

GAMALUX OLEOCHEMICALS LIMITED

Analysts:

Musaddeq Ahmed (musaddeq@vis.com.pk)

RATING DETAILS						
RATINGS CATEGORY	Latest	Rating	Previous Rating			
	Long-term	Short-term	Long-term	Short-term		
ENTITY	A- A2		A-	A2		
RATING OUTLOOK/ WATCH	Stable		Sta	able		
RATING ACTION	Reaffirmed		Reaffirmed			
RATING DATE	October 2	17, 2025	August	26, 2024		

Shareholding (5% or More)	Other Information
SNA Equity Sdn Bhd - 51.0%	Incorporated in 2000
Mr. Salman Saeed - 30.0%	Public Limited Company (Unlisted)
Mr. Usman Ahmed - 19.0%	Chief Executive: Mr. Usman Ahmed
	External Auditor: Crowe Hussain Chaudhury & Co. Chartered Accountants

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/do cs/VISRatingScales.pdf

Rating Rationale

Gamalux Oleochemicals Limited's (GOL or "the Company") ratings take into account the business risk associated with the domestic oleochemical industry, while being supported by the Company's diversified product portfolio and its demonstrated ability to adjust production and sales mix in response to changing demand trends. The Company continues to benefit from stable demand for fatty acids and glycerin, which underpin its revenue base and contribute significantly to profitability, while challenges persist in the laundry soap segment due to evolving consumer preferences toward powder detergents. The sales of soap noodles have declined as several downstream buyers have shifted to toll manufacturing arrangements instead of procuring finished noodles. The Company's continued focus on operational efficiency, product diversification, and toll manufacturing partnerships provides resilience against input cost volatility and currency pressures inherent to the sector.

Financial risk profile shows moderate improvement, driven by a stronger equity base and reduced leverage, although reliance on short-term borrowings remains significant due to high working capital requirements. Liquidity is considered adequate, supported by continued access to banking lines, though timely recovery of trade receivables remains critical. Debt coverage indicators are adequate, reflecting the Company's capacity to service obligations from operating cash flows, albeit with sensitivity to margin fluctuations.

Going forward, improvement in the Company's profitability profile and working capital management remains imperative for maintaining the assigned ratings.

Company Profile

Gamalux Oleochemicals Limited ('GOL' or 'the Company') was established in 2000 as a Private Limited Company and transitioned into a Public Limited Company (Unlisted) in May 2021. The Company's primary operations involve managing and running facilities for oleochemicals production, distillation, and soap making for sale to bulk buyers and retailers. Also, GOL supplies raw materials to soap manufacturers (B2B), produces its own consumer products for beauty and laundry soap (B2C), and undertakes toll manufacturing. Moreover, it exports its products to UAE and Uzbekistan.

Management and Governance

OWNERSHIP/CEO PROFILE

GOL is a part of the Gamalux Group, which operates in Malaysia and Pakistan. Mr. Usman Ahmed (Group CEO) formed a holding Company by the name of Gamalux Holdings SDN BHD (GHSB) in the last quarter of FY22. The holding Company (GHSB) owns 100% shares of all other subsidiaries within the group, whereas Mr. Usman Ahmed and his father, Mr. Saeed Ahmed holds 80% ownership of GHSB. Remaining 20% of the ownership is held by the Malaysian Investors.

Management team at Gamalux Oleochemicals Limited is spearheaded by Mr. Usman Ahmed (CEO) who graduated from Western Michigan University, USA with a Master's Degree in Business Administration. He was the founding VP of Bin Qasim Association of Trade and industry. He also served as the Chairman of Pakistan Soap Manufacturers Association from 2018 to 2019. Currently, Mr. Usman is a member of FPCCI General Body and Director of Pakistan Malaysia Business Council of FPCCI.

BOD's & COMMITTEE:

The Board of Directors is composed of three members, including one independent director. Two committees operate under the oversight of the Board: The Board Audit Committee and the Human Resource Committee.

Business Risk

INDUSTRY

The business risk profile of Pakistan's oleochemical industry is assessed as Medium to High. The industry converts imported palm-based derivatives (RBD palm oil, palm stearin, palm acid oil, lauric acid) into fatty acids, glycerin, soap noodles, and finished soaps, serving both industrial and consumer markets. Demand fundamentals remain stable, underpinned by Pakistan's large population base, consistent soap consumption, and industrial applications of fatty acids and glycerin. While premium soap categories are dominated by multinational FMCGs, independent producers such as Gamalux primarily cater to mid- to low-income segments where consumption is steady though highly price sensitive.

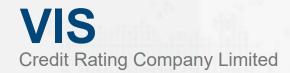
The industry is structurally dependent on imported raw materials from Malaysia and Indonesia, which exposes margins to volatility in global palm oil prices, PKR depreciation, and changes in import policy. Operations are working-capital intensive, with elevated receivable levels constraining liquidity and driving reliance on short-term borrowings. Competition in soaps and soap noodles is fragmented, with pricing as the principal differentiator. In fatty acids and glycerin business the number of players is limited as also pricing remains largely aligned with commodity dynamics. Entry barriers are moderate, shaped by capital requirements and the need for port-based infrastructure, while production technology is relatively standardized.

While soap and oleochemical consumption is expected to remain robust given essential end-use, profitability and volumes can be uneven due to input cost volatility, currency pressures, and shifts in consumer purchasing power. The industry's stability therefore rests on the ability of players to manage supply chains efficiently, maintain liquidity buffers, and adjust pricing strategies in line with market dynamics.

OPERATIONAL UPDATE:

The Company operates across laundry soap, toilet/beauty soap, soap noodles, Distilled Fatty Acid (DFA), and glycerin. In CY24, higher demand in DFA and glycerin segments resulted in increased utilization of 79% and 76% (CY23: 62% and 68%), while soap noodles utilization also rose to 65%. In contrast, laundry soap utilization declined to 54% (CY23: 49%) as consumer preference continued to shift towards powder detergents, and toilet/beauty soaps remained modest at 31%.

In 1HCY25, demand for DFA and glycerin strengthened further, with utilization reaching 95% and 91%, respectively. By comparison, laundry soap utilization dropped to 27% and soap noodles declined to 31%, while toilet/beauty soaps recorded a marginal increase to 33%. The



significant reduction in soap noodle volumes reflects a deliberate strategic shift towards high margin products. The operational performance reflects sustained demand growth in DFA and glycerin, offset by structural weakness in laundry soaps.

Production Capacity and Utilization	CY23	CY24	1HCY25
Laundry Soap Capacity (MT)	24,000	24,000	12,000
Laundry Soap Actual Production (MT)	11,659	13,058	3,254
Utilization (%)	48.58%	54.41%	27.12%
Toilet/Beauty Soap Installed Capacity (MT)	18,000	18,000	9,000
Toilet/Beauty Soap Actual Production (MT)	4,903	5,491	2,954
Utilization (%)	27.24%	30.51%	32.82%
Soap Noodles Installed Capacity (MT)	26,000	26,000	13,000
Soap Noodles Actual Production (MT)	15,120	16,934	3,965
Utilization (%)	58.15%	65.13%	30.50%
DFA Installed Capacity (MT)	30,000	30,000	15,000
DFA Actual Production (MT)	18,615	23,449	14,222
Utilization (%)	62.05%	78.16%	94.81%
Glycerine Installed Capacity (MT)	4,000.00	4,000.00	2,000.00
Glycerine Actual Production (MT)	2,698	3,022	1,827
Utilization (%)	67.45%	75.55%	91.35%

PROFITABILITY:

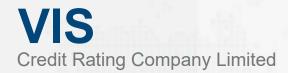
In CY24, the Company's topline increased by 33%, supported by growth in both volumes and average selling prices. The glycerin/DFA segment contributed more significantly in terms of volumes, whereas the soap noodles segment accounted for the largest share of topline in value terms. Both soap noodles and glycerin remained the primary contributors to margins, while laundry soap sales continued to decline, reflecting reduced consumer preference for bar soaps in favor of powder detergents. Gross margins improved to 24.24% (CY23: 7.08%), driven by higher sales volumes and a favorable shift in product mix. It may be noted that the Company's newly appointed auditors, *Crowe Hussain Chaudhary & Co.*, have restated prior-period financial figures following the identification of an accounting timing issue. Accordingly, a retrospective adjustment was made to record PKR 1.0 billion of purchases—with corresponding effects on inventory, cost of goods sold (COGS), and payables—in CY2023. This resulted in adjustments in margins and profitability for CY23.

In the 1HCY25, sales declined due to a combination of strategic and operational factors beyond normal seasonal trends. While the first quarter was affected by typical winter seasonality, the April–June period also experienced reduced volumes. The Company undertook planned plant upgrades to meet the growing demand from ZIL, Colgate, and other potential clients. A full plant overhaul was carried out during the first and second quarters of 2025 to ensure compliance with the stringent quality and operational standards required under toll manufacturing agreements particularly those aligned with global benchmarks set by international partners. Furthermore, the closure of utility stores negatively impacted retail demand and distribution reach. In addition, the implementation of a stricter receivables recovery policy temporarily constrained sales. Under this policy, customers with turnover days exceeding 100 were paused from receiving new stock. Although this measure reduced short-term sales, it was introduced to improve cash flow management and strengthen working capital discipline. Hence, gross margin decreased to 17.65% (FY24: 24.24%) due to lower volumes, higher gas tariffs, and increased raw material costs, while operating and net margins stood at 13.85% and 2.67%, respectively.

Financial Risk

CAPITAL STRUCTURE

The capitalization profile improved in CY24, with gearing and leverage declining to 2.30x and 4.64x (CY23: 2.55x and 5.00x) respectively, due to a higher equity base. Equity strengthened on account of unappropriated profits turning positive in CY24, supported by reported profitability during the year along with transfers from revaluation surplus on account of incremental depreciation. Further improvement was noted in 1HCY25 as gearing and leverage reduced to 2.15x and 4.24x, respectively.



Debt levels increased during the period, mainly from higher short-term borrowings, while long-term borrowings declined. The greater reliance on short-term funding in 1HCY25 was linked to higher working capital requirements arising from delayed and slow receivables recovery. Despite improvement in the capitalization profile, indicators remain elevated, keeping ratings sensitive.

DEBT COVERAGE & LIQUIDITY:

The coverage profile improved in CY24, with the debt service coverage ratio (DSCR) increasing to 1.91x (CY23: 0.45x) on the back of higher funds from operations generated through improved earnings. However, in 1HCY25, the DSCR declined to 1.51x, reflecting lower FFO in line with reduced profitability, though remaining adequate. Going forward, coverage indicators are expected to remain adequate in line with ongoing cash flow generation; however, elevated debt levels and earnings volatility may limit further improvement over the rating horizon.

Liquidity indicators improved marginally with the current ratio increasing to 1.31x in FY24 (CY23: 1.25x) and 1.34x in 1HCY25. Cash balances rose in CY24 but declined in 1HCY25, while reliance on short-term borrowings persisted. Increase in receivables resulted from unpaid amounts following the closure of the Utility Stores Corporation, along with payment delays from general trade and small retailers. The Company has recently shortened credit terms to around 45 days in an effort to better manage the receivables; however, liquidity remains dependent on timely receivable recovery and continued access to short-term funding lines.

Financial Summary	_		<u>P</u> :	KR in million
Balance Sheet (PKR Millions)	CY22A	CY23A	CY24A	6MCY25M
Property, plant and equipment	3,508.73	3,393.25	3,477.25	3,412.89
Right-of-use Assets	1.91	0.67	0.00	0.00
Stock-in-trade	2,660.13	3,163.33	4,000.00	3,987.69
Trade debts	1,082.27	2,351.28	3,827.80	4,043.37
Short-term Investments	0.00	79.86	0.00	0.00
Cash & Bank Balances	411.30	327.48	500.48	263.32
Other Assets	278.44	668.37	1,687.83	1,662.25
Total Assets	7,942.78	9,984.24	13,493.36	13,369.52
Creditors	853.07	1,862.89	2,977.28	1,982.14
Long-term Debt (incl. current portion)	217.32	452.62	899.47	799.77
Short-Term Borrowings	1,486.84	2,816.75	3,704.34	3,807.62
Total Debt	1,704.16	3,269.37	4,603.81	4,607.39
Other Liabilities	1,898.11	1,280.85	1,707.06	2,482.15
Total Liabilities	4,455.34	6,413.11	9,288.15	9,071.68
Paid up Capital	1,061.93	1,797.04	1,797.04	1,797.04
Revenue Reserve	35.00	-688.22	33.88	170.56
Other Equity (excl. Revaluation Surplus)	0.00	172.75	172.75	172.75
Sponsor Loan	0.00	0.00	0.00	0.00
Equity (excl. Revaluation Surplus)	1,096.93	1,281.57	2,003.67	2,140.35

Income Statement (PKR Millions)	CY22A	CY23A	CY24A	6MCY25M
Net Sales	4,461.00	7,600.22	10,130.31	3,452.98
Gross Profit	1,187.00	537.89	2,506.00	609.57
Operating Profit	960.57	366.56	1,884.86	478.48
Finance Costs	207.00	543.51	741.87	327.40
Profit Before Tax	753.57	-176.95	1,142.99	151.08
Profit After Tax	505.57	-376.82	632.96	92.16

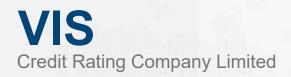
Ratio Analysis	CY22A	CY23A	CY24A	6MCY25M
Gross Margin (%)	26.61%	7.08%	24.74%	17.65%
Operating Margin (%)	21.53%	4.76%	18.50%	13.85%
Net Margin (%)	11.33%	-4.96%	6.19%	2.67%
Funds from Operation (FFO) (PKR Millions)	815.76	-166.81	1,015.82	224.79
FFO to Total Debt* (%)	47.87%	-5.10%	22.06%	9.76%
FFO to Long Term Debt* (%)	375.37%	-36.85%	112.94%	56.21%
Gearing (x)	1.55	2.55	2.30	2.15
Leverage (x)	4.06	5.00	4.64	4.24
Debt Servicing Coverage Ratio* (x)	3.43	0.45	1.91	1.51
Current Ratio (x)	1.25	1.25	1.31	1.34
(Stock in trade + trade debts) / STD (x)	2.53	1.97	2.12	2.11
Return on Average Assets* (%)	7.58%	-4.20%	5.39%	1.37%
Return on Average Equity* (%)	59.16%	-31.69%	38.53%	8.90%
Cash Conversion Cycle (days)	240.25	162.75	166.93	305.19
*Annualized if assumed				

^{*}Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts



REGULATORY DISC	CLOSURES				Appendix II			
Name of Rated Entity	Gamalux Oleochemicals Limited							
Sector	Oleochemicals (Che	emical Sector S	ub-set)					
Type of Relationship	Solicited							
Purpose of Rating	Entity Ratings							
	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action			
Detine History	RATING TYPE: ENTITY							
Rating History	10/17/2025	A-	A2	Stable	Reaffirmed			
	08/26/2024	A-	A2	Stable	Reaffirmed			
	07/12/2023	A-	A2	Stable	Reaffirmed			
Instrument Structure	N/A	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 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. Copyright 2025 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.							
Duo Diligoneo	Na	me	Designation		Date			
Due Diligence Meetings Conducted		f Ghani n Ul Haq Seni	Chief Financial Officer ior Manager – Finance &	25"	Sept 2025			