

## RENACON PHARMA LIMITED

### Analyst:

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RATING DETAILS		
RATINGS CATEGORY	Latest Rating	
	Medium to Long-term	Short-term
ENTITY	A-	A2
RATING OUTLOOK/WATCH	Stable	
RATING ACTION	Initial	
RATING DATE	February 19, 2026	

Shareholding (5% or More)	Other Information
Treet Corporation Limited – 55.86%	Incorporated in 2009
Syed Shahid Ali – 10.09%	Public Limited Company
Dr Salman Shakoh – 11.93%	Chief Executive: Sajeel Usmani
Lubna Shakoh – 13.09%	Chairperson: Dr. Salman Shakoh
	External Auditor: Rahman Sarfaraz Rahim Iqbal Rafiq

### 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 Renacon Pharma Limited's ('RPL' or 'the Company') strong market position as Pakistan's leading manufacturer of hemodialysis concentrates, with an estimated market share of around 65%, non-cyclical demand dynamics, sponsor support from Treet Corporation Limited ('Treet') and significant capacity expansion undertaken in FY25. Ratings also incorporate the Company's internationally recognized quality certifications, and sound internal controls underpin a sound corporate governance framework. RPL's planned expansion over the rating horizon, aimed at strengthening its domestic footprint, growing exports, and diversifying its product portfolio will remain important for the ratings.

RPL has transitioned from a small-scale operation into a structured industrial entity under Treet's umbrella. A transformative milestone was achieved in FY25 with the commissioning of a 40-acre manufacturing facility in Faisalabad. This strategic investment effectively tripled the production capacity compared to the previous plant, positioning RPL to meet the rising demand for dialysis products across the country and internationally.

The business risk profile is supported by the essential nature of hemodialysis treatment, and a growing patient base. Competitive strengths stem from economies of scale, automation, quality certifications, and industry presence, though external pressures persist, including cost inflation, regulatory oversight, and price sensitivity in institutional tenders. Net sales have steadily increased, mainly on the back of volumetric growth.

Margins, though remaining sound, weakened in FY25 due to inflationary pressures, higher freight, depreciation, administrative, and finance costs. Consequently, FFO and debt service coverage ratios declined, while gearing and leverage remained elevated, due to higher borrowings mobilized for expansion. Sponsor support is evident from the fact that the majority of short-term debt has been provided by Treet.

RPL intends to focus on strengthening its domestic footprint, enhancing exports, and diversifying its product portfolio, while also improving operational efficiencies. Leverage indicators are projected to improve, with the partial conversion of long-term debt into equity during FY26. Moreover, the Company plans an IPO in FY27, which is expected to enhance its financial flexibility. The ratings would remain sensitive to management's above-mentioned initiatives to improve the Company's financial risk profile, going forward.

### Company Profile

Renacon Pharma Limited is a public limited pharmaceutical manufacturing company incorporated on July 07, 2009. The Company is part of Treet Group operating across various sectors including personal care products, packaging, soaps (Treet Corporation Limited), batteries (Treet Battery Limited) and hemodialysis concentrates (RPL). Treet Corporation Limited maintains a majority stake in RPL with a 55.86% direct equity interest. The remaining shares are distributed among the directors, none of whom holds an individual stake exceeding 5%.

The head office is located at 72-B, Industrial Area Kot Lakhpat, Lahore. Location of new production plant is Plot Number 5 & 6 – Phase 2, M-3 Industrial City, Sahianwala Interchange, Faisalabad. Number of employees stood at 111 (June 2024: 99) as of end-June 2025.

RPL offers a comprehensive range of hemodialysis formulations and equipment designed for various machine brands including Hemodialysis Concentrates, specialized Powders & Cartridges, Dialysis Disposables and Medical Equipment & Sanitizers.

### Management and Governance

RPL was founded on the technical innovation of Dr. Salman Shakoh, who developed Pakistan's first liquid hemodialysis concentrate formula in the early 1990s. Originally serving as CEO, Dr. Shakoh led the RPL till 2017, when the Treet Corporation Limited acquired a majority equity stake. This transition transformed the business from a SME into a regulated corporate entity within Treet umbrella, with Dr. Shakoh moving into his current role as Chairman.

Name	Role
Dr. Salman Shakoh	Chairman
Syed Shahid Ali	Non-Executive Director
Syed Sheharyar Ali	Non-Executive Director
Dr. Salman Faridi	Non-Executive Director
Mr. Jamal Mustafa Siddiqui	Non-Executive Director
Ms. Zunaira Dar	Non-Executive Director
Dr. Haroon Latif Khan	Independent Director
Mr. Muhammad Mohtashim Aftab	Non-Executive Director

The Company is now managed by a team led by CEO Sajeel Usmani, who joined RPL in 2023 and brings over 27 years of experience of working in multinational companies such as 3M and Sanofi Aventis. The management is overseen by a diverse Board of Directors comprising seasoned professionals from banking, finance, and medical sectors, ensuring a balanced approach towards both commercial growth and clinical integrity.

The board maintains a schedule of regular, recorded meetings of quarterly performance reviews and comprehensive annual budget evaluations. This structured oversight ensures that strategic objectives, standards of corporate accountability and regulatory compliance are met. Sound internal control parameters have been put in place in order to maintain quality standards of products required for evaluation criteria in the bidding process. The Company holds ISO 9001:2015, ISO 13485:2016, and CE 1639 certifications from SGS, EU. Its products are approved by the MHRA (UK) for sale in Europe, with FDA (USA) certification currently in process. The Company's audit firm, Rahman Sarfaraz Rahim Iqbal Rafiq, is in SBP's panel of auditors in 'A' category and has a valid QCR rating. They reported no major issues in FY23, FY24 and FY25 financial statements.

## Business Risk

### INDUSTRY

Demand of hemodialysis market is driven by adverse demographic and health trends. Pakistan's population growth is expected to add 25,000–50,000 new end-stage renal disease (ESRD) cases annually (as per UNDP Pakistan data), while rising diabetic cases growing at 11–12% per annum and continue to expand the dialysis patient base. Improvement in healthcare coverage has been slow (2024: 54%; 2015: 40%) as per the UHC Monitoring Report. Public health spending at 0.9% of GDP continues to limit services, particularly in rural areas, leaving many households vulnerable to health-related financial stress. However, Pakistan's dialysis accessibility has expanded through improved health insurance and the rapid expansion of specialized medical hubs:

- The Sindh Institute of Urology and Transplantation (SIUT) scaled up capacity via a new 200 session daily facility in Karachi, backed by higher provincial spending.
- Khyber Pakhtunkhwa's Sehat Card Plus provides free dialysis and transplants to over 10 million families at hubs like BKMC (Bacha Khan Medical Complex).
- Islamabad offers cashless dialysis at PIMS (Pakistan Institute of Medical Sciences), integrating federal capital residents into the national health insurance framework.
- Balochistan provides life-saving renal care through its Rs 7 billion Awami Endowment Fund and BINUQ's (Balochistan Institute of Nephro-Urology) specialized services in Quetta.
- By 2025, the Punjab CM Dialysis Program Card program officially launched with over 215 empaneled hospitals, providing more than 1.1 million free sessions while integrating digital records and strict SOP monitoring to ensure patient safety and care continuity.

RPL commands an estimated 65% market share facing limited competition from smaller players like Medipak Limited and Fresenius Medical Care Pakistan. RPL leveraged its early market entry with a facility in Lahore and expanded into a new, high-capacity, automated plant at M-3 Industrial City, Faisalabad.

The new plant has facilitated the Company in automating processes starting from procurement to distribution. Moreover, given superior quality certifications, RPL qualifies for major tenders, acting as a competitive edge against peers. Enduring relationships, particularly with SIUT, provide crucial competitive resilience in Pakistan's healthcare landscape. Securing high-volume government orders ensures a sustainable revenue stream, augmenting further expansion and reinforcing market dominance.

Overall, business risk is assessed as medium to low, supported by the increasing demand of an essential nature product, RPL's dominant market position, and moderate capital and technology requirements. The positive impact of such factors is partly offset by cost inflation and a high level of regulatory oversight.

### OPERATIONAL UPDATE

In February 2025, RPL shifted its operations from small scale setup at Ferozpur Road, Lahore, to a larger facility within Faisalabad Special Economic Zone (FSEZ) at the M-3 Industrial City, Faisalabad. The facility is located on 40 acres of land, out of which the plant occupies 20 acres of land.

During FY25, Rs. 1.8b capex was made to facilitate expansion with annual capacity reaching 10.60 million (FY24: 2.40 million) sessions. Production of hemodialysis concentrates increased by 15.3% to 2.72m (FY24: 2.36m) in FY25 to meet increasing demand.

Production metrics of hemodialysis concentrates	FY23	FY24	FY25
Annual capacity (thousand sessions)	2,400	2,400	10,600
Annual production (thousand sessions)	2,473	2,358	2,718
<i>Capacity utilization</i>	<i>103.0%</i>	<i>98.3%</i>	<i>25.6%</i>

### SALES & PROFITABILITY

RPL maintains its leading position in the market through competitive annual bidding process, involving technical and financial evaluations by public and private hospitals and regulatory bodies like DRAP. The Company's longstanding presence in the market and firm demand of the core product have helped in increasing net sales at a compound aggregate growth rate (CAGR) of 23% from FY23 to FY25. Hemodialysis concentrates account for over 99% of total revenue. In FY25, sales volumes rebounded by 16.8% in FY25 after a minor dip in the previous year. The Company plans to expand its portfolio by adding biopharmaceutical products, mainly for the treatment of cancer and diabetes. Looking ahead, management projects that positive trend in sales volumes and revenue will continue over the rating horizon.

Revenue is dominated by domestic sales (93%) with exports accounting for 7% of revenue. Exports stem mostly from developing countries in the continents of Asia and Africa. Concentration risk is moderate as top ten customers account for around 40% of sales volumes. SIUT has the largest share of 15% (FY24: 14%) of the sales volumes in FY25. Raw material costs comprise 82% of cost of sales. Majority of raw material composition is pet bottles, glucose and pharma grade salt, which are locally sourced. Imported sodium carbonate represents less than 10% of raw material expenditure. RPL maintained healthy profitability, with average gross and net margins of 28.92% and 9.08%, respectively, during FY23–FY25. While margins moderated in FY25, this was primarily due to elevated direct costs and finance charges associated with the development and commissioning of the new facility.

Going forward, the management expects gradual improvement in profitability from FY27 onwards, supported by availability of additional capacity to unlock economies of scale, focus on exports with lower financial charges.

### Financial Risk

#### CAPITAL STRUCTURE

Tier-1 equity strengthened to Rs. 1.2b (end-FY24: Rs. 1.0b) by end-FY25, supported by sustained profit retention. Equity also included a non-interest-bearing director loan, which is repayable at the Company's discretion. Gearing (end-FY25: 1.43x; end-FY24: 1.43x; end-FY23: 1.10x) and leverage (end-FY25: 1.80x; end-FY24: 1.77x; end-FY23: 1.40x) remained elevated due to higher borrowings undertaken for expansion, alongside an increase in trade and other payables over time.

During the FY23–FY25 period, a consistent increase in the utilization of short-term borrowings was driven by higher product volumes. These interest-bearing short-term loans payable at demand, mainly from the parent company - Treet Corporation Limited, increased to Rs. 593m (end-FY24: Rs. 378m; end-FY23: Rs. 294.5m) at end-FY25. The long-term loan of Rs. 1b (FY24: Rs. 1.1b; FY23: Rs. 556m) includes borrowings from Karandaz

amounting Rs. 605m, out of which 50% of the amount (Rs. 302.5m) is planned to be converted into equity during FY26. The Company also plans to make RPL a public listed company by floating shares through an IPO in FY27. The proceed from the said IPO amounting Rs. 1.1b will be utilized for BMR initiatives, settlement of existing debt, and strengthening of working capital lines. Gearing and leverage are therefore projected to improve significantly going forward.

#### DEBT COVERAGE & LIQUIDITY

Debt coverage ratios weakened in FY25. The impact of elevated finance costs during the expansionary phase along with lower funds from operations (FFO) led to contraction in FFO to debt ratio to 4.1% (FY24: 17.12%; FY23: 13.53%) and debt service coverage ratio (DSCR) to 0.83x (FY24: 2.21x; FY23: 1.83x). Debt coverage metrics are projected to improve on the back of gradual increase in FFO and reduction in finance costs.

Liquidity also weakened at end-FY25, with the current ratio declining to 0.79x (FY24: 1.21x; FY23: 1.09x), primarily due to an increase in trade and other payables and short-term borrowings. While the Company extended its payables cycle, leading to marginal improvement in the cash conversion cycle to 73 days in FY25 (FY24: 79 days), receivables days extended beyond 90 days, mainly owing to delays in receivables from government tenders. Aging profile of receivables is tabulated below:

Aging profile of trade debts	FY25	FY24
Less than 30 days	72.57%	68.67%
Past due 1 - 3 months	11.37%	8.32%
Past due 3 - 6 months	2.98%	6.92%
Past due 6 - 12 months	4.63%	8.94%
Above one year	8.44%	7.15%
<b>Total</b>	<b>100%</b>	<b>100%</b>

<b>FINANCIAL SUMMARY</b>					
<b>Balance Sheet (Rs Millions)</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25A</b>	<b>FY26P</b>	<b>FY27P</b>
Property, plant and equipment	1,339	1,890	2,283	2,384	2,723
Stock-in-trade	106	129	164	180	252
Trade debts	197	383	415	420	659
Cash & Bank Balances	29	23	22	131	138
Other Assets	400	471	384	304	216
<b>Total Assets</b>	<b>2,071</b>	<b>2,894</b>	<b>3,268</b>	<b>3,419</b>	<b>3,988</b>
Creditors	95	131	266	212	210
Long-term Debt (incl. current portion)	556	1,092	1,006	706	380
Short-Term Borrowings	97	27	75	358	150
Interest Bearing Short-Term Loan from Sponsor	295	378	594	-	-
<b>Total Debt</b>	<b>947</b>	<b>1,497</b>	<b>1,674</b>	<b>1,065</b>	<b>530</b>
Other Liabilities	165	220	161	442	17
<b>Total Liabilities</b>	<b>1,207</b>	<b>1,848</b>	<b>2,100</b>	<b>1,718</b>	<b>757</b>
Paid up Capital	624	624	624	624	1,124
Revenue Reserve	190	373	494	702	1,107
Other Equity (excl. Revaluation Surplus)	0	0	0	303	927
Non-Interest-Bearing Sponsor Loan	50	50	50	50	50
<b>Equity (excl. Revaluation Surplus)</b>	<b>863</b>	<b>1,046</b>	<b>1,168</b>	<b>1,678</b>	<b>3,208</b>
<b>Income Statement (Rs Millions)</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25A</b>	<b>FY26P</b>	<b>FY27P</b>
Net Sales	1,067	1,370	1,615	1,902	2,352
Gross Profit	223	471	509	615	859
Operating Profit	138	310	293	256	453
Finance Costs	48	59	135	128	52
Profit Before Tax	91	251	157	121	393
<b>Profit After Tax</b>	<b>67</b>	<b>183</b>	<b>122</b>	<b>79</b>	<b>255</b>
<b>Ratio Analysis</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25A</b>	<b>FY26P</b>	<b>FY27P</b>
Gross Margin	20.90%	34.37%	31.49%	32.34%	36.53%
Operating Margin	12.96%	22.63%	18.11%	13.46%	19.24%
Net Margin	6.32%	13.39%	7.53%	4.13%	10.86%
Funds from Operation (FFO) (Rs Millions)	128	256	68	156	368
FFO to Total Debt*	13.5%	17.1%	4.1%	14.7%	69.4%
FFO to Long Term Debt*	23.0%	23.5%	6.8%	22.1%	96.8%
Gearing (x)	1.10	1.43	1.43	0.63	0.17
Leverage (x)	1.40	1.77	1.80	1.02	0.24
Debt Servicing Coverage Ratio* (x)	1.83	2.21	0.83	1.85	8.37
Current Ratio (x)	1.09	1.21	0.79	0.86	3.04
(Stock in trade + trade debts) / STD (x)	0.78	1.27	0.87	1.68	6.08
Cash Conversion Cycle (days)	46	79	73	61	85
Return on Average Assets*	4.0%	7.4%	4.0%	2.4%	6.9%
Return on Average Equity*	8.3%	19.2%	11.0%	5.5%	10.5%

\*Annualized, if required

A - Actual Accounts

P - Projected Accounts

REGULATORY DISCLOSURES						Appendix I
Name of Rated Entity	Renacon Pharma Limited					
Sector	Pharmaceuticals					
Type of Relationship	Solicited					
Purpose of Rating	Entity Ratings					
Rating History	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook/Watch</b>	<b>Rating Action</b>	
	<b>RATING TYPE: ENTITY</b>					
	19-Feb-2026	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	<b>Name</b>	<b>Designation</b>		<b>Date</b>		
	Uzair Ahmed	CFO - RPL		05-Jan-26		
	M. Abdul Rehman	Senior Manager Treasury - Group				