VIS
Credit Rating Company Limited

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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/VISRatingScales.pdf)

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

RS. MILLION	FY23	FY24	1HFY25
Total Revenue	10,191	10,562	4,839
NPBT	1,224	550	195
PAT	1,248	353	146
Paid up call	2,186	2,186	2,186
Equity (incl. surplus on PEE)	4,803	5,174	5,321
Total Debt	1,228	1,037	1,543
Debt Leverage (x)	0.52	0.47	0.53
Gearing (x)	0.26	0.20	0.29
FFO	9	554	5
FFO/Total Debt (x)*	0.01	0.53	0.00
NP Margin	12.2%	3.3%	3.0%

AT-TAHUR LIMITED

Chairman & Chief Executive: Mr. Ijaz Nisar & Mr. Rasikh Elahi

RATING DETAILS

RATINGS CATEGORY	SUKUK RATING
SHORT TERM SUKUK II	A1 (plim)
RATING ACTION	Preliminary
RATING DATE	May 5, 2025

RATING RATIONALE

At-Tahur Limited (PREMA or the Company) plans to issue a short-term, secured, privately placed Sukuk amounting to Rs. 750m inclusive of a Green Shoe Option of Rs. 150m. The issue will be utilized by PREMA to meet its working capital requirements. The instrument will have a tenure of up to six months starting from the issue date and profit will be payable at maturity of STS on the outstanding principal amount. Profit payment will be at a proposed rate of 6M Kibor + 1.5%. Assigned rating reflects the proposed security structure of the instrument providing a charge over and biological assets of the Company amounting to Rs. 750m with a 25% margin. In addition, maintenance of a Debt Payment Account provides comfort. Assessment of financial position of the Company reflects contraction in profitability, however there was improvement in liquidity metrics and debt servicing coverage while the Company maintained leveraged ratios within adequate range.

SUKUK ISSUE DETAILS

PREMA plans to issue a short-term rated, secured, privately placed Sukuk to eligible investors amounting to Rs. 750m inclusive of a Green Shoe Option of Rs. 150m. This will be the Company's second STS issuance (STS-2). Moreover, the Company has outstanding Short-term Sukuk (STS-1) amounting to Rs. 750m, which is scheduled to mature in June, 2025.

Purpose: The Issue will be utilized by PREMA 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. 750m 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.

COMPANY PROFILE

PREMA, incorporated in 2007, 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 & flavored 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, and eggs and honey. 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.

GOVERNANCE

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 October 2022 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).

INDUSTRY PROFILE & BUSINESS RISK

VIS considers the business risk profile of the packaged milk industry in Pakistan to be medium. The industry faces intense competition, albeit a significant growth opportunity exists due to the untapped loose milk market. During FY22 to FY24, milk production in Pakistan increased from approximately 65.7m MT to 70.1m MT, reflecting a CAGR of about 7.8%, with 80.5% deemed fit for human consumption in FY24. Fresh milk prices rose significantly, averaging Rs. 185.0/liter in FY24, a 21.6% YoY increase, while powdered milk prices jumped to Rs. 820.2 for 390g, up 28.0% YoY. As per SBP trade data, dairy imports surged to Rs. 31.6b (FY23: Rs. 27.3b) in FY24, a 15.7% increase, as local production continued to rely on imported skimmed milk in the formal sector. In FY24, Pakistan's dairy exports, including milk, cream, butter, and curd, were approximately Rs. 1.9b (FY23: Rs. 2.3b) reflecting an increase of 76.9%. In FY24, dairy exports increased to Rs. 2.3b. The sector is largely informal, with smallholder farms lacking modern technology, impacting both domestic supply and export capacity.

Major players include:

Public listed companies: Friesland Campina Engro Pakistan (Olper's), Nestle Pakistan (Milkpak), Fauji Foods Limited (Nurpur), At-Tahur Limited (PREMA)

Private limited or public unlisted companies: Haleeb Foods Limited (Haleeb), Adams Milk Foods (Adams), Dairyland (Private) Limited (Dayfresh), Millac Foods (Private) Limited, Shakarganj Foods (Private) Limited

During 2024, industry participants were faced with subdued demand due to imposition of a sales tax on dairy products. However, the PDA (Pakistan Dairy Association) and the government mutually agreed discussing the negative impact on sales volumes in the ongoing year with stakeholders and representatives from various bodies while maintaining focus on enhancing exports. The diversification of product portfolios into non-liquid products has contributed to strong revenue generation for some companies. Therefore, increased sales volumes alongside reduced inflationary pressures and market rationalization will remain key factors impacting business risk in the dairy segment.

Product Profile & Capacity

The livestock comprising mature and immature comprises heifers/calves, bulls and milking cows, used not only used in milking season but also contribute fair value gains. During FY24, a reduction in production volumes across product portfolio, excluding cream cheese and butter, due to subdued customer demand amidst high inflationary pressure, resulted in lower capacity utilization. Liquid product capacity utilization slightly decreased to 57.2% (FY23: 60.3%), while non-liquid product utilization increased to 20.3% (FY23: 15.5%) in FY24.

FINANCIAL RISK

Capital Structure

Capital structure remained intact as leverage ratios improved modestly in FY24. The equity base increased to Rs. 5.17b (FY23: Rs. 4.80b), supported by profit retention. Gearing at 0.20x (FY23: 0.26x, FY22: 0.35x) and debt leverage at 0.47x (FY23: 0.52x; FY22: 0.55x) on account of decrease in total debt. Gearing ratio deteriorated slightly to 0.29x, while the leverage ratio also increased to 0.53x, driven by sharp increase in short-term debt at end-1HFY25 on account of higher working capital requirements.

Profitability

The Company's sales volumes recorded a marginal decline of 2.1% in FY24 with the growth in raw milk offset by decline in offtake of processed milk and other products (cheese, laban, fruit juice and yogurt). However, the Company achieved a 19.3% growth in net sales from dairy products, totaling Rs. 5.8b (FY23: Rs. 4.9b), driven by price adjustments. The increase in total revenue was only 3.6% (FY24: Rs. 10.6b, FY23: Rs. 10.2b) in FY24. Sales mix were largely similar in FY24 compared to FY23.

Product wise Sales mix						
	FY23		**FY24**		**1HFY25**	
Raw milk	959.0	19.6%	1,334.4	22.8%	236.4	9.2%
Processed milk	2,820.5	57.6%	3,302.4	56.5%	1,344.8	52.1%
Yogurt	637.8	13.0%	773.4	13.2%	401.7	15.5%
Others (cheese, butter etc.)	482.4	9.8%	435.3	7.4%	600.6	23.2%
Total	**4,899.7**	**100%**	**5,845.4**	**100%**	**2,583.5**	**100%**

Gross margin contracted 22.8% (FY23: 28.0%) in FY24 as a result of elevated input costs. Operating expenses increased by 10% (FY24: Rs. 1.6b, FY23: Rs. 1.4b), reflecting inflationary pressures, while finance costs rose to Rs. 283m (FY23: Rs. 226m) due to high interest rates in FY24. Consequently, net income declined significantly by 71.7%, falling to Rs. 353.0m in FY24 (FY23: Rs. 1.2b).

During 1HFY25, total revenue diminished by 4.3% to Rs. 4.84b (1HFY24: Rs. 5.06b), mainly attributed to lower sales volumes. Gross margin was largely stable (1HFY25: 23.1%, 1HFY24: 22.9%), finance costs reduced to Rs. 100m (1HFY24: Rs. 151m) supported by a combination of lower utilization of credit facilities and declining interest rates. Consequently, net profit surged to Rs. 146m (1HFY24: Rs. 105.3m) on the back of a sizable income generated from short-term investments and lower finance cost, subsequently, leading to slight increase in net margin to 3.0% (1HFY24: 2.1%) during 1HFY25.

The Company anticipate total revenue to substantially increase to Rs. 7.0b on the back of recovery in demand while net profit is expected to reach Rs. 685m for FY25, driven by healthy gross margin and decline in financial charges.

Debt Coverage & Liquidity

The Company's liquidity profile improved in FY24, supported by enhanced cash flow generation. Funds from operations (FFO) increased substantially to Rs. 554m (FY23: Rs. 9m), 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. FFO to long-term debt and FFO to total debt dropped significantly, primarily attributed to lower cash generation during the period. Similarly, debt service coverage ratio (DSCR) increased to 1.41x (FY23: 0.42x; FY22: 1.00x), reflecting higher FFO. During 1HFY25, DSCR decreased to 0.34x, primarily driven by lower cash generation.

Current ratio has shown improvement to 0.91x (end-FY23: 0.77x, FY22: 0.84x) by end-FY24 on account of decrease in short-term debt. Current ratio slightly increased to 0.95x by end-1HFY25, reflecting impact of higher short-term investments. Moreover, liquidity comfort is derived from Rs. 4.22b (June 2024: Rs. 4.14b, June 2023: Rs. 3.99b) in biological assets as of December 2024, which, while classified as non-current under IAS 41, are liquid in nature and could provide an additional buffer if needed. Debt coverage profile and liquidity metrics are anticipated to remain intact in the ongoing year.

FINANCIAL SUMMARY				*(Amounts in Rs millions)*
BALANCE SHEET	**FY22**	**FY23**	**FY24**	**1HFY25**
Non-Current Assets (Net of Biological Assets)	1,789.1	1,993.1	1,858.0	1,873.7
Stock-in-Trade	403.9	412.3	382.0	201.8
Trade Debts	161.4	239.0	335.0	340.3
Biological Assets	2,671.4	3,994.6	4,142.2	4,226.6
Cash & Bank Balances	27.5	107.3	237.0	161.9
Short Term Investments	-	-	-	744.6
Total Assets	**5,435.9**	**7,289.8**	**7,606.2**	**8,121.0**
Trade and Other Payables	522.9	944.2	1,039.0	884.8
Short Term Debt	439.6	460.4	380.0	966.3
Long Term Debt	776.1	767.8	657.0	576.5
Total Debt	**1,215.8**	**1,228.2**	**1,037.0**	**1,542.8**
Total Liabilities	**1,920.6**	**2,486.7**	**2,432.0**	**2,800.5**
Paid-up Capital	2,000.0	2,200.0	2,200.0	2,200.0
Total Equity	**3,515.3**	**4,803.1**	**5,174.4**	**5,320.8**
INCOME STATEMENT	**FY22**	**FY23**	**FY24**	**1HFY25**
Net Revenue	6,566.1	10,190.9	10,562.0	4,839.4
Cost of Sales	4,592.2	7,339.1	8,155.0	3,722.2
Gross Profit	1,973.9	2,851.8	2,407.0	1,117.1
Operating Profit	1,026.8	1,450.3	833.0	294.6
Finance Cost	114.7	226.0	283.0	100.0
Profit before Tax	912.2	1,224.3	550.0	194.5
Profit after Tax	**861.1**	**1,247.8**	**353.0**	**146.0**
RATIO ANALYSIS	**FY22**	**FY23**	**FY24**	**1HFY25**
Gross Margin	30.1%	28.0%	22.8%	23.1%
Net Margin	13.1%	12.2%	3.3%	3.0%
FFO	204.3	9.3	554.4	41.9
FFO to Total Debt *	16.8%	0.8%	53.5%	2.7%
FFO to Long Term Debt *	26.3%	1.2%	84.4%	7.3%
Current Ratio (x)	0.84	0.77	0.91	0.95
CCC *	0	(9)	(17)	(20)
Debt Servicing Coverage Ratio (x) *	1.00	0.42	1.41	1.44
Gearing (x)	0.35	0.26	0.20	0.29
Leverage (x)	0.55	0.52	0.47	0.53
(Stock in Trade+Trade Debts)/STD	1.29	1.41	1.89	0.56
ROAA (%) *	18.4%	19.6%	4.7%	7.6%
ROAE (%) *	27.9%	30.0%	7.1%	11.5%

**Annualized*
P: Management projections

REGULATORY DISCLOSURES — Annexure I

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/Watch	Rating Action
		RATING TYPE: ENTITY		
10-Jun-24	**A-**	**A2**	**Stable**	**Maintained**
12-Jun-23	A-	A2	Negative	Maintained
20-Apr-22	A-	A2	Stable	Reaffirmed
1-Jun-21	A-	A2	Stable	Initial
		Rating Type: SUKUK-I		
10-Jan-25		**A1**		**Final**
12-Aug-24		A1 (plim)		Preliminary
		Rating Type: SUKUK-II		
5-May-25		**A1 (plim)**		**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.
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Due Diligence Meeting Conducted

Name	Designation	Date
Mr Humza Chaudhary	CFO	08-Apr-2025