RATING REPORT

At-Tahur Limited

REPORT DATE:
January 10, 2025

RATING ANALYST:
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RATING DETAILS				
	Latest Ratings		Previous Ratings	
Rating Category	Long-term	Short-term	Long-term	Short-term
Entity	A-	A2	A-	A2
Rating Date	*June 10, 2024*		*June 12, 2023*	
Rating Action	Maintained		Maintained	
Rating Outlook/Rating Watch	Stable		Negative	
Short-term Sukuk	A1		A1	
Rating Date	*January 09, 2025*		*August 12, 2024*	
Rating Action	Final		Preliminary	

COMPANY INFORMATION

Incorporated in 2007	**External auditors:** Riaz Ahmad & Co. Chartered Accountants.
Public Listed Company	**Chairman:** Mr. Ijaz Nisar
Key Shareholders (with stake 5% or more):	**CEO:** Mr. Rasikh Elahi
Mr. Rasikh Elahi – 45.6%	
Mrs. Zahra Ali Elahi – 26.5%	

APPLICABLE METHODOLOGY

VIS Entity Rating Criteria: ***Corporates***
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

VIS Rating Scale
https://docs.vis.com.pk/docs/ratingscale.pdf

Rating the Issue
https://docs.vis.com.pk/docs/Rating-the-Issue-Aug-2023.pdf

At-Tahur Limited

OVERVIEW OF THE INSTITUTION	RATING RATIONALE

OVERVIEW OF THE INSTITUTION

ATL was incorporated in 2007 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as a private limited company. ATL was listed on Pakistan Stock Exchange (PSX) in July 2018. The principal business activity of the company is to run dairy farm for the production and processing of milk and dairy products.

Profile of CEO

Mr. Rasikh Elahi established ATL in 2007 and has been its CEO since inception. He is a law graduate from University of Buckingham, U.K. Mr. Rasikh Elahi & family owns 72.1% equity stake in the company.

RATING RATIONALE

At-Tahur Limited ('ATL' or 'the Company') commenced its farming operations in 2008. The Company introduced its brand 'Prema' in the market in 2009, launching premium quality pasteurized milk, and subsequently launched other products such as whole milk, low-fat milk, ranges of yogurt, laban & flavoured milk, butter and cheese, etc. The management introduced new products, including desi ghee in the dairy-products range and ice tea (Peach) & mango nectar in the non-dairy range. The management plans to initiate exports of premium quality products primarily to the European market. These strategic initiatives would enable the company to cater to a broader consumer base.

Sukuk Issue Details

ATL has issued a short-term rated, secured, privately placed Sukuk on December 12, 2024 to eligible investors amounting to Rs. 750m inclusive of a Green Shoe Option of Rs. 150m.

Purpose: The Issue will be utilized by ATL to finance the Company's working capital requirements.

Tenor & Repayments: The instrument will have a tenor of six months starting from the date of drawdown. The profit/rental payment will be paid at maturity.

Profit Rate: The instrument carries profit rate of 6 Month KIBOR + 1.50%

Security Structure: The security structure will be secured by ranking charge over Current Assets and Biological assets of the Company amounting to Rs. 750 million with 25% margin.

Debt Payment Account (DPA):

The Issuer is required to maintain and effectively manage a Debt Payment Account (DPA), which will be under the lien of the Investment Agent. Payments of PKR 187.5 million will be made into the DPA starting 52 days prior to the maturity date, and subsequently every two weeks. This process will ensure that the full issue amount is available in the DPA 10 days before the maturity date.

Key Rating Drivers

Revenue Growth Amid Margin Compression and Decline in Profitability for FY24

The company achieved a 19% growth in net revenue from dairy products, totaling Rs. 5.85 billion (FY23: Rs. 4.9 billion), driven by price adjustments. However, gross profit contracted by 16% as a result of elevated input costs. Operating expenses increased by 10%, reflecting inflationary pressures, while finance costs rose by 25% due to persistently high interest rates. Consequently, net income declined significantly by 72%, falling to Rs. 353 million (FY23: Rs. 1,248 million). During 3MFY25, revenue from contracts with customers declined by 4.5% to Rs. 1.27 billion (3MFY24: Rs. 1.32 billion), primarily attributed to lower sales volumes. Operating costs also decreased by 10%, reaching Rs. 1.79 billion (3MFY24: Rs. 1.99 billion), aligning with the reduced sales activity.

Furthermore, finance costs fell by 21%, supported by a combination of lower utilization of credit facilities and a decline in interest rates. Despite these cost savings, the combined impact of lower revenues and margins led to a 21% decline in net income for the period.

Cash Flows and Debt Service Coverages Strengthen Despite Challenges

The company's liquidity profile improved in FY24, supported by enhanced cash flow generation. Funds from operations (FFO) increased substantially to Rs. 554 million (FY23: Rs. 9 million), primarily due to favorable non-cash adjustments, despite lower net profitability. This resulted in a marked improvement in FFO to long-term debt and FFO to total debt, which stood at 84% (FY23: 1%; FY22: 26%) and 53% (FY23: 1%; FY22: 17%) respectively. A similar trend of volatility was noted during 3MFY25, as FFO to long-term debt dropped significantly to 3% (FY24: 84%), and FFO to total debt declined to 2% (FY24: 53%). This decline is primarily attributed to lower cash generation during the period.

Similarly, the debt service coverage ratio (DSCR) increased to 1.41x (FY23: 0.42x; FY22: 1.00x), reflecting higher FFO. The current ratio has shown slight improvement to 0.91x (FY23: 0.77x; FY22: 0.84x). During 3MFY25, the Debt Service Coverage Ratio (DSCR) decreased to 0.63x (FY24: 1.41x), primarily driven by lower cash generation. Additionally, the current ratio experienced a slight decline to 0.89x (FY24: 0.91x), reflecting reduced cash inflows from operations. However, liquidity comfort is derived from Rs. 4.1 billion in biological assets, which, while classified as non-current under IAS 41, are liquid in nature and could provide an additional buffer if needed.

Maintenance of a Low-Leverage Capital Structure.

The company's capital structure remained intact, with slight improvements in leverage ratios by the end of FY24. The equity base increased to Rs. 5.17 billion (FY23: Rs. 4.8 billion), supported by profit retention. Working capital requirements were managed through supplier credit, reflecting effective financial management. The company's debt profile includes a mix of short-term and long-term borrowings. Leverage ratios improved modestly, with gearing at 0.20x (FY23: 0.26x; FY22: 0.35x) and debt leverage at 0.47x (FY23: 0.52x; FY22: 0.55x). By the end of 3MFY25, the gearing ratio improved slightly to 0.19x (FY24: 0.20x), while the leverage ratio also improved to 0.42x (FY24: 0.47x), driven by the company's efforts to reduce its debt obligations.

The Company has an adequate corporate governance framework.

The Board of Directors (BoD) comprised 7 members, including the CEO, 5 independent directors and 1 non-executive director. A female member is also present on the board as an independent director. The BoD is chaired by Mr. Ijaz Nisar while the CEO is Mr. Rasikh Elahi. Meetings are convened on a quarterly basis. The Board was elected in Oct'22 and out of the 7 directors, 3 have completed the Director's training program. For effective oversight, the board has formed two committees namely Audit Committee and HR & Remuneration Committee with three members each. The company continues to engage Riaz Ahmad & Co. Chartered Accountants as external auditors which belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).

Financial Summary Annexure I

BALANCE SHEET (in Millions)	FY22	FY23	FY24	3MFY25
Non-Current Assets (Net of Biological Assets)	1,789	1,993	1,858	1,893
Stock-in-Trade	404	412	382	257
Trade Debts	161	239	335	354
Biological assets	2,671	3,995	4,142	4,157
Cash & Bank Balances	27	107	237	274
Other Assets	383	543	652	433
Total Assets	**5,436**	**7,290**	**7,606**	**7,368**
Trade and Other Payables	523	944	1,039	847
Short Term Debt	440	460	380	330
Long Term Debt	776	768	657	641
Total Debt	1,216	1,228	1,037	971
Other Liabilities	182	314	356	351
Total Liabilities	**1,921**	**2,487**	**2,432**	**2,169**
Total Equity	**3,515**	**4,803**	**5,174**	**5,199**
Paid-up Capital	1,988	2,186	2,186	2,186
INCOME STATEMENT	**FY22**	**FY23**	**FY24**	**3MFY25**
Net Sales	3,286	4,900	5,845	1,271
Net Gain Arising at the time of Milking	2,115	3,342	3,811	787
Net Gain Arising from Change in Fair Value of Dairy Stock	1,165	1,949	906	255
Cost of Sales	4,592	7,339	8,155	1,797
Gross Profit	1,974	2,852	2,407	516
Selling and Distribution Expenses	361	556	589	155
Administrative Expenses	237	286	318	90
Other Expenses	349	559	667	182
Operating Profit	**1,027**	**1,450**	**833**	**89**
Finance Cost	115	226	283	49
Profit before Tax	912	1,224	550	40
Profit After Tax	**861**	**1,248**	**353**	**24**
RATIO ANALYSIS	**FY22**	**FY23**	**FY24**	**3MFY25**
Gross Margin (%)	30.1	28.0	22.8	22.3%
Net Margin (%)	13.1	12.2	3.3	1.0%
Net Working Capital	(185)	(389)	(152)	(165)
Trade debts/Sales (%)	4.9	4.9	4.3	7.0%
FFO	204	9	554	20
FFO to Total Debt (%)	17%	1%	53%	2%
FFO to Long Term Debt (%)	26%	1%	84%	3%
Current Ratio (x)	0.84	0.77	0.91	0.89
Debt Servicing Coverage Ratio (x)	1.76	0.58	1.41	0.63
Gearing (x)	0.35	0.26	0.20	0.19
Leverage (x)	0.55	0.52	0.47	0.42
(Stock in Trade+Trade Debts)/STD	1.29	1.41	1.89	1.85
ROAA (%)	18.4	19.6	4.7	1.3%
ROAE (%)	27.9	30.0	7.1	1.9%
CCC	0	(9)	(18)	(18)

REGULATORY DISCLOSURES — Annexure II

Name of Rated Entity	At-Tahur Limited
Sector	Consumer Goods
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		
10-06-2024	A-	A2	Stable	Maintained
12-06-2023	A-	A2	Negative	Maintained
20-04-2022	A-	A2	Stable	Reaffirmed
01-06-2021	A-	A2	Stable	Initial
		Rating Type : SUKUK		
09-01-2025		A1		Final
12-08-2024		A1		Preliminary

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 Meeting Conducted	N/A