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**APPLICABLE****METHODOLOGY(IES):****VIS Entity Rating Criteria****Methodology – Industrial Corporates**

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

**VIS Issue/Issuer Rating Scale**

(<https://docs.vis.com.pk/docs/VISRatingScales.pdf>)

**Instrument Rating****Methodology**

(<https://docs.vis.com.pk/Methodologies-2025/IRM-Apr-25.pdf>)

**AT-TAHUR LIMITED**

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

**RATING DETAILS**

RATINGS CATEGORY	SUKUK RATING	
SHORT TERM SUKUK 2 (STS 2)	A1	A1 (plim)
RATING ACTION	Final	Initial
RATING DATE	August 1, 2025	May 5, 2025

**RATING RATIONALE**

At-Tahur Limited (PREMA or the Company) has issued a short-term, secured, privately placed Sukuk amounting to Rs. 750m inclusive of a Green Shoe Option of Rs. 150m. The issue is being utilized by PREMA to meet its working capital requirements. The instrument has 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 rate is 6M Kibor + 1.5% per annum. Assigned rating reflects the 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. Debt servicing coverage and leverage ratios, although within adequate range, were impacted by increase in borrowings.

**SUKUK ISSUE DETAILS**

PREMA has issued a short-term rated, secured, privately placed Sukuk on June 2<sup>nd</sup>, 2025 to eligible investors amounting to Rs. 750m inclusive of a Green Shoe Option of Rs. 150m.

The first drawdown date of the instrument was June 2<sup>nd</sup>, 2025. The repayment of STS-2 is December 2<sup>nd</sup>, 2025. This is the Company's second STS issuance (STS-2), replacing STS-1, which was redeemed on June 12<sup>th</sup>, 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% per annum.

RS. MILLION	FY23	FY24	9MFY25
Total Revenue	10,191	10,562	7,655
NPBT	1,224	550	413
PAT	1,248	353	343
Paid up call	2,186	2,186	2,186
Equity (incl. surplus on PEE)	4,803	5,174	5,518
Total Debt	1,228	1,037	1,628
Debt Leverage (x)	0.52	0.47	0.51
Gearing (x)	0.26	0.20	0.30
FFO	9	554	194
FFO/Total Debt (x)*	0.01	0.53	0.16
NP Margin	12.2%	3.3%	4.5%

Security Structure: The security structure is 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 will effectively maintain and 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, 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, this is in alignment with expansion in skimmed milk market used largely for confectionary, sweets and flavored drinks. In FY24, Pakistan's dairy

exports, including milk, cream, butter, and curd, were nominal, placed at approximately Rs. 1.9b (FY23: Rs. 2.3b) reflecting an increase of 76.9%. The fresh milk supply 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 along with supply side challenges in collection, acceptance of packaged milk and door step delivery of fresh milk.

## Product Profile & Capacity

The livestock comprising mature and immature comprises heifers/calves, bulls and milking cows, not only used in milking season but also contributes as 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. In 9MFY25, capacity utilization of liquid products and non-liquid products stood at 56.1% and 19.4% respectively.

## FINANCIAL RISK

### Capital Structure

Capitalization structure remained intact as gearing & leverage ratios improved modestly in FY24. The equity base increased to Rs. 5.17b (FY23: Rs. 4.80b), supported by profit retention. Gearing stood at 0.20x (FY23: 0.26x, FY22: 0.35x) and leverage at 0.47x (FY23: 0.52x; FY22: 0.55x) on account of decrease in total debt. Gearing ratio and leverage increased slightly to 0.30x and 0.51x, driven by sharp increase in short-term debt at end-9MFY25 on account of higher working capital requirements. Lowering capitalization ratios will bode for the assigned ratings.

### 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, as higher sales of milk were countered by decline in net gains from livestock valuation. During the review period, sales of milk products contributed an average of 52% to net revenue, with net gains at time of milking accounting for 35% and livestock valuation making up the remaining 13%. Sales mix in terms of products was largely similar in FY24 compared to FY23. In 9MFY25, contribution of processed milk and yogurt sales was higher in comparison to previous years, mainly due to decline in sales of raw milk.

Product wise Sales mix						
	FY23		FY24		9MFY25	
Raw milk	959.0	19.6%	1,334.4	22.8%	557.4	13.6%
Processed milk	2,820.5	57.6%	3,302.4	56.5%	2,425.8	59.1%
Yogurt	637.8	13.0%	773.4	13.2%	774.3	18.8%
Others (cheese, butter etc.)	482.4	9.8%	435.3	7.4%	350.2	8.5%
<b>Total</b>	<b>4,899.7</b>	<b>100%</b>	<b>5,845.4</b>	<b>100%</b>	<b>4,107.8</b>	<b>100%</b>

Gross margin contracted 22.8% (FY23: 28.0%) in FY24 as a result of elevated packaging 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 to Rs. 353.0m in FY24 (FY23: Rs. 1.2b). For 9MFY25, net revenue was mostly unchanged at Rs. 7.65b (9MFY24: Rs. 7.77b) with a slightly lower gross margin of 21.1% (9MFY24: 22.8%). Net profit stood at Rs. 343m (9MFY24: Rs. 236m), primarily due to reduced finance costs and higher other income, improving the net margin to 4.5% (9MFY24: 3.0%) in 9MFY25. Overall profitability profile of the Company has posted some improvement in on-going year when compared to FY24, however, the same remained lower than FY23. The Company anticipates sales from dairy products to increase on the back of recovery in demand while net profit is expected to rise, driven by healthy gross margin and continued decline in financial charges.

## Debt Coverage & Liquidity

Despite the decrease in profitability, funds from operations (FFO) increased to Rs. 539m (FY23: Rs. 39m), primarily due to surge in non-cash adjustments, driven by lower gains arising from changes in fair value and loss on sale of dairy livestock. This resulted in a marked improvement in FFO to long-term debt and FFO to total debt, which stood at 82% (FY23: 5%; FY22: 28%) and 52% (FY23: 3%; FY22: 18%) 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 1.38x (FY23: 0.48x, FY22: 1.04x), reflecting higher FFO. During 9MFY25, DSCR decreased to 1.06x, primarily driven by lower cash generation. On the liquidity front, 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 increased to 1.02x by end-9MFY25, reflecting impact of lower trade payables. Moreover, liquidity comfort is derived from Rs. 4.19b (June 2024: Rs. 4.14b, June 2023: Rs. 3.99b) in biological assets as of March 2025, which, while classified as non-current under IAS 41, are marketable in nature and could provide an additional buffer, if needed. Notable improvement in debt coverage profile and liquidity metrics is not anticipated in the coming year

FINANCIAL SUMMARY		(Amounts in Rs millions)		
BALANCE SHEET	FY22	FY23	FY24	9MFY25
Non-Current Assets (Net of Biological Assets)	1,789.1	1,993.1	1,858.0	1,954.6
Stock-in-Trade	403.9	412.3	382.0	323.3
Trade Debts	161.4	239.0	335.0	390.1
Biological Assets	2,671.4	3,994.6	4,142.2	4,187.5
Cash & Bank Balances	27.5	107.3	237.0	265.1
<b>Total Assets</b>	<b>5,435.9</b>	<b>7,289.8</b>	<b>7,606.2</b>	<b>8,336.4</b>
Trade and Other Payables	522.9	944.2	1,039.0	791.9
Short Term Debt	439.6	460.4	380.0	1,047.1
Long Term Debt (incl. current maturity)	776.1	767.8	657.0	580.9
<b>Total Debt</b>	<b>1,215.8</b>	<b>1,228.2</b>	<b>1,037.0</b>	<b>1,628.0</b>
<b>Total Liabilities</b>	<b>1,920.6</b>	<b>2,486.7</b>	<b>2,432.0</b>	<b>2,818.9</b>
Paid-up Capital	2,000.0	2,200.0	2,200.0	2,200.0
<b>Total Equity</b>	<b>3,515.3</b>	<b>4,803.1</b>	<b>5,174.4</b>	<b>5,517.9</b>
INCOME STATEMENT	FY22	FY23	FY24	9MFY25
Net Revenue	6,566.1	10,190.9	10,562.0	7,654.8
Gross Profit	1,973.9	2,851.8	2,407.0	1,756.0
Operating Profit	1,026.8	1,450.3	833.0	571.2
Finance Cost	114.7	226.0	283.0	158.2
Profit before Tax	912.2	1,224.3	550.0	412.9
<b>Profit after Tax</b>	<b>861.1</b>	<b>1,247.8</b>	<b>353.0</b>	<b>343.0</b>
RATIO ANALYSIS	FY22	FY23	FY24	9MFY25
Gross Margin	30.1%	28.0%	22.8%	22.9%
Net Margin	13.1%	12.2%	3.3%	4.5%
FFO	214.8	39.4	539.5	193.9
FFO to Total Debt (x) *	0.18	0.03	0.52	0.16
FFO to Long Term Debt (x) *	0.27	0.05	0.82	0.45
Current Ratio (x)	0.84	0.77	0.91	1.02
CCC (days) *	0	(9)	(17)	(14)
Debt Servicing Coverage Ratio (x) *	1.04	0.48	1.38	1.08
Gearing (x)	0.35	0.26	0.20	0.30
Leverage (x)	0.55	0.52	0.47	0.51
(Stock in Trade+Trade Debts)/STD (x)	1.38	1.51	1.98	0.73
ROAA*	18.4%	19.6%	4.7%	5.7%
ROAE*	27.9%	30.0%	7.1%	8.6%

\*Annualized



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										
	14-Jul-25	A-	A2	Stable	Reaffirmed						
	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: Short-term Sukuk 2 (STS 2)										
	1-Aug-25		A1		Final						
	5-May-25		A1 (plim)		Preliminary						
Instrument Structure	STS 2: PREMA has issued a short-term rated, secured, privately placed Sukuk to eligible investors amounting to Rs. 750m inclusive of a Green Shoe Option of Rs. 150m, with a tenor of six months.										
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	<table><tr><td>Name</td><td>Designation</td><td>Date</td></tr><tr><td>N/A</td><td>N/A</td><td>N/A</td></tr></table>					Name	Designation	Date	N/A	N/A	N/A
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