RATING REPORT

Premier Sales (Private) Limited

REPORT DATE:
August 10, 2023

RATING ANALYSTS:
Shaheryar Khan Mangan
shaheryar@vis.com.pk

Rating Category	Latest Rating		Previous Rating	
	Long-term	**Short-term**	**Long-term**	**Short-term**
Entity	A	A-1	A	A-1
Rating Outlook	Stable		Stable	
Rating Action	Reaffirmed		Initial	
Rating Date	*August 10, 2023*		*July 07, 2022*	

COMPANY INFORMATION	
Incorporated in 2020	**External Auditors:** M. Saleem Associates Chartered Accountants
Private Limited Company	**Chairman:** Mr. Ebrahim Qassim
	Chief Executive Officer: Mr. Rafique Jackwani

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Industrial Corporates (May 2023)
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale:
https://docs.vis.com.pk/docs/VISRatingScales.pdf

Premier Sales (Private) Limited

OVERVIEW OF THE INSTITUTION	RATING RATIONALE

Premier Sales (Private) Limited is a private limited company incorporated in 2020. The Company is engaged trading and distribution of Pharmaceutical, FMCG and Allied products. PSPL operates 65 branches in 55 cities within Pakistan. The registered office of the Company is situated at Plot No. 1-A/15, Sector-15, Korangi Industrial Area, Karachi, Sindh.

Premier Sales (Private) Limited ('PSPL' or 'the Company') was incorporated in Pakistan on January 30, 2020. The Company is engaged in trading and distribution of Pharmaceutical, FMCG and Allied products. PSPL operates 65 branches in 55 cities within Pakistan. The registered office of the Company is situated at Plot No. 1-A/15, Sector-15, Korangi Industrial Area, Karachi, Sindh.

PSPL is part of Premier Group of Companies (PG). PG is based in Pakistan and has a diversified group portfolio across various sectors including Textile (Zaman Textile Mills (Pvt) ltd), Pharmaceutical (PharmEvo (Pvt) ltd), and Household (Shield Corporation Ltd).

Rating Drivers

Topline growth continued to grow on the back of higher product prices

Topline of the Company has grown at a CAGR of 10.6% between FY19-FY21. However, growth in FY22 was relatively elevated, with revenue growth at 35%. The growth trend has continued in H1'FY23, with 33% growth vis-à- vis SPLY. The growth is primarily attributable to higher prices amid higher inflationary environment albeit volumes remained subdued particularly in the FMCG sector. As per management, about ~15% price increase was recorded which was partly offset by a ~2% decline in volumes. As such, topline continues to grow, with revenue recorded at Rs.122b for FY23.

Ratings incorporate PSPL's market positioning and long term contracts with clients

The Company is a prominent player in the distribution business, largely categorized as the second largest operating Company in Pakistan. The Company's services cater to a diversified category of clients from Pharmaceutical and FMCG sectors. PSPL's revenue base is segmented into four business divisions, with the most dominant sector being pharmaceutical, followed by contribution emanating from FMCG. The Company has managed to mitigate risk through presence of long-term contracts with clients.

Segment wise Sales Breakup

	FY21	FY22	H1'FY23
Total Sales (rs. In m)	**72,038**	**86,382**	**53,474**
- *FMCG*	26.2%	33.2%	33.0%
- *Import*	1.7%	1.2%	0.8%
- *Household*	28.7%	23.1%	18.9%
- *Pharmaceutical*	43.3%	42.6%	47.3%

In addition, Company continues to add new principals to its client base, including Mehran Spices, Nestle (Kitkat), DKT Pakistan, Shan Foods, Lundbeck Pakistan, and Chiesi Pharmaceuticals while at the same time, business with Unilever and Reckitt Benckiser continues to expand with increase in territorial areas.

Increasing fuel and utility costs remain key challenges for the Company

Higher inflationary environment pose a risk to the Company, given the increase in fuel cost and utility cost, impacting the demand as well as the profitability of the Company. PSPL has undertaken steps in order to curtail these cost which includes installation of solar panels. At the same time, pricing revisions with clients have been undertaken, however given the competitive environment this will be challenging and may come with a lag. In the interim, we may expect some pressure on margins.

In current high interest rate environment, existing business model is a constraint.

The Company's business model requires inventory holding of 2-4 weeks for FMCG stock and 6-8 weeks for Pharmaceutical stock. On the backdrop of having long inventory holding days, the Company is compelled to obtain short-term borrowings in order to meet working capital requirements. In addition, new principal additions call for advance payment commitments, which further increases the working capital requirements of the Company. Given the high interest rate environment, the inventory funding cost is causing a strain on profitability and consequently debt coverages. The Company in FY22 extended advance payments of ~Rs.1bn to Highnoon Pharma and Pfizer for prospective business. Liquidity metrics as a result were impacted. A revision in business terms as well as repricing is critical for long-term profitability of the Company.

Higher Financial Risk

The Company's financial risk profile depicts a high risk, given the elevated gearing and leverage indicators coupled with the decline in debt service coverage ratio driven by the increase in short term and long term debt. The Company aims to improve its gearing and debt-servicing ratio through rationalizing its short-term borrowings by way of negotiating contracts with existing and new principals. Furthermore, given the circumstances, while the Company has shelved its plans for developing warehousing space in the north, they are in the process of completing the Ahsanabad, Karachi warehouse project, which may result in slight increase in long-term debt. While sponsor loans of Rs.2bn remain intact, maintenance of the same, as well as additional support from sponsors will remain important to ease off the pressure.

Ratings continue to draw comfort from sponsor profile

Being part of Premier Group of Companies (PG), a prominent business conglomerate with interests in pharma, textiles, household and E-commerce sectors. Sponsors have from time to time have provided working capital support to the business, which is expected to continue going forward.

Premier Sales (Private) Limited

REGULATORY DISCLOSURES	Appendix I
Name of Rated Entity	Premier Sales (Private) Limited
Sector	Distribution & Logistics
Type of Relationship	Solicited
Purpose of Rating	Entity Rating
Rating History	

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
10-Aug-23	A	A-1	Stable	Reaffirmed
07-July-22	A	A-1	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.
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Due Diligence Meetings Conducted	

Name	Designation	Date
Mr. Waqas Kodvavi	CFO	**13 June 2023**
Mr. Abdul Wahab	Accounts & IT	