Private) Limited, Tech Sirat (Private) Limited and Mulphico Technologies Private Limited (formerly Veribest Brands Pakistan (Private) Limited). Long-term investments in associates, AGP Limited (13.5%) and HugoBank Limited, were valued at Rs. 6.67b (end-CY23: Rs. 2.66b) at end-CY24. The increase was largely driven by unrealized gains arising out of favourable market valuation of AGP Limited, recognized through remeasurement at FVOCI (Fair Value through Other Comprehensive Income), which are included in Tier-1 capital. The Company is also expanding into digital banking through HugoBank Limited, a consortium formed with the Getz Group, and Atlas Consolidated Pte. Ltd., a Singapore-based fintech company. In December 2023, the consortium received in-principle approval from the State Bank of Pakistan to launch HugoBank as a digital bank. By Dec'24, M&P had invested Rs. 225m in this venture, with legal and regulatory formalities currently underway.

INDUSTRY PROFILE & BUSINESS RISK

Pakistan's distribution industry forms a vital part of the country's retail and consumer ecosystem, ensuring the flow of goods from manufacturers to over two million outlets across urban and rural areas. The sector is heavily skewed toward general trade (mart and neighborhood stores), though modern retail chains and e-commerce platforms are steadily expanding their share, particularly in large cities. Distributors typically handle inventory management, warehousing, credit sales, and last-mile delivery for fast-moving consumer goods, pharmaceuticals, telecom, and other essential sectors, making them indispensable to daily commerce. However, the industry operates in a challenging environment. Infrastructure bottlenecks, weak cold-chain networks, and rising energy and transport costs increase operational pressures. The market remains fragmented and dominated by informal players, which limits efficiency, transparency, and economies of scale. Competition is intense, and inflation-driven consumer price sensitivity squeezes margins further. In addition, policy inconsistency, taxation complexities, and broader macroeconomic volatility add uncertainty. Despite these risks, the industry benefits from Pakistan's large and growing population, inelastic demand for essential goods, and the ongoing shift toward modern retail formats, offering room for gradual modernization and technology-driven efficiency gains. Overall industry risk is assessed as Medium. M&P holds a leading position in the country's distribution industry, distinguished by its scale, diversified portfolio, and nationwide reach. As the largest player in Pakistan, the Company manages distribution for over 75 principals—including major additions in 2024 such as Lucky Core Industries, Macter International, and Martin Dow Marker—across pharmaceuticals, healthcare, consumer goods, and telecommunications, segments characterized by stable and relatively inelastic demand. Established multinational companies such as Getz Pharma, GSK, Novo Nordisk, Samsung Electronics, Unilever and Pepsi Cola International were among the largest principals. M&P's extensive coverage spans

across Pakistan, supported by central warehouses, depots, service centers, and a robust logistics network, giving it a competitive edge over smaller and more regionally concentrated peers. The logistics function employs a mix of rented and owned vehicles to ensure efficient delivery to retail outlets and the wholesale market, with the total fleet size continuing to grow. Management remains focused on enhancing outreach to address the increasing consumer demand.

FINANCIAL RISK

Capital Structure

The Company's equity increased to Rs. 14.0b (end-CY23: Rs. 10.4b) at end-CY24 supported by improved profitability, along with unrealized gains on remeasurement recognized in other comprehensive income. To counteract the inherent working capital challenges of the distribution model, the Company maintains adequate levels of inventory for supply assurance, coupled with extending credit terms to retailers as per need and managing lean cost strategy. Capitalization ratios are elevated, though there was improvement in gearing to 1.92x (end-CY23: 2.51x) and a reduction in leverage to 3.47x (end-CY23: 4.25x) by end-CY24. While the trend reflects improvement, prudent financial management remains important for balance sheet strengthening. While strategic investments in the digital bank and sustained working capital requirements will influence gearing levels, this reflects the disciplined allocation of capital necessary to secure operational stability and fund high-growth initiatives.

Profitability

The Company's topline has continued to grow, supported by customer acquisition and sustained demand. Net sales increased by 22.6% to Rs. 268.8b in CY24 (CY23: Rs. 219.3b), with the topline remaining the highest among peers. While growth has been robust, margins in the distribution business remain narrow, limiting flexibility. Gross margins remained in line with industry dynamics reaching to 6.98% (CY23: 7.12%) in CY24, reflecting evolving demand, ultimately changing the product mix and impacting gross margins. Management projects revenue growth to continue in FY26, while profit margins are expected to stay broadly stable.

Debt Coverage & Liquidity

Funds from Operations (FFO) remained stable in CY24 compared to the prior year (CY23). Likewise, FFO to debt coverage ratio also remained stable at 0.10x (CY23 0.10x). However, debt servicing coverage slightly improved from 1.14x in CY23 to 1.20x in CY24 due to timely repayment of obligations. Liquidity metrics also improved during CY24. Short-term debt coverage was sufficient at 1.93x improving from 1.50x in CY23 and current ratio was broadly stable at 1.07x. Rising trade receivables, linked to higher sales prices, reached Rs. 7.55b at end of CY24; however, the aging profile remained sound, with over 90% of receivables due within 90 days. Cash conversion cycle was largely unchanged at 28 days (CY23: 24 days).

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Muller & Phipps Pakistan (Private) Limited				
Sector	Logistics & Distribution				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
	RATING TYPE: ENTITY				
	October 24, 2025	A+	A1	Stable	Reaffirmed
	September 09, 2024	A+	A1	Stable	Reaffirmed
	June 14, 2023	A+	A1	Stable	Reaffirmed
	April 18, 2022	A+	A1	Stable	Reaffirmed
	January 15, 2021	A+	A1	Stable	Reaffirmed
	December 31, 2019	A+	A1	Stable	Reaffirmed
	December 31, 2018	A+	A1	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.				
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
	Muhammad Tariq Khan	Director Finance and Company Secretary			15-Sep-2025
	Ghufran Dilawar	GM Finance			
	Noman Yousuf	Manager Receivables			
	Syed Muhammad Raza	Senior Accountant			