

Analysts:

M. Amin Hamdani

(amin.hamdani@vis.com.pk)

Husnain Ali

(husnain.ali@vis.com.pk)

**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>**ANA & BATLA INDUSTRIES (PRIVATE)
LIMITED****Chairman: Mahmood Shafi Batla****Chief Executive: Dawood Shafi Batla****RATING DETAILS**

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	BBB+	A2	BBB	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Upgrade		Reaffirmed	
RATING DATE	August 29, 2025		September 12, 2024	

RATING RATIONALE

Ana & Batla Industries (Private) Limited ('ABI' or 'the Company') is a family-owned company, engaged in production and selling of personal hygiene products and has captured around 10% market share in baby diapers market in Pakistan. Sponsor support exists in the form of non-interest bearing sponsor loans, payable at the discretion of the Company that are considered part of equity, supporting capitalization profile. Business risk remains low due to inelastic demand of baby diapers, on account of a large population and increasing birth rates in the country. Baby diapers constitute roughly 90% of the Company's revenue, though adult diapers, feminine hygiene products, and sanitary wipes, play a role in alleviating pressure on margins. While increase in net sales was noted in FY24, topline declined in 9MFY25, as ABI recalled its baby diaper stock from the market to address a quality concern. Normal dispatches of inventory resumed afterwards and will continue going forward. Healthy cash flow generation supported debt coverage metrics in FY24 and 9MFY25. Notable enhancement in liquidity profile was driven by a higher current ratio and a shorter cash conversion cycle. A decrease in debt levels in conjunction and sustained profit retention combined with equity support from sponsors, led to a reduction in capitalization ratios. Upgrade in long-term rating reflects improvement debt servicing profile, liquidity indicators and capitalization profile of the Company over the review period. The ratings also incorporate the expected increase in sales and profitability during the rating horizon. The ratings will be dependent on maintenance/enhancement in market share, sponsor support and sustainable improvement in financial indicators.

RS. MILLION	FY23	FY24	9MFY25
Net Sales	15,306.1	16,505.7	9,787.0
PBT	255.7	289.6	204.9
PAT	49.7	103.6	82.5
Paid up cap	516.8	516.8	516.8
Equity (incl. surplus on PEE)	1,756.6	1,904.0	1,986.5
Total Debt	1,178.1	991.6	832.8
Debt Leverage (x)	2.60	2.25	1.87
Gearing (x)	0.67	0.52	0.42
FFO	159.2	279.1	244.9
FFO/Total Debt (x)*	0.14	0.28	0.29
NP Margin	0.3%	0.6%	0.8%

COMPANY PROFILE

ABI was incorporated as a private limited company in 2016. The principal activity of the Company is to manufacture, import, export and trade in personal hygiene products including diapers, sanitary napkins, body razors, tooth brushes, wipes, chemicals and reagents. The registered office and manufacturing facility of the Company are situated in Karachi. Batla family members, Chairman Mahmood Shafi Batla and CEO Dawood Shafi Batla control 40% and 40% ownership, respectively. Both have played important roles in business growth and bring significant experience from manufacturing and distribution of cosmetic and personal hygiene market.

INDUSTRY PROFILE & BUSINESS RISK

Pakistan's contribution to the global diaper market reached \$0.43b (~Rs. 100b) in 2024, expanding at a rate of 2.1% YoY, as per Statista. With reduced import restrictions and improved understanding of hygienic products for babies, the diaper industry in Pakistan has transitioned from an import-oriented sector to a self-reliant one. This shift has led to the emergence of major consumer goods companies active in the personal care segment within the country. The major players include multinational companies Procter & Gamble (Pampers), Ontex (Canbebe), ABC International (Cool & Cool), Hayat Kimya (Molfix) and Hyeworth Renault Petersen (Huggies) while local players such as ABI (Bona Papa) and Royal Ozone/Rocket Diapers have emerged. Pakistan primarily imports raw material for baby diapers from China, United Arab Emirates, and North America. Business risk associated with baby diapers remains low due to the country's large population, increasing birth rates and a growing consumer awareness about advantages of baby hygiene products, establishing a sizable potential consumer base. Pakistan is a densely populated country with more than 250 million people and an anticipated growth rate of 4.4% from 2025 to 2029. Widespread adoption and market penetration of baby diapers is mildly hampered by low per capita income and the limited involvement of mothers in the workforce, given the crucial role of mothers as primary decision-makers for baby diapers purchasing.

Product Profile & Capacity

ABI manufactures and sells baby diapers, adult diapers, feminine hygiene and associated hygiene products. Total capacity remained unchanged in the review period and is expected to remain intact as the management has no major plans to expand capacity. The Company holds a competitive advantage over other local baby diaper manufacturers as it has an annual capacity to produce more than 2.01 billion pieces of baby diapers, which is the highest amongst local players. Market share of the Company in baby diapers segment is roughly 12% and this is expected to grow as international brands are slowly reducing their focus in the market due to low profit margins. In the review period, capital expenditure of Rs. 40m was made, mainly financed through internal cash generation and primarily utilized for the installation of on-site solar power grid (245 KW capacity) and upgradation of

packaging units. Raw materials used in producing diapers are SAP (super absorbent polymer), pulp and non-woven components. SAP and pulp are directly imported from Mexico and China while non-woven raw materials are sourced from Olefins (Pvt) Limited, an associate company. Product portfolio is tabulated as follows:

Product line	Brand
Baby diaper	Bona Papa, Nana Smarty, Momse
Adult diaper	Sofped, Mimi Papa, Dadu
Feminine hygiene care	Nofea
Others	Tegra

Capacity utilization of baby diapers improved in FY24 compared to FY23. However, amid quality issues, the Company held back stock during 9MFY25, resulting in lower capacity utilization of baby diapers although capacity utilization of adult diapers, baby pants and napkins improved, partly a result of the management's strategy for establishing its market presence and increasing product availability. Product-wise operating metrics are as tabulated below:

FY23	Installed capacity	Actual production	Capacity Utilization
Baby diaper (Piece)	2,011,992,000	863,579,983	42.92%
Baby pants (Piece)	120,000,000	12,226,876	10.19%
Adult diaper (Piece)	60,000,000	10,937,566	18.23%
Wipes (packet)	28,800,000	2,374,226	8.24%
Napkins (Piece)	150,000,000	7,373,802	4.92%
FY24	Installed capacity	Actual production	Capacity Utilization
Baby diaper (Piece)	2,011,992,000	919,593,116	45.71%
Baby pants (Piece)	120,000,000	13,019,962	10.85%
Adult diaper (Piece)	60,000,000	9,759,568	16.27%
Wipes (packet)	28,800,000	3,544,074	12.31%
Napkins (Piece)	150,000,000	44,482,019	29.65%
9MFY25	Installed capacity	Actual production	Capacity Utilization
Baby diaper (Piece)	2,011,992,000	504,917,711	33.50%
Baby pants (Piece)	120,000,000	12,987,924	14.40%
Adult diaper (Piece)	60,000,000	14,175,104	31.50%
Wipes (packet)	28,800,000	1,501,679	7.00%
Napkins (Piece)	150,000,000	32,568,003	28.90%

FINANCIAL RISK

Capital Structure

The Company's Tier-1 equity increased to Rs. 1.99b (Jun'24: Rs. 1.90b, Jun'23: Rs. 1.76b) by Mar'25, on the back of profit retention. Additionally, sponsor loans remained intact amounting Rs. 553.4m (Jun'24: Rs. 553.4m, Jun'23: Rs. 522.6m) at end-Mar'25. These loans are interest free, repayable at the discretion of Company, and are considered part of equity.

Gearing ratio decreased to 0.52x (end-FY23: 0.67x) by end-FY24 on account of lower long-term borrowings and higher equity base. Leverage improved to 2.25x (end-FY23: 2.60x) due to higher equity base. Gearing ratio decreased further to

0.42x and leverage to 1.87x by end-9MFY25, as the Company retired long-term debt while trade payables and accrued expenses also decreased. Going forward, capitalization ratios are projected to improve given that no major capex is forecasted during the rating horizon and also equity base is expected to expand, though at a slow rate.

Profitability

Growth in net sales restricted to 7.8% in FY24 compared to an increase of 22.7% in FY23 largely due slight increase in pricing amid largely stable demand. In 9MFY25, net sales declined to Rs. 9.8b (9MFY24: Rs. 13.2b) as ABI recalled its baby diaper stock from the market to address a quality issue in the adhesive tape fasteners. This issue was resolved, and normal dispatches resumed from 4QFY25. Concentration risk exists, with baby diapers generating 90% of revenue in FY23 and FY24. The risk is partly mitigated by the inelastic demand for the product, which also reduces offtake risk. Notably, proportion of sales volumes from baby diapers has declined to 89% (FY24: 93%, FY23: 94%) by 9MFY25, impacted by higher offtake of all other products. Exports, though making nominal impact, increased to Rs. 199.5m (FY23: Rs. 75.6m) in FY24. African countries and Turkey were the largest export destinations. Product-wise sales composition is in the table below:

Rupee terms	FY24	9MFY25	Sales volumes (pieces)	FY24	9MFY25
Baby Diaper	87.46%	77.30%	Baby Diaper	92.77%	89.02%
Baby Pants	1.86%	3.11%	Baby Pants	1.34%	2.28%
Adult Diaper	4.26%	10.33%	Adult Diaper	0.98%	2.50%
Wipes (Packet)	2.63%	2.08%	Wipes (Packet)	0.37%	0.27%
S-Napkin	3.70%	6.90%	S-Napkin	4.46%	5.72%
Tooth Brush	0.05%	0.11%	Tooth Brush	0.03%	0.06%
Body Razer	0.04%	0.17%	Body Razer	0.03%	0.14%
Tegra Soap	0.00%	0.01%	Tegra Soap	0.00%	0.00%
Total	100.00%	100.00%	Total	100.00%	100.00%

Baby diapers market is volume driven and product margins are normally thin. The same is reflected in a low gross margin, which decreased to 7.5% (FY23: 9.7%) in FY24 and further dipped to 7.2% (9MFY24: 9.5%) in 9MFY25 as the Company largely retained prices despite increased cost pressures. Other operating expenses decreased to Rs. 21.4m (FY23: Rs. 263.6m) in FY24 owing to absence of foreign exchange losses in FY24. Finance costs remained largely unchanged. In FY24, net profit increased to Rs. 103.6m (FY23: Rs. 49.7m), mainly due to lower operating expenses and lower incidence of taxation. Net margin therefore improved to 0.6% (FY23: 0.3%) in FY24. A further uptick in net margins were witnessed in 9MFY25 to 0.8% (9MFY24: 0.6%) mainly due to lower operating costs and decrease in financial charges in 9MFY25. Net sales in FY25 are anticipated to be lower than FY24 mainly on account of decline in volumes. However, according to the management, with increasing focus of marketing efforts and higher sales of baby pants, wipes and napkins, a topline of Rs. 19-20b is expected in FY26. Moreover, rationalization of input costs and finance costs may result in uptick in profitability.

Achieving projected sales figures while expanding market position and improving profit margins are crucial from ratings perspective.

Debt Coverage & Liquidity

Debt coverages and liquidity profile strengthened in the review period. By 9MFY25, DSCR (debt servicing coverage ratio) increased to 1.4x (FY24: 1.3x, FY23: 1.3x) driven by higher FFO (9MFY25: Rs. 245m; FY24: Rs. 279m, FY23: Rs. 159m) and reduction in debt obligations. Similarly, FFO to total debt coverage also improved to 29.4% (FY24: 28.2%, FY23: 13.5%) in 9MFY25. Current ratio increased to 1.20x (end-FY24: 1.11x, end-FY23: 1.09x) by end-9MFY25. However, short-term debt coverage declined to 3.2x (end-FY24: 3.45x, end-FY23: 3.39x), reflecting the impact of lower stock-in-trade and trade debts. Cash conversion cycle remained low, as the Company continues to leverage on its payables cycle. Notably, debt coverage ratios and liquidity indicators depicted modest improvement against peers.

FINANCIAL SUMMARY				
Balance Sheet (Rs Millions)	FY22A	FY23A	FY24A	9MFY25M
Property, plant and equipment	1,150.5	1,603.9	1,444.2	1,290.2
Stock-in-trade	1,916.5	2,449.0	2,206.2	1,853.8
Trade debts	691.6	537.1	654.6	661.8
Cash & Bank Balances	44.5	136.5	77.5	135.3
Total Assets	4,579.8	6,323.7	6,179.0	5,701.9
Creditors	1,527.2	2,241.9	2,574.5	2,341.5
Accrued Expenses	276.7	326.1	309.4	201.1
Long-term Borrowings (incl. current portion)	12.0	295.1	159.4	47.2
Short-Term Borrowings	1,055.2	883.0	832.2	785.6
Total Debt	1,067.1	1,178.1	991.6	832.8
Total Liabilities	3,398.7	4,567.1	4,275.0	3,715.5
Paid up Capital	516.8	516.8	516.8	516.8
Revenue Reserve	664.1	717.3	833.8	916.4
Sponsor Loan	-	522.6	553.4	553.4
Equity (excl. revaluation surplus)	1,464.5	1,756.6	1,904.0	1,986.5
Income Statement (Rs Millions)	FY22A	FY23A	FY24A	9MFY25M
Net Sales	12,473.3	15,306.1	16,505.7	9,787.0
Gross Profit	1,115.0	1,482.7	1,235.3	701.7
Finance Costs	83.2	315.9	321.2	135.3
Profit Before Tax	238.3	255.7	289.6	204.9
Profit After Tax	80.2	49.7	103.6	82.5
Funds from Operation (FFO) (Rs Millions)	38.4	159.2	279.1	244.9
Ratio Analysis	FY22A	FY23A	FY24A	9MFY25M
Gross Margin	8.9%	9.7%	7.5%	7.2%
Net Margin	0.6%	0.3%	0.6%	0.8%
FFO to Total Debt*	0.04	0.14	0.28	0.29
Debt Servicing Coverage Ratio* (x)	1.0	1.3	1.3	1.4
Current Ratio (x)	1.10	1.09	1.11	1.20
(Stock in trade + trade debts)/STD (x)	2.47	3.39	3.45	3.2
Cash Conversion Cycle (days)	39	23	11	6
Gearing (x)	0.73	0.67	0.52	0.42
Leverage (x)	2.13	2.60	2.25	1.87
Return on Average Assets*	2.1%	0.9%	1.7%	1.9%
Return on Average Equity*	6.3%	3.4%	5.7%	5.7%

*Annualized, as required

A - audited accounts

M - management accounts

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Ana & Batla Industries (Private) Limited				
Sector	Personal Hygiene				
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				
	August 29, 2025	BBB+	A2	Stable	Upgrade
	September 12, 2024	BBB	A2	Stable	Reaffirmed
	May 18, 2023	BBB	A2	Stable	Downgrade
	February 7, 2022	BBB+	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.				
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS Credit Ratings Company Limited (VIS) does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. VIS, the analysts involved in the ratings process and members of its ratings committee do not have any conflict of interest relating to the ratings(s)/ranking(s) mentioned in this report. VIS is paid a fee for most ratings assignments. This ratings/ranking is an opinion and is not a recommendation to buy or sell any securities. Copyright 2025 VIS Credit Ratings Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.				
Due Diligence Meetings Conducted		Name	Designation	Date	
		Hafiz Hammad	Manager Finance	July-25-2025	
		Syed Ilyas Mujtaba	Manager Finance – Commercial		