

JK DAIRIES (PRIVATE) LIMITED

Analyst:

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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	A-	A2	BBB+	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Upgrade		Reaffirmed	
RATING DATE	3-Mar-26		24-Dec-24	

Shareholding (5% or More)

Ali Khan Tareen - 31.45%

Meher Khan Tareen - 9.68%

Seher Khan Tareen - 9.68%

Marain Tareen Sethi - 9.68%

ATF Mango Farms (Pvt) Ltd. - 39.52%

Other Information

Incorporated in 2007

Private Limited Company

Chief Executive and Director: Seher Khan Tareen

Director: Ali Khan Tareen

External Auditor: Riaz Ahmad, Saqib, Gohar & Co.

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 revision of JK Dairies (Pvt) Limited's ('JKD' or 'the Company') medium to long-term rating reflects its positioning as a commercial dairy project benefiting from favorable demand dynamics, continued scaling of operations, strengthening of its financial profile and improving relevant positioning amongst peers. The ratings also factor in the Company's association with the JK Group, a leading Pakistani conglomerate with diversified interests, which provided strategic as well as financial support.

Operating in a non-cyclical dairy segment, JKD demonstrated steady growth, with net revenue increasing by 8.7% in FY25, supported by higher milk yields and valuation gains arising from livestock biological transformation. Customer concentration risk remained, with Nestlé Pakistan Limited (Nestlé) accounting for around 70% of net sales; however, this was mitigated by sustained demand for milk as a dietary staple, the strong market reputation of Nestlé's Milkpak brand, and the availability of alternative packaged milk manufacturers.

Gross margin improved mainly on the back of higher sales from customers and increase in fair value gains on livestock's biological transformation while largely maintaining raw material costs. Operational efficiency improved following the development of additional animal sheds and the installation of automated milking parlors, while planned imports of high-yielding heifers were expected to further enhance milk yield per animal. The Company also reduced reliance on grid energy through the integration of a 2MW solar power system.

Improvement in gross margins and lower finance costs, supported the uptick in net margins in FY25. Consequently, debt coverage metrics strengthened, while the Company maintained a largely conservative leverage profile. Liquidity was supported by a negative cash conversion cycle and an improving current ratio; however, it remained below 1.0x, primarily due to structurally low inventory levels inherent in commercial dairy farming.

Going forward, further herd expansion and productivity gains are projected to support revenue growth. Sustained debt coverage, capitalization and liquidity will remain important for ratings.

Company Profile

JK Dairies (Private) Limited ('JKD' or 'the Company') is a commercial dairy mega farm project situated in Rang Pur Sadat, near Jamal Din Wali in the Rahim Yar Khan District. The farm infrastructure includes various sheds for milking cows, dry cows, and young calves, complemented by a fully automated milking parlor facility, storage for cow feed, residential areas for staff, and other related facilities. Employee headcount stood at 355 (end-Jun'24: 366) at end-Jun'25. The Company's product range encompasses Raw Milk, Pasteurized Whole Milk, Yogurt, Desi Ghee, Rhodes Grass Hay and Forage. JKD, running a self-sustaining dairy farm, has primarily a business-to-business model. The Company has inked annual contract with Nestle Pakistan Limited for sale of raw milk which is renewed annually. Milk under its own brand name 'ATF – Ali Tareen Farms' is sold to in nearby cities including Rahim Yar Khan, Sukkur, Multan, Sadiqabad, Bahawalpur etc.

Group profile

JK Group is a diversified industrial conglomerate primarily engaged in sugar manufacturing, textile, dairy, mining and power generation. The Group has integrated its operations with upstream and downstream activities, including farming techniques that support its core business. Group companies are primarily family owned.

JDW Sugar Mills Limited ('JDWSML'), the largest sugar mill in Pakistan, serves as the parent entity of Deharki Sugar Mills (Private) Limited, Sadiqabad Power (Private) Limited, each fully owned by JDWSML. The other group companies include JK Sugar Mills (Private) Limited ('JKSML'), Indus Mining (Private) Limited ('IML'), ATF Agri Sciences (SMC-Private) Limited, Janoobi Cricket (Private) Limited ('JCL') and AJ Agritek (Private) Limited.

JCL was the parent company of Multan Sultans from 2019 to 2025 in Pakistan Super League (PSL). By November 2025, owing to non-renewal of the management's agreement with Pakistan Cricket Board, JCL is no longer the legal owner of the Multan Sultans franchise.

JKD Investments Portfolio

The increase in long-term investments in FY25 was owed to mild increase in share of profit and share of other comprehensive income from IML and JK SML. The following table shows details of long-term investments in associated companies:

(Rs. in m)	FY24	FY25
Indus Mining (Private) Limited	116.2	116.9
JK Sugar Mills (Private) Limited	731.8	771.5
Long-term investments	848.0	888.5
Share of profit from associated companies	44.0	33.5

In FY25, JKD sold 75% of its share in FPML leading the total carrying value of its short-term investments to stand lower at Rs. 4.6m at end-FY25 (FY24: Rs. 19.7m).

Management and Governance

JKD benefits from the strategic oversight and financial strength of the broader JK Group. The group's leadership, led by Mr. Jahangir Khan Tareen with decades of experience in large-scale agriculture, farming, and allied industries, provides strong strategic direction, governance discipline, and access to capital. The Company managed by a professional team with specialized expertise in dairy farming, herd management, veterinary sciences, and finance, supporting efficient operations, herd productivity, and quality control.

JKD is led by the two children of Jahangir Khan Tareen, Seher Khan Tareen and Ali Tareen. The CEO, Seher Khan Tareen holds 9.68% stake in JKD. She is a graduate from Central Saint Martins, an entrepreneur, the founder of Studio Designs and also a philanthropist through the Tareen Education Foundation. Ali Tareen, the Director and majority shareholder with 31.45% stake, is an Oxford Executive MBA graduate, actively engaged in several key roles in the group with focus on commercial development, modern agriculture, sports promotion, and social entrepreneurship.

Auditor

The Company's financials for FY23, FY24 and FY25 were audited by Riaz Ahmad, Saqib and Gohar Co., having valid QCR rating and rated B11 on SBP's auditor panel. The auditor has shared an unqualified opinion with regard to the financial statements of FY25.

Business Risk

INDUSTRY

Pakistan, a top-five global milk producer with output over 70 million tonnes in FY25, is dominated by smallholder farmers. Only 3–5% of milk is formally processed, while 92–97% flows through the informal sector, raising safety concerns. Packaged milk, mainly urban UHT and pasteurized products, faces affordability pressures after an 18% GST hike. Structural cost pressures, feed, energy, logistics, and taxes, have reduced margins, closed ~500 collection centers, and shifted some farmers back to the informal market. Competition within the organized segment is concentrated among a few large players, led by FrieslandCampina Engro Pakistan Limited (Olpers) and Nestlé Pakistan Limited (MilkPak), while other players such as Fauji Foods, Haleeb, Dairyland, and mid-tier players seek growth through value-added categories including flavored milk, cultured dairy, cheese, and butter, which offer relatively higher growth potential but penetration remained low. Regulatory focus on improving food safety and formalization is increasing, though implementation remains gradual, with industry bodies advocating GST rationalization to restore affordability and support demand recovery.

While 80% of production stems from smallholder farms, the commercial segment of approximately 80 corporate mega-dairies has emerged to drive formalization, led by giants such as Interloop Dairies, FrieslandCampina Engro's Nara Farm, Nishat Dairy, Dairyland and JKD. The business risk profile of commercial farming viewed as medium to low, shaped by limited yet increasing formal penetration, favorable demographics, urbanization trends, and gradual expansion in value-added segments partly offset by intense competition from informal channels.

JKD benefits from a business model skewed toward B2B sales, a large herd size, and substantial feed procurement from internal sources and group companies, which together support supply stability and quality control. The Company faces environmental, herd health and upkeep threats, primarily heat stress and endemic diseases, which can jeopardize the valuation of its biological assets. The Company mitigates these through industrial cooling, biosecurity measures and automated health monitoring systems. These strengths are further

reinforced by strong group backing and investments in associated companies, supporting financial profile, vertical integration, and long-term growth prospects.

OPERATIONAL UPDATE

By June 2025, the Company had added 2MW of solar capacity, reducing reliance on grid power. This shift aligns with management's strategy of sustainable energy practices. Herd size expanded to 3,710 animals (FY24: 3,367) by end-FY25 and is expected to reach 4,000 animals by end-FY26. Overall production capacity remained unchanged in FY25; however, production increased to 15.6m liters per annum (FY24: 14.6 liters per annum) on account of higher average milking cows (FY25: 1,451; FY24: 1,330) despite slightly low average milking per cow (FY25: 29.22 liters; FY24: 29.77 liters). Meanwhile, pasteurization and yogurt production volumes declined owing to the management's cost optimization strategy. Total fodder harvesting increased by 18.4% in FY25 while output of Rhodes grass and sugarcane decreased by 11.9% and 22.8%, respectively. Operating metrics are stated in the table below:

Description	2024	2025
Milking Parlor		
Installed capacity (Based on 6 standard production hour per milking)	16,235,000	16,235,000
Actual production (liters per annum)	14,557,844	15,574,344
Utilization	89.7%	95.9%
Wanda Mill		
Installed capacity (Based on 100 bags per day)	36,500	36,500
Actual production (bags per annum)	1,825	1,825
Utilization	5.0%	5.0%
Pasteurization Plant		
Installed capacity (Based on 7,000 liters per 8 hours)	20,440,000	20,440,000
Actual pasteurization (liters per annum)	482,961	188,604
Utilization	2.4%	0.9%
Yogurt Plant		
Installed capacity (Based on 7,000 liters per 8 hours)	20,440,000	20,440,000
Actual production (liters per annum)	62,585	15,726
Utilization	0.3%	0.1%

In June 2025, JKD continued its modernization and capacity expansion initiatives, commissioning a high-capacity 2x24 Xcalibur 90LX milking parlor aimed at improving operational efficiency. In parallel, infrastructure was expanded to accommodate herd growth, with Cow Shed #15 completed during the year and Cow Shed #16 near completion. These capital expenditures translated into an increase in the operating fixed assets to Rs. 1.06b (end-FY25: Rs. 975m) at end-1HFY26. To support its long-term growth, the Company plans to import 300 new breed of heifers. This is aimed at enhancing the genetic quality of the herd. This initiative is expected to increase milk production considerably and support herd productivity and sustainability.

SALES & PROFITABILITY

In FY25, revenue increased to Rs. 6.4b (FY24: Rs. 5.9b), supported by higher sales from customers and increase in fair value gains on livestock's biological transformation and agriculture produce at the time of harvest. Despite the imposition of an 18% sales tax in FY25 on milk supplied by corporate dairy farms, the Company recorded a 3.8% increase in sales volumes, reflecting resilience in demand and market positioning.

Concentration risk exists with Nestlé Pakistan Limited (Nestlé), representing 70% of net sales from customers. The concentration is mitigated by the sustained demand for milk as a dietary staple, strong franchise of Nestle and availability of other packaged milk manufacturing companies.

Revenue from milk and allied products increased by 5.3% YoY, while proceeds from livestock and hay sales rose by 21.5% and 2.1%, respectively, in FY25. Conversely, sugarcane sales moderated during FY25. Furthermore, the Company rationalized its pasteurized milk segment, resulting in a 51.3% decline in related sales, as part of a broader cost-optimization strategy. Overall product mix remained largely unchanged (as tabulated):

Product wise sales mix	FY24	FY25
Milk & Allied Products	75%	77%
Livestock	7%	9%
Hay	8%	8%
Sugarcane & Others	9%	6%

Gross margin improved to 16.47% in FY25 (FY24: 11.74%) mainly on the back of higher sales from customers and increase in fair value gains on livestock's biological transformation while largely maintaining raw material costs. Selling and distribution expenses increased due to one-off PSL 2025 sponsorship costs of JCL. Share of profit from associated companies decreased slightly to Rs. 33.5m (FY24: Rs. 44.0m) in FY25. Finance costs decreased due to lower interest rates and reduced borrowings. Supported by higher sales, higher gross margin, and lower finance costs, net profit increased to Rs. 871.8m (FY24: Rs. 618.1m), with net margin at 9.6% (FY24: 7.1%).

In 1HFY26, given higher net revenue and cost optimization, gross margins were reported at 13.4% (1HFY25: 8.4%). Higher gross profit, reduction in operating costs and lower income tax incidence led to an increase in net profit to Rs. 281.0m (1HFY25: Rs. 54.8m), with net margin improving to 9.2% (1HFY25: 0.2%).

Going forward, net revenue is projected to increase on the back of higher production and gains on livestock valuation while profitability is expected to improve further on the back of cost-savings and reduction in financial charges.

Financial Risk

CAPITAL STRUCTURE

Tier-1 equity enhanced to Rs. 3.2b by end-FY25 (end-FY24: Rs. 2.4b) due to profit retention and an increase in paid-up capital. The paid-up capital increased (end-FY25: Rs. 744m; end-FY24: Rs. 544m) through issuance of ordinary shares worth Rs. 200m to ATF Mango Farms (Pvt) Ltd, an associated company by virtue of common directorship, as a settlement of loan of Rs. 200m. With strengthened equity base, and reduced borrowings, gearing (end-FY25: 0.24x; end-FY24: 0.35x; end-FY23: 0.48x) and leverage (end-FY25: 0.48x; end-FY24: 0.63x; end-FY23: 0.84x) ratios decreased.

Gearing and leverage increased slightly to 0.30x and 0.55x respectively by end-1HFY26 on account of elevated short-term borrowings mobilized for higher working capital requirements. The mobilization of a Rs. 1b loan from The Bank of Punjab (BOP) for leasing of machinery and vehicles, civil works related to the infrastructure and import of livestock, is projected to result in further uptick in capitalization ratios by end-FY26; though remaining within acceptable limits. With higher profitability, gearing and leverage are projected to stabilize by end-FY27.

DEBT COVERAGE & LIQUIDITY

Funds from operations (FFO) increased to Rs. 390m in FY25 (FY24: Rs. 358m), mainly driven by improved profitability and lower financial charges paid. Combined with debt repayments, this led to a strengthening in debt coverage metrics, with FFO to long-term debt rising to 147% (FY24: 69%). FFO to total debt also improved to 51% (FY24: 43%), while the debt service coverage ratio (DSCR) strengthened to 2.27x (FY24: 1.41x) in FY25. In 1HFY26, DSCR, though remained adequate, decreased to 1.60x, FFO to long-term debt reduced to 57% and FFO to total debt decreased to 17%, due to moderated FFO and higher borrowings. Debt service metrics are projected to improve going forward.

Although it remains below 1.0x due to low inventory levels inherent in the dairy farming business model and product characteristics, the current ratio has demonstrated steady improvement over the years, increasing to 0.93x (end-FY25: 0.84x, end-FY24: 0.81x) at end-1HFY26. Liquidity is supported by a negative cash conversion cycle, with an inventory turnover of less than three days and a payable cycle averaging around two weeks. While trade debts have also remained low, aging profile of trade debts is tabled below:

Aging of trade debts	FY24	FY25
Not past due	58.2%	76.1%
1-90 days	0.0%	0.2%
91-365 days	26.3%	0.0%
Past 365 days	15.4%	23.7%

FINANCIAL SUMMARY						
Balance Sheet (Rs Millions)	FY23A	FY24A	FY25A	1HFY26M	FY26P	FY27P
Property, plant and equipment	600	652	975	1,058	1,022	930
Right-of-use Assets	380	379	351	296	273	206
Biological assets	1,124	1,334	1,884	2,229	2,688	3,689
Long-term Investments	804	848	888	888	1,266	1,682
Stock-in-trade	15	37	21	54	20	22
Trade debts	41	51	63	32	36	42
Short-term Investments	16	20	5	5	5	5
Cash & Bank Balances	6	71	10	186	1,207	1,756
Other Assets	440	487	556	659	586	583
Total Assets	3,426	3,879	4,753	5,407	7,101	8,915
Creditors	304	269	182	154	191	201
Long-term Debt (incl. current portion)	636	515	266	315	1,202	919
Short-Term Borrowings	264	310	493	716	605	508
Total Debt	901	825	759	1,030	1,808	1,427
Other Liabilities	358	404	607	737	894	1,257
Total Liabilities	1,563	1,499	1,548	1,921	2,899	2,885
Paid up Capital	450	544	744	744	744	744
Equity (excl. Revaluation Surplus)	1,863	2,380	3,206	3,391	4,207	6,030
Income Statement (Rs Millions)	FY23A	FY24A	FY25A	1HFY26M	FY26P	FY27P
Net Sales	4,646	5,922	6,439	3,049	7,684	9,492
Gross Profit	630	695	1,061	409	1,328	2,329
Operating Profit	347	618	924	382	1,212	2,175
Finance Costs	159	166	129	65	239	227
Profit Before Tax	211	506	872	354	1,350	2,364
Profit After Tax	176	424	618	281	1,001	1,537
Ratio Analysis	FY23A	FY24A	FY25A	1HFY26M	FY26P	FY27P
Gross Margin (%)	13.56	11.74	16.47	13.41	17.28	24.53
Operating Margin (%)	7.48	10.44	14.36	12.54	15.50	22.66
Net Margin (%)	3.78	7.15	9.60	9.21	13.0	19.20
Funds from Operation (FFO) (Rs Mln)	167	358	390	89	860	1,303
FFO to Total Debt* (%)	19	43	51	17	37	66
FFO to Long Term Debt* (%)	26	69	147	57	71	132
Gearing (x)	0.48	0.35	0.24	0.30	0.43	0.24
Leverage (x)	0.84	0.63	0.48	0.55	0.69	0.48
Debt Servicing Coverage Ratio* (x)	0.89	1.41	2.27	1.60	1.66	2.66
Current Ratio (x)	0.67	0.81	0.84	0.93	1.64	2.23
(Stock in trade + trade debts) / STD (x)	0.21	0.28	0.17	0.12	0.88	1.08
Return on Average Assets* (%)	5.3	11.6	14.3	11.1	16.9	20.4
Return on Average Equity* (%)	9.7	20.0	22.1	16.8	27.1	30.0
Cash Conversion Cycle (days)	(19)	(15)	(10)	(6)	(7)	(7)

*Annualized, if required

A - Actual Accounts

M - Management Accounts

P - Management Projections

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	JK Dairies (Pvt) Limited				
Sector	Dairy Products				
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				
	03-Mar-2026	A-	A2	Stable	Upgrade
	24-Dec-2024	BBB+	A2	Stable	Reaffirmed
	22-Dec-2023	BBB+	A2	Stable	Reaffirmed
4-Jan-2023	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.				
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Due Diligence Meetings Conducted	Name	Designation		Date	
	Muhammad Abid Ali	General Manager Accounts		13-Jan-2026	
	Hafiz Kamran Mian	Deputy. Manager Accounts			
	Waqas Ahmad	Assistant Manager Accounts			