

DAIRYLAND (PRIVATE) LIMITED

Analyst:

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RATING DETAILS

Ratings Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A-	A2	A-	A2
Rating Outlook/ Watch	Positive		Positive	
Rating Action	Reaffirmed		Reaffirmed	
Rating Date	February 25, 2026		January 17, 2025	

Shareholding (5% or More)

Akhtar Textile (Pvt.) Limited ~ 49%

Mr. Sulaiman Monnoo ~ 10%

Mr. Nadeem Monnoo ~ 5%

Other Information

Incorporated in February 2009

Private Limited Company

Chief Executive: Mr. Sulaiman Monnoo

External Auditor: BDO Ebrahim & Co.

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/docs/VISRatingScales.pdf>

Rating Rationale

The assigned ratings reflect Dairyland (Private) Limited's established position in Pakistan's organized dairy segment under the 'Dayfresh' brand, supported by an integrated "grass-to-glass" operating model encompassing dairy farming, processing, and distribution. The ratings also factor in the backing of the Akhtar Group of Companies, a diversified business group with a strong presence in textiles and allied sectors, which provides implicit support in terms of governance depth, financial flexibility, and strategic oversight. Operational performance improved in FY25, with higher capacity utilization, better product mix, and margin expansion driven by efficiency gains and a strategic shift toward higher-margin segments, however, the business risk profile remains constrained by the structurally challenging industry environment. Pakistan's dairy sector is characterized by low formalization, intense competition from the informal loose-milk market, elevated input and energy costs, and policy-driven pricing pressures, including high GST on packaged milk, which has dampened volume growth and increased market stress. The Company has experienced some moderation in receivable collections and relatively higher working capital requirements, largely reflective of prevailing market conditions. From a financial risk perspective, capitalization remains manageable despite an increase in borrowings to support capacity expansion and working capital needs. Profitability and cash flow coverage indicators strengthened in FY25, with improved margins, higher funds from operations, and stronger debt service coverage. Liquidity metrics also showed improvement, although elongated cash conversion cycles highlight ongoing working capital intensity. Going forward, the ratings will remain sensitive to the Company's ability to sustain margin improvements, manage leverage amid planned expansion projects, navigate industry-wide cost and demand pressures, and maintain adequate liquidity and coverage metrics.

Company Profile

Dairyland (Private) Limited (DPL), incorporated in 2009, operates as part of the Akhtar Group of Companies with majority shareholding vested in Akhtar Textile (Pvt.) Limited. The Company operates two farms, including a dairy farm and a poultry farm, and manages a fully integrated “grass-to-glass” value chain through its dairy farm and processing facility located in Dhabeji, Sindh. Operations cover herd management, fodder cultivation, milk collection, processing, and packaging. The Company markets its dairy and allied products under the ‘Dayfresh’ brand, a recognized consumer brand positioned in the value-added and packaged dairy segment of Pakistan.

The Dayfresh brand portfolio includes pasteurized and UHT milk, flavored and lactose-free milk, yogurt, drinking yogurt, cheese, butter, and meat, supporting diversified revenue streams. DPL distributes its products through a wide retail network across major cities in Pakistan, supported by 68 regional distributors and a growing export footprint. The Company has also established a direct-to-consumer retail presence through approximately seven outlets, strengthening brand visibility and consumer engagement.

Group Profile

The Akhtar Group of Companies is a diversified business house with operations in textiles, dairy, energy, and allied sectors. Its flagship company, Akhtar Textile (Private) Limited, is a leading textile exporter, while Dairyland (Private) Limited represents the Group’s presence in the dairy and food segment under the Dayfresh brand. The Group has also invested in power generation and other related businesses, with a focus on diversification and growth across domestic and international markets.

Management and Governance

CEO Profile

Mr. Sulaiman Sadiq Monnoo is the Chief Executive Officer of Dairyland (Private) Limited, leading the company’s strategic direction and operational execution within Pakistan’s dairy sector. Under his leadership, Dairyland has strengthened its position through the expansion and quality enhancement of the Dayfresh brand, focusing on product innovation, distribution scale, and market penetration domestically and internationally.

Board & Senior Management

The Board of Directors of Dairyland (Private) Limited comprises executive and non-executive members providing strategic oversight and governance, supported by committees overseeing audit and human resources and remuneration. The senior management team includes experienced professionals across dairy farming, processing, quality assurance, supply chain, finance, and sales and marketing, supporting effective operational execution and the continued growth of the Dayfresh brand.

Industry Profile & Business Risk

Pakistan is among the top five milk producers globally, with milk output exceeding 70 million tonnes annually in FY25, anchored by an extensive base of smallholder livestock farmers and broad domestic demand. Despite this scale, formal processing remains limited, with only an estimated 3–5% of total milk marketed through organized, packaged channels, while the informal (loose) sector continues to supply roughly 92–97% of milk, particularly in rural and peri-urban markets, due to its lower price point, entrenched distribution and cultural consumption patterns. This persistent informality constrains the penetration of packaged alternatives, even though the latter offer advantages in quality, hygiene and food safety.

The packaged segment, largely comprising UHT and pasteurized milk, remains urban centric and faces significant affordability headwinds. Retail prices of packaged milk have increased markedly, rising from around Rs.280 to approximately Rs.350 per liter since the introduction of an 18% General Sales Tax (GST) in FY25, making it one of the more expensive staples in household food baskets and dampening consumption growth.

Structural cost pressures are a central business risk for the industry. Elevated feed and fodder costs, rising energy and logistics expenses, and the high tax burden have eroded margins and reduced formal milk procurement from farmers by around 20%,

according to industry associations. This has contributed to the closure of roughly 500 milk collection centers and triggered a shift of some farmers back to the informal market. The informal sector's dominance poses additional business risks related to food safety and public health. Quality assessments and industry commentary point to widespread adulteration in loose milk supplies and compliance gaps with basic hygiene standards, underscoring the health risks associated with a largely unregulated value chain.

Competition within the organized segment is concentrated among a few major players with strong processing infrastructure and distribution reach. FrieslandCampina Engro (Olpers) and Nestlé Pakistan (MilkPak) hold leading share in the branded packaged milk market, supported by established brand equity and scale advantages. Other organized processors, including Fauji Foods (Nurpur), Haleeb Foods, Dairyland and mid-tier competitors, compete by expanding into value-added categories such as flavored milk, cultured dairy, cheese and butter. These categories exhibit relatively higher growth potential, driven by urbanization and evolving consumer preferences, but penetration remains limited relative to total milk consumption.

Regulatory focus on improving food safety standards and formalization is growing, but implementation remains gradual and uneven. Industry bodies have repeatedly advocated for fiscal relief, particularly a reduction of the GST on packaged milk to internationally aligned levels, arguing that lower taxation would improve affordability, support demand recovery, incentivize investment in processing and cold-chain infrastructure, and partly draw consumption away from the informal market.

The dairy and packaged milk industry's business risk profile in FY25 is moderate to elevated, shaped by persistent cost inflation, limited formal market penetration, high competition from informal channels, and policy-induced pricing pressures. These factors are partially offset by Pakistan's large and growing population, rising urban middle-class demand for quality dairy products, and gradual expansion in value-added segments. The pace and direction of fiscal and regulatory reforms, particularly around taxation and quality enforcement, will be critical determinants of future industry dynamics and formal sector growth.

Operational Update

	2023	2024	2025
Dairy and beverages (Liters)			
Capacity	56,400,000	56,400,000	56,400,000
Production	22,376,312	26,851,574	27,120,090
Utilization	39.7%	47.6%	48.1%
Poultry (no.)			
Capacity	30,076,000	30,076,000	30,076,000
Production	15,107,985	23,668,890	25,546,920
Utilization	50.2%	78.7%	84.9%

The Company's operations are based in Gharo, District Thatta, and Dhabeji, near Karachi, comprising one dairy farm and one poultry farm. Operating under the Dayfresh brand, the Company offers a wide range of dairy and related products, including processed and flavored milk, raw milk, yogurt, eggs, butter, and other items. Management has also secured meat tenders to diversify revenue streams. During FY25, production utilization improved, supported by targeted marketing initiatives that revived demand. Dairy and beverages output grew 1% year-on-year, while egg production increased by 8%. The Company sells through seven outlets and a network of retail points across five major cities. To support future growth, a new cow shed is under construction, which will expand the herd capacity by 800 animals and is expected to be ready by FY26. Looking ahead, the Company plans to install a wind power plant to reduce energy costs and lower reliance on gas, supporting long-term operational efficiency and sustainability.

Financial Risk

Capital Structure

The Company's equity base, excluding revaluation surplus, strengthened to PKR 9.2 billion as of end-June 2025 (FY24: PKR 8.9 billion), primarily supported by profit retention. The equity base includes an unsecured sponsor loan, repayable at the Company's discretion, of which approximately PKR 148 million was repaid during the year, reducing the outstanding balance to PKR 6.0 billion (FY24: PKR 6.2 billion). During the year, the Company also declared and paid an interim cash dividend of PKR 50 million. Long-term borrowings increased to PKR 703 million by end-June 2025 (FY24: PKR 188 million), reflecting capacity expansion initiatives undertaken during the year. Short-term borrowings rose to PKR 2.4 billion from PKR 2.1 billion, largely driven by elevated working capital requirements. Despite the increase in overall borrowings, capitalization metrics remained within manageable levels. Gearing increased to 0.35x (FY24: 0.27x) and debt leverage rose to 0.80x (FY24: 0.54x), largely reflecting raw material purchases undertaken on credit toward year-end, which increased current liabilities and elevated overall leverage metrics. Going forward, amidst planned expansion in wind power plant and warehousing facilities, maintenance of capitalization metrics will remain important.

Profitability

The Company's topline increased 14% YoY to Rs. 7.7 bn in FY25 (FY24: Rs. 6.7 bn), driven by higher pricing despite lower overall sales volumes by 11%. Revenue remained largely domestic, with exports contributing 5% of total sales (FY24: 4%). Dairy and beverages continued to be the core business, supported by strong contributions from the poultry and meat segments. Flavored milk and meat products experienced growth, while processed and raw milk volumes declined as the Company prioritized higher-margin products. Additionally, the Company recorded its first exports of processed milk to Sri Lanka, Cambodia, and Somalia, while expanding its product range in existing export markets.

Gross margins improved to 27.1% in FY25 (FY24: 22.2%), driven by lower farm expenses and improved production efficiency. Operating expenses rose to PKR 1.5b (FY24: PKR 1.3b) on account of higher selling and distribution costs, partially offsetting the margin gains. Other income declined sharply to PKR 5m in FY25 (FY24: PKR 263m) following the reclassification of compost-related income under cost of goods sold, while lower finance costs of PKR 362m (FY24: PKR 413m) partially supported earnings. Consequently, net profit increased to PKR 278m (FY24: PKR 203m), with net margins improving to 3.6% (FY24: 3.0%). Management expects further margin improvement in FY26, driven by new packaging equipment that should reduce costs and enhance operational efficiency.

Debt Coverage & Liquidity

The Company's liquidity and short-term debt coverage profile strengthened in FY25, underpinned by improved cash flow generation and enhanced coverage metrics. The current ratio improved to 1.14x (FY24: 1.03x), while short-term debt coverage increased to 1.27x (FY24: 0.87x), indicating adequate capacity to meet near-term obligations. Cash flows benefited from improved gross margins and lower finance costs, with funds from operations (FFO) rising to PKR 505m (FY24: PKR 440.5m), translating into a stronger debt service coverage ratio (DSCR) of 1.88x (FY24: 1.58x). However, working capital pressures increased during the year. Receivable days increased to 25 days (FY24: 14 days), mainly reflecting the timing of tender-related payments, while inventory days rose to 124 days (FY24: 101 days) to align with year-end client orders. Payable days also extended, and the overall cash conversion cycle remained elevated but manageable, consistent with the business's working-capital-intensive operations. These liquidity dynamics and coverage indicators remain key considerations for the Company's rating profile going forward.

FINANCIAL SUMMARY					(Rs. in millions)
BALANCE SHEET	FY21	FY22	FY23	FY24	FY25
Property, plant and equipment	5,262	7,312	6,977	6,614	9,964
Stock-in-Trade	903	1,063	1,343	1,547	2,263
Trade Debts	193	220	211	313	752
Cash & Bank Balances	15	7	22	93	278
Total Assets	10,920	14,126	15,693	16,693	21,493
Trade Payables	400	768	767	456	1,547
Long Term Debt	884	864	581	311	821
Short Term Debt	639	914	1,453	2,133	2,368
Total Debt	1,524	1,778	2,034	2,444	3,189
Total Liabilities	3,061	3,617	4,280	4,839	7,342
Paid Up Capital	800	800	1,000	1,000	1,000
Total Equity	7,859	10,509	11,413	11,854	14,151
INCOME STATEMENT	FY21	FY22	FY23	FY24	FY25
Net Sales	3,057	3,694	4,880	6,731	7,678
Gross Profit	844	1,026	1,339	1,494	2,078
Operating Profit	236	252	375	418	495
Profit Before Tax	143	129	113	5	133
Profit After Tax	122	129	80	43	112
RATIO ANALYSIS	FY21	FY22	FY23	FY24	FY25
Gross Margin (%)	27.6%	27.8%	27.4%	22.2%	27.1%
Operating Margin (%)	7.7%	6.8%	7.7%	6.2%	6.4%
Net Margin (%)	4.3%	10.6%	4.8%	3.0%	3.6%
Funds from Operation (FFO)	519	429	523	441	505
FFO to Total Debt	0.34	0.24	0.26	0.18	0.16
FFO to Long Term Debt	0.59	0.50	0.90	1.41	0.62
Gearing (x)	0.24	0.24	0.24	0.27	0.35
Leverage (x)	0.49	0.49	0.51	0.54	0.80
Debt Servicing Coverage Ratio* (x)	1.23	1.06	1.76	1.58	1.88
Current Ratio (x)	1.01	1.17	1.05	1.03	1.14
(Stock in trade + trade debts) / STD (x)	1.71	1.40	1.07	0.87	1.27
Return on Average Assets* (%)	1.2%	3.1%	1.6%	1.3%	1.5%
Return on Average Equity* (%)	2.2%	5.8%	3.0%	2.3%	3.1%
Cash Conversion Cycle (days)	103	75	61	72	84

REGULATORY DISCLOSURES Appendix II

Name of Rated Entity	Dairyland (Private) Limited				
Sector	Dairy				
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				
	25-Feb-2026	A-	A2	Positive	Reaffirmed
	17-Jan-2025	A-	A2	Positive	Reaffirmed
	17-Nov-2023	A-	A2	Positive	Reaffirmed
	10-Jun-2022	A-	A2	Positive	Maintained
	19-Feb-2021	A-	A2	Stable	Reaffirmed
	15-Oct-2019	A-	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 Meeting Conducted	Name	Designation		Date	
	Waleed Abu Talib	Chief Financial Officer		05 th Jan 2026	