

PREMIER SALES (PRIVATE) LIMITED

Chief Executive Officer: Rafique Jackwani

RATING DETAILS

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A	A1	A	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	October 14, 2025		September 11, 2024	

RATING RATIONALE

The assigned ratings of Premier Sales (Private) Limited (“PSL” or “the Company”) reflect its established position in the domestic distribution sector, supported by a broad customer base and long-standing relationships with key principals. Revenue growth remained robust during the review period, supported by higher sales volumes and an expanded distribution network. The sales mix continues to be dominated by pharmaceuticals, followed by FMCG. The company’s risk profile is mitigated through the addition of new principals during the year.

Profitability improved marginally, with margins benefiting from higher sales volumes. However, operating costs remained under pressure from elevated purchase costs and higher wage levels, while distribution and selling expenses also increased in line with network expansion. Finance costs remained elevated, reflecting reliance on short-term borrowings for financing inventory. Despite these pressures, the Company maintained profitability. Equity was further strengthened through profit retention. Liquidity and debt coverage indicators are considered adequate, supported by improvement in funds from operations and increased debt servicing coverage during the period. Sponsor support continues to provide comfort

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APPLICABLE METHODOLOGY(IES):

VIS Entity Rating Criteria
Methodology –Corporates
(<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>)

Rating Scale:

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

in meeting working capital requirements and is expected to remain available going forward. The ratings remain sensitive to the Company's ability to sustain profitability, generate stronger cash flows, and manage leverage while preserving adequate liquidity.

COMPANY PROFILE

Premier Sales (Private) Limited was incorporated in Pakistan on January 30, 2020, with its head office and registered office located in Karachi. The Company is engaged in the trading and distribution of pharmaceuticals, FMCG, cosmetics, beverages, lubricants, consumer electronics, and paints. With a nationwide presence, PSPL operates through 71 branches across 62 towns, supported by an extensive infrastructure, warehousing facilities, and logistics network to ensure efficient supply chain operations. PSPL is part of the Premier Group of Companies (PG), which has a diversified presence across multiple sectors, including textiles (Zaman Textile Mills (Pvt.) Ltd.), pharmaceuticals (PharmEvo (Pvt.) Ltd.), and household products (Shield Corporation Ltd.), maintaining a strong position in Pakistan's industrial and consumer markets.

INDUSTRY PROFILE & BUSINESS RISK

Pakistan's logistics and supply chain sector plays a critical role in ensuring the availability of medicines and FMCG products nationwide. The sector's efficiency directly affects timely access, particularly given that a significant portion of pharmaceuticals and packaged consumer goods are imported. In 2023, imports of medicines and FMCG products grew, reflecting rising demand from both urban and rural markets. Market projections indicate continued growth through 2029, supported by government healthcare initiatives, expanding retail networks, and the rise of e-commerce platforms. However, the sector faces challenges. Regulatory compliance for pharmaceuticals remains stringent under the Drug Regulatory Authority of Pakistan (DRAP), while high import duties and freight costs increase procurement expenses. Gaps in warehousing and cold chain infrastructure, particularly outside major cities, can affect product quality and distribution timelines. To address these constraints, public sector investment in healthcare infrastructure and incentives for local pharmaceutical

manufacturing are underway. Combined with private sector participation, these measures are expected to enhance supply chain resilience and strengthen domestic production capabilities for medicines and FMCG products in the coming years.

The Company's business risk profile is assessed as medium to low, supported by contractual arrangements under which principals assume the bulk of foreign exchange and product expiry risks. Procurements are primarily made on an advance payment basis, while product distribution is undertaken either in cash or on credit through the nationwide branch network. A centralized order management system is operated at the head office, with warehousing infrastructure located across regional and branch offices to ensure efficient distribution. Credit exposure from sales on credit is mitigated through strict monitoring mechanisms and provisioning practices. As per contractual obligations, the Company maintains inventory holdings of 2–4 weeks for FMCG products and 6–8 weeks for pharmaceuticals, financed mainly through short-term borrowings. Advance payments, also funded through short-term facilities, are extended to certain new principals, particularly within the pharmaceutical segment.

The Company's business risk has increased over time, driven by the need to expand revenues to absorb a rising fixed cost base. Advance payment obligations to principals, along with higher procurement prices, have elevated funding requirements and led to greater reliance on short-term borrowings, resulting in high finance costs that continue to compress net margins, while gearing and leverage remain at elevated levels. These dynamics are typical in pharmaceutical and FMCG distribution, where advance purchases and working capital intensity are inherent features of the business model.

Looking ahead, sponsor support and strategic diversification are expected to provide stability. The injection of Rs. 2 bn as an interest-free loan has strengthened the balance sheet, while a commitment for further equity injection, if required, provides additional comfort. Management is rebalancing the sales mix by gradually reducing reliance on pharmaceuticals and FMCG, while increasing focus on higher-margin, slow-moving luxury goods. Recent portfolio additions, including Samsung and other leading brands, reflect a strategy to enhance profitability and mitigate sector-specific risks.

Network Update

	Towns	Outlets	Retailers	Wholesalers	Modern Trade	Others
2023	56	174,256	153,966	7,893	978	11,419
2024	58	201,413	179,838	8,460	1,009	12,106
2025	62	188,037	166,164	8,031	1,013	12,829

In FY24, Premier Sales (Private) Limited expanded to 58 towns with 201,413 outlets, supported by strong growth to 179,838 retailers and wholesalers reaching 8,460. However, in FY25, the footprint grew further to 62 towns, however outlets declined to 188,037 and retailers to 166,164, indicating a shift from rapid expansion to consolidation. Wholesalers normalized to 8,031, while modern trade outlets maintained steady growth, reaching 1,013. The performance reflects a strategic shift toward optimizing market coverage and enhancing distribution efficiency following the peak expansion in FY24.

FINANCIAL RISK

Capital Structure

The Company's total debt increased during the review period, mainly on account of higher short-term borrowings under running finance and muskarakah to fund inventory-related working capital needs. Long-term debt declined with scheduled repayments until FY24 but rose to Rs. 1 billion in FY25 due to investment in new warehouse facilities under construction. The equity base strengthened through profit retention; however, gearing exceeded 3x owing to elevated short-term borrowings. Overall leverage stood at 3.86x in FY24 and moderated slightly to 3.59x in FY25, reflecting continued reliance on short-term funding, and additional loans from related parties. Sponsor support has remained a key source of working capital financing, with PKR 2 billion in loans outstanding at end-FY25, and further backing from sponsors expected to remain important in meeting funding requirements going forward.

Profitability

The Company recorded a 21% year-on-year increase in net sales during FY25, rising to PKR 167.7 billion (FY24: PKR 138.2 billion). Revenue remains fully concentrated in the domestic market, supported by an established distribution network and deep market penetration. The sales mix in FY25 was led by pharmaceuticals, contributing 62% of total revenue, followed by FMCG at 29%, while the remaining 9% was generated from the Consumer and Cosmetics segments. Concentration remains well-managed, with the top ten principals accounting for 70.8% of total sales and the largest principal contributing 10.6%. Business diversification continues to improve through the consistent onboarding of new principals, with nine added in FY25 (FY24: 17; FY23: 6), further strengthening the company's overall market presence. Profitability improved in FY25 on the back of higher sales volumes, with gross margin increasing to 7.9% (FY24: 7.8%). Operating costs remained under pressure from higher finished goods prices, while elevated wage levels contributed to an increase in administrative expenses. Distribution and selling costs rose further, mainly owing to higher delivery expenses as the Company expanded its reach. Finance costs remained high due to continued reliance on short-term borrowings to fund inventory-related working capital. Despite cost pressures, the Company remained profitable, posting a net margin of 1.1% in FY25.

Going forward, management also aims to support growth by rebalancing the sales mix away from pharmaceuticals and FMCG toward higher-margin luxury goods, while onboarding new principals to reinforce this strategy.

Debt Coverage & Liquidity

In FY25, the Company experienced a significant increase in Funds from Operations (FFO), primarily due to higher profitability. While FFO coverage of long-term debt has declined due to a significant rise in long-term borrowings, the FFO-to-total debt ratio has also weakened on account of higher short-term borrowings in recent years to finance working capital requirements.

Liquidity remained adequate, with the current ratio at around 1.25x. Short-term borrowings were secured against inventory and receivables, providing coverage of approximately 1.12x; however, elevated stock-in-trade levels might put pressure on coverage. The cash conversion cycle has historically remained low, supported by limited receivable and payable balances. The Debt Service Coverage Ratio (DSCR) improved to 1.7x in 9MFY25, supported by increase in funds from operation on the back of higher profitability. Maintaining adequate liquidity and debt coverage metrics will remain important from a ratings perspective going forward.

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Premier Sales (Private) Limited				
Sector	Distribution & Logistics				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	Rating Type: Entity				
	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	14-Oct-25	A	A1	Stable	Reaffirmed
	11-Sep-24	A	A1	Stable	Reaffirmed
	10-Aug-23	A	A1	Stable	Reaffirmed
	07-July-22	A	A1	Stable	Initial
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	S.No.	Name	Designation	Date	
	1	Mr. Waqas Kodvavi	Senior GM Finance & Admin	03 rd Sep 2025	
	2	Mr. Abdul Wahab	Deputy Director Accounts & IT		
	3	Mr. Zohaib Yaseen	Manager Finance		