

KAUSAR GHEE MILLS (PVT.) LIMITED

Analyst:

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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		Upgrade	
RATING DATE	April 27, 2026		February 25, 2025	

Shareholding (5% or More)

Bilal Ahmed- 7.9%

Hamid Ali Malik-16.53%

Malik Attique Ahmed-17.77%

Sajid Ali Malik-20.72%

Abid-7.23%

Other Information

Incorporated in 1992

Private Limited/Public Unlisted Company

Chief Executive Officer: Mr. Abid Ali Malik

Chairman: Mr. Abid Ali Malik

External Auditor: A. Aziz Chaudary & Co. 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/docs/VISRatingScales.pdf>

Rating Rationale

Assigned rating reflects Kausar Ghee Mills (Pvt.) Limited's ('KGML' or 'the Company') established position in Pakistan's edible oil and ghee industry, underpinned by a recognizable brand presence along with a well-established distribution network. During FY25, the Company's topline has remained broadly stable, given the inelastic demand nature of its product offerings; strong growth has been observed in topline in 1HFY26.

In terms of profitability, the Company has maintained net margins in the range of 6-7%, supported by its fully branded sales portfolio. Favorable palm oil price movements fed into inventory gains, along with stable exchange rates and the absence of interest-bearing debt supported profitability in the period under review. Given heightened geopolitical tensions in the Middle East and the resultant increase in palm oil prices due to supply chain disruptions, profitability may come under pressure. Nevertheless, the impact is mitigated by the absence of long-term debt on balance sheet and minimal reliance on short-term borrowings for working capital operations, as imports are conducted through sight LCs and advance payment received from distributors. Liquidity profile and debt coverage metrics are considered strong. Given the management's plans to continue with existing strategy with regards to leveraging, the company is expected to maintain its risk profile. Any changes with regards to the same amidst risks arising from dependence on imports for raw materials and global price movements will be closely tracked by VIS.

Company Profile

Kausar Ghee Mills ('KGML' or 'the Company') was incorporated in Pakistan in 1992. The Company is the flagship company of Kausar Group, with other group companies including Kausar Feed Mills (Pvt.) Limited, Kausar Rice and General Mills (KRGML) and Kausar Farms. The Company is engaged in the manufacturing and sale of Ghee and Cooking Oil.

The Company established its first production unit of vegetable ghee and edible oils processing in Gujranwala in 1992. Later, in line with its growth objectives, the Company added a solvent extraction unit and a physical refinery plant at Port Qasim, Karachi, which began production in 2014. For further expansion at its Karachi site, the Company enhanced the production capacity of its solvent unit and also installed an additional vegetable ghee unit in 2018. Furthermore, the Company has a well-established distribution network, with over 300 distributors.

Management and Governance

KGML is a family-owned enterprise, with majority ownership held by members of the sponsoring family. The largest shareholder is Mr. Sajid Ali Malik (20.72%), followed by Mr. Malik Attique Ahmad (17.77%), Mr. Hamid Ali Malik (16.53%), Mr. Bilal Ahmed (7.90%), and Mr. Abid (7.23%). The Board of Directors comprises eight members, all of whom belong to the sponsoring family; there is no independent representation on the board.

Mr. Abid Ali Malik serves as the Chief Executive Officer (CEO) and has been involved with the Company for over 5 decades. After completing his education, he joined his father's business and has since accumulated more than fifty years of experience. He is also director and partner in all Group companies and associated firms. He provides overall strategic leadership, corporate governance oversight, and long-term vision for the Group. His vast entrepreneurial experience, deep industry knowledge, and hands-on leadership have been central to the growth, diversification, and sustained success of the Group.

Business Risk

INDUSTRY

The edible oil industry in Pakistan is a highly competitive sector, shaped by consumer demand and significant reliance on imports. Due to its staple nature, consumption remains steady throughout the year, even during economic downturns. However, external factors such as import dependencies and weather conditions introduce periodic instability, particularly for palm and soybean oils. While barriers to entry are low, regulatory compliance and economies of scale favor established players.

Capital intensity is low, as most businesses focus on importing, processing, and packaging rather than large-scale production. Technological advancements are gradually improving efficiency, but high costs and limited access hinder widespread adoption. Regulatory policies, including tariffs and food safety standards, significantly impact pricing and profitability, while abrupt policy shifts can disrupt market stability.

Overall, while the industry benefits from steady demand supported by population growth and rising food consumption, its business risk profile remains elevated. This is primarily due to high dependence on imported raw materials, vulnerability to global commodity price fluctuations and exchange rate movements, and exposure to abrupt regulatory changes. These factors, coupled with intense competition, continue to weigh on the industry, despite gradual efficiency gains and technological improvements.

During FY25, palm oil imports increased by ~7% to 3.2 million MT (FY24: 3.0 million MT), while soybean oil imports rose to 0.32 million MT (FY24: 0.12 million MT), according to data from the Pakistan Bureau of Statistics. In value terms, palm oil imports amounted to USD 3.39 billion during FY25, compared to USD 2.78 billion in the preceding year, representing an increase of ~22%. The higher import volumes indicate sustained domestic consumption, given the essential nature of edible oil.

During 7MFY26, palm oil imports reached 2.2 million MT, representing an increase of ~16% compared to the corresponding period last year. In value terms, imports amounted to USD 2.22 billion, reflecting a ~6% increase year-on-year, with the comparatively lower growth in value attributable to price movement. The continued rise in import volumes indicate stable domestic demand during the period.

A significant share of palm oil imports originates from Malaysia and Indonesia, which together account for over 75% of global palm oil production. However, factors such as aging plantations, limited replantation activity, and Indonesia's biodiesel mandates may constrain global supply. Any upward movement in international prices, combined with sustained domestic demand, may increase pressure on the country's import bill. In addition, exchange rate volatility and evolving climatic conditions, which may adversely impact crop yields in key producing regions, continue to pose risks to the industry.

OPERATING PERFORMANCE

Capacity in MT	FY24			FY25		
	Max Capacity	Actual Production	Capacity Utilization	Max Capacity	Actual Production	Capacity Utilization
Cooking Oil, Ghee and Seed Crushing						
Ghee	132,600	28,547	21.5%	132,600	28,597	21.6%
Cooking Oil	99,900	19,361	19.4%	99,900	16,584	16.6%
Seed Crushing	150,000	62,207	41.5%	150,000	66,192	44.1%
Total	382,500	110,155	28.8%	382,500	111,373	29.1%

The Company continues to operate below optimal levels, with total capacity utilization recorded at 29.1% in FY25 (FY24: 28.8%). Production of ghee remained broadly stable at 28,597 MT (FY24: 28,547 MT), translating into capacity utilization of 21.6%, indicating steady volumes during the year. Capacity utilization in the seed crushing segment increased to 44.1% (FY24: 41.5%), while utilization in the cooking oil segment declined to 16.6% (FY24: 19.4%). Overall, production levels remained largely unchanged.

PROFITABILITY

During FY25, the Company's net revenue declining marginally by ~1% to PKR 25.9b (FY24: PKR 26.3b). The Company's major product categories comprise ghee, cooking oil, and soybean meal, with ghee accounting for ~43% of gross revenue, while cooking oil and soybean meal contributed ~27% and ~25%, respectively. During the period, volumes of cooking oil and ghee declined by ~5% and ~8%, respectively. In contrast, volumetric offtake of soybean meal increased by ~69%, supported by increased imports of soybean GMO seeds. In terms of quantities sold, soybean meal accounted for ~45% of total volumes, while ghee and cooking oil represented ~29% and ~17%, respectively. In terms of pricing, average prices of cooking oil and ghee increased by ~11% and ~2%, respectively, partially offsetting the decline in volumes. However, soybean meal prices declined by ~34%, constraining growth in this segment in value terms. Overall, the Company's topline reflects broadly stable demand, given the relatively inelastic nature of its products and its position in the market.

The Company's gross margins remained stable, increasing to 15.03% in FY25 (FY24: 14.20%). The improvement was primarily attributable to inventory gains arising from higher palm oil prices; exchange rate stability is also considered positive for the company, given the dependency on imports for raw materials. Aligned with the improvement in gross margins, net margins increased to 6.77% in FY25 (FY24: 6.02%). The absence of interest-bearing debt continues to support the Company's bottom line.

During 1HFY26, the Company's topline exhibited stronger growth, with net sales recorded at PKR 16.5b. However, gross margins declined slightly to 14.43%, primarily due to increased competitive pressures, which limited the Company's ability to fully pass on increases in raw material prices to customers. Net margins remained broadly stable, increasing marginally to 6.83%; showcasing improved efficiency.

The Company projects sales to exceed PKR 30b in full year 2026, given the revenue trend observed during 1HFY26. However, profitability may remain exposed to downside risk due to potential volatility in raw material prices, particularly in light of geopolitical developments in the Middle East, which could affect global palm oil prices if the conflict persists.

Financial Risk

CAPITAL STRUCTURE

The Company's equity base stood at PKR 8.5b as at Dec'25 (Jun'25: PKR 8.7b; Jun'24: PKR 7.4b). During FY25 and 1HFY26, the Company paid a dividend of PKR 400.0m and PKR 1.0b respectively, which moderated equity growth despite profitability reported during FY25 and 1HFY26, while maintaining an adequate equity buffer.

The Company's capitalization profile remains conservative, supported by a low-leveraged balance sheet and the absence of interest-bearing debt, with leverage standing at 0.49x as at Dec'25 (Jun'25: 0.42x; Jun'24: 0.56x). The Company primarily imports raw materials through sight letters of credit (LCs) while receiving advance payments from distributors, which partially offsets working capital requirements and limits reliance on short-term borrowings.

During FY25, the Company incurred capital expenditure of PKR 154m, which was largely financed through internal sources. Going forward, the Company has projected capex of PKR 120m for installation of pouch filling machines, an automated filling machine, a PET bottle making

machine, construction of additional godowns, and acquisition of three trucks. The planned capex is expected to be funded through internal cash flows, and therefore the Company's capitalization profile is expected to remain conservative, going forward.

DEBT COVERAGE & LIQUIDITY

The liquidity profile of the Company is supported by a strong current ratio and minimal reliance on debt. Additionally, the Company's cash conversion cycle improved to around 79 days in 1HFY26 (FY25: 90 days; FY24: 66 days). The aging profile of receivables is considered satisfactory, with trade debts largely remaining current, reflecting a sound receivables management and collection framework. As such the company has no plans to take on debt; and given the net margins position, and the assigned ratings, only a minimal amount of long-term debt may be supported at current ratings levels.

FINANCIAL SUMMARY Appendix I

Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	1HFY26M
Property, plant and equipment	941.96	973.94	1,108.63	1,119.39
Right-of-use Assets	0.00	0.00	0.00	0.00
Intangible Assets	0.00	0.00	0.00	0.00
Long-term Investments	0.00	0.00	0.00	0.00
Stock-in-trade	3,214.81	4,563.55	4,988.01	5,906.02
Trade debts	334.64	971.45	1,568.09	1,055.12
Short-term Investments	410.00	550.00	565.18	513.71
Cash & Bank Balances	1,030.77	623.20	2,215.73	2,957.21
Other Assets	2,787.90	3,844.06	1,921.75	1,615.11
Total Assets	8,720.08	11,526.20	12,367.39	13,166.56
Creditors	372.33	421.55	427.17	385.46
Long-term Debt (incl. current portion)	0.00	0.00	0.00	0.00
Short-Term Borrowings	0.00	729.64	0.00	0.00
Total Debt	0.00	729.64	0.00	0.00
Other Liabilities	2,562.62	3,008.50	3,221.29	3,932.30
Total Liabilities	2,934.95	4,159.69	3,648.46	4,317.76
Paid up Capital	500.00	500.00	500.00	500.00
Revenue Reserve	5,285.03	6,866.50	8,218.94	8,348.80
Other Equity (excl. Revaluation Surplus)	0.09	0.00	0.00	0.00
Sponsor Loan	0.09	0.00	0.00	0.00
Equity (excl. Revaluation Surplus)	5,785.12	7,366.50	8,718.94	8,848.80

Income Statement (PKR Millions)	FY23A	FY24A	FY25A	1HFY26M
Net Sales	21,868.46	26,268.97	25,902.19	16,543.75
Gross Profit	2,805.55	3,729.87	3,892.81	2,387.71
Operating Profit	1,958.31	2,427.96	2,776.01	1,855.42
Finance Costs	16.09	16.70	9.95	3.20
Profit Before Tax	1,942.22	2,411.26	2,766.06	1,852.22
Profit After Tax	1,254.88	1,581.46	1,752.44	1,129.85

Ratio Analysis	FY23A	FY24A	FY25A	1HFY26M
Gross Margin (%)	12.83%	14.20%	15.03%	14.43%
Operating Margin (%)	8.95%	9.24%	10.72%	11.22%
Net Margin (%)	5.74%	6.02%	6.77%	6.83%
Funds from Operation (FFO) (PKR Millions)	1,454.07	1,609.90	1,962.12	1,863.99
FFO to Total Debt* (%)		220.64%		
FFO to Long Term Debt* (%)				
Gearing (x)	0.00	0.10	0.00	0.00
Leverage (x)	0.51	0.56	0.42	0.49
Debt Servicing Coverage Ratio* (x)	91.43	97.38	198.23	583.50
Current Ratio (x)	2.72	2.58	3.09	2.80
(Stock in trade + trade debts) / STD (x)		7.62		
Return on Average Assets* (%)	16.49%	15.62%	14.67%	17.70%
Return on Average Equity* (%)	24.33%	24.05%	21.79%	25.73%
Cash Conversion Cycle (days)	62.45	65.63	90.06	79.45

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Kausar Ghee Mills (Pvt.) Ltd				
Sector	Consumer Goods				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
	RATING TYPE: ENTITY				
	27-Apr-26	A	A1	Stable	Reaffirmed
	25-Feb-25	A	A1	Stable	Upgrade
	08-Aug-23	A-	A2	Stable	Reaffirmed
	04-July-22	A-	A2	Stable	Reaffirmed
	07-Dec-21				Suspended
09-Sept-20	A-	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.				
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	
	Mr. Bilal Ahmed	Director		March 03, 2026	
	Mr. Syed Rafeh Hassan Shah	Manager Banking & Finance			
	Mr. Saqib Aziz	Chief Financial Officer			