

OBS PHARMA (PRIVATE) LIMITED

Analyst:

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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	December 17, 2025		September 23, 2024	

Shareholding (5% or More)**Other Information**

Aitkenstuart Pakistan (Pvt.) Limited – 79.98%	Incorporated in 2022
Mr. Muhammad Kamran Mirza – 10.01%	Private Limited Company
Mr. Muhammad Kamran Nasir – 10.00%	Chief Executive Officer: Mr. Shahzad Khan
	External Auditor: Grant Thornton Anjum Rahman

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings

<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

Bank Loan Rating

<https://docs.vis.com.pk/Methodologies%202024/BLR112018.pdf>

Rating Scale

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

Rating Rationale

The ratings reflect OBS Pharma (Private) Limited's 'OBS Pharma' or 'the Company' established position in Pakistan's pharmaceutical sector and its association with the OBS Group—one of the country's leading healthcare conglomerates with a strong local and regional presence. The pharmaceutical sector's business risk profile is assessed as Medium to Low, supported by stable demand fundamentals and low cyclicalities, though regulatory unpredictability and input cost volatility remain key challenges. The Company's product portfolio is concentrated in a few key brands, primarily in women's healthcare and dermatology, though their established market positions within respective molecular segments mitigate concentration risk. The Company's gross margin normalized in CY24 following the commencement of in-house manufacturing, while margins improved in 1HCY25, supported by operational efficiencies and lower finance costs. Going forward, profitability is expected to strengthen further on the back of stable raw material prices and easing cost pressures.

The Company's capital structure remains skewed towards long-term financing. Total debt increased as of Dec'24 due to higher short-term funding, but declined by Jun'25 following scheduled repayments. The equity base continued to strengthen through profit retention, leading to a gradual improvement in gearing and leverage indicators. Liquidity remains adequate, although higher finance costs had constrained debt service in CY24. Post-acquisition integration and operational synergies have now improved cash generation, supporting the Company's liquidity and coverage. Going forward, the ratings remain underpinned by sustained profitability, manageable leverage, and effective liquidity management.

Company Profile

OBS Pharma (Pvt.) Limited ('OBS Pharma' or the 'Company') is a Special Purpose Company (SPC) established to acquire specific pharmaceutical brands and a manufacturing facility from Bayer AG and its affiliates. The Company is majority-owned by Aitkenstuart Pakistan (Pvt.) Limited (Aitkenstuart), which holds 79.98% of the shareholding. Its core business activities include the import, marketing, export, dealership, distribution, wholesale, and manufacturing of pharmaceutical and healthcare products. The ultimate parent entity of the group is West End 16 Pte. Limited, based in Singapore.

On November 21, 2022, OBS Pharma entered into an agreement with Bayer AG and its affiliates to acquire the specified assets, comprising 12 pharmaceutical brands, including Ciproxin, Gravibinan, Travocort, and Primolut N, among others. The total acquisition cost was PKR 7.0 bn, financed through a mix of debt (75%) and equity (25%).

Sponsor Profile

Aitkenstuart functions as the holding company for OBS Group, which controls five pharmaceutical entities: AGP Limited, Aspin Pharma (Pvt.) Limited, OBS AGP (Pvt.) Limited, OBS Pakistan (Pvt.) Limited, and OBS Pharma (Pvt.) Limited. The Group operates within Pakistan's healthcare industry and has established a significant presence both locally and across the region.

OBS Group's operations are supported by five manufacturing facilities, four located in Karachi and one in Lahore. Of these, four facilities specialize in pharmaceutical manufacturing, while one is dedicated exclusively to nutraceutical production.

Management and Governance

CHAIRMAN/CEO PROFILE

Mr. Tariq Moinuddin Khan is the Founder and Chief Executive Officer (CEO) of OBS Group. He brings over four decades of professional experience across domestic and international markets. Mr. Khan is a graduate of Concordia University, Canada, and holds a Post Graduate Diploma from McGill University. He is also a Certified Public Accountant (CPA), USA.

Mr. Shahzad Khan serves as the CEO of the Company. He brings over 28 years of experience in the pharmaceutical industry and has previously held senior leadership roles, including Director of Marketing and Sales at Getz Pharma (Pvt.) Limited and Managing Director and CEO at CCL Pharmaceuticals.

BOARD & SENIOR MANAGEMENT

OBS Pharma operates under the governance and strategic oversight of the OBS Group, with shared services supporting key functions. Strategic direction and major decision-making are largely centralized at the group level to ensure alignment with the Group's overall objectives. The Company's Board consists of seven members, and its management team remains relatively stable.

Business Risk

INDUSTRY UPDATE

The business risk profile of Pakistan's pharmaceutical sector is assessed as Medium to Low, reflecting low cyclicalities, indicating its performance is relatively stable and not heavily dependent on economic cycles. However, it faces a medium degree of competition risk with a significant risk of barrier of entry but low substitution risk. Medicine consumption is primarily driven by population growth, increasing prevalence of chronic diseases, and rising health awareness. Even during periods of economic stress, demand has remained resilient—as evidenced by a 22% year-on-year (YoY) increase in industry sales, which reached PKR 916 billion in FY24. This growth was largely attributable to price adjustments following the partial deregulation of drug pricing in February 2024, while volume growth remained modest at 2–5%.

The momentum persisted in FY25, with retail pharmaceutical sales surpassing PKR 1,049 billion by March 2025, marking a 20.62% YoY increase. However, unit volumes grew by only 3.63%, underscoring the price-led nature of topline expansion, with more than two-thirds of the growth attributed to pricing revisions. Export performance also strengthened: pharmaceutical exports rose by 34% to USD 457 million in FY25 (FY24: USD 341 million). Combined therapeutic goods exports, including medical devices and nutraceuticals, stood at USD 909 million, reflecting the sector's growing competitiveness and export capability.

The sector comprises over 600 licensed manufacturing entities, though market concentration remains high, with the top 50 firms accounting for the bulk of industry revenues. According to IQVIA, as of May 2025, the top 25 companies accounted for 74.0% of the market, while the top 50 collectively made up 87.0%.

Regulatory oversight remains a key risk factor. Historical price controls imposed by the Drug Regulatory Authority of Pakistan (DRAP) have restricted margin flexibility, particularly amid elevated input costs and exchange rate volatility. However, recent reforms—including the deregulation of prices for non-essential drugs and a one-time adjustment for essential medicines—have supported a recovery in profitability. Further, the FY25–26 federal budget introduced a rationalized tariff structure for imports of Active Pharmaceutical Ingredients (APIs) and packing materials, consolidated into four slabs (0%, 5%, 10%, 15%). Although the near-term benefit is likely to be modest, the phased implementation is expected to lower cost pressures over time. Nonetheless, regulatory unpredictability—especially regarding facility approvals and new product registrations—continues to weigh on sector planning.

The outlook for FY26 is stable. Sustained domestic demand, easing input costs, and supportive pricing reforms are expected to underpin sectoral performance. Going forward, consistent implementation of regulatory measures particularly maintaining partial deregulation and introducing tiered pricing frameworks that balance innovation with affordability will be critical to preserving recent gains.

PRODUCT MIX

The Company's product portfolio remains concentrated, with its top three products—Gravibinan, Primolut N, and Ciproxin—contributing 73.4% of total sales during 1HCY25 (CY24: 73.8%; CY23: 77.1%). The portfolio is primarily focused on women's healthcare and dermatology segments. Despite this concentration, the ratings take comfort from the strong market positioning of these products within their respective molecular categories, which partially mitigates concentration risk.

PROFITABILITY

Following the acquisition in July 2023, the CY23 financials reflected six months of sales, while CY24 represented the Company's first full year of operations. In CY24, OBS Pharma reported revenue of PKR 7.6 bn, driven by higher sales volumes and improved unit prices vis-à-vis the previous year. The higher-than-projected gross margin of 61.6% in CY23 was primarily attributable to a one-off discount on the purchase of finished goods inventory from Bayer Pakistan and lower production costs, as the Company's manufacturing facility was not yet operational. With the commencement of in-house production during CY24, the gross margin normalized to 42.6%.

During CY24, the Company recorded higher finance costs of PKR 1.4 bn (CY23: PKR 412.3 mn), primarily reflecting an increased quantum of debt and the full-year impact of related charges compared to the previous period. As a result, profit after tax (PaT) declined to PKR 467.9 mn (CY23: PKR 558.0 mn), with the net margin contracting to 6.2% (CY23: 19.2%).

In 1HCY25, sales increased to PKR 4.6 bn (1HCY24: PKR 3.4 bn), reflecting continued business growth following full integration of operations. With improved operational efficiencies and cost rationalization, gross margin strengthened to 50.3%. Growth in operating expenses was mainly attributed to higher marketing and selling expenditure, reflecting management's focus on expanding market coverage. Meanwhile, finance charges declined to PKR 412.0 mn (1HCY24: PKR 741.4 mn), owing to lower interest rates amid an improving macroeconomic backdrop. As a result, the Company posted a PaT of PKR 637.4 mn (1HCY24: PKR 138.3 mn).

Going forward, management expects profitability to improve, with gross margins projected to strengthen on account of easing cost pressures and stable raw material prices. While performance remains susceptible to macroeconomic risks such as exchange rate volatility and inflationary trends, the Company aims to sustain earnings stability through prudent cost management and enhanced cash flow generation.

Financial Risk

CAPITAL STRUCTURE

As of Dec'24, the Company's total debt increased to PKR 5.9 bn (Dec'23: PKR 5.0 bn), driven by a rise of PKR 0.8 bn in short-term borrowings. Meanwhile, equity (excl. revaluation surplus) increased marginally to PKR 2.3 bn (Dec'23: PKR 2.2 bn), with growth constrained by a dividend payout of PKR 0.4 bn during the year. Consequently, the gearing ratio rose to 2.54x (CY23: 2.26x), while the leverage ratio improved to 3.07x (CY23: 3.62x), primarily reflecting the settlement of payables accumulated in the prior year for upfront inventory purchases.

By end-Jun'25, total debt declined to PKR 5.5 bn following scheduled repayments of long-term loan and a reduction in short-term borrowings. Conversely, equity (excl. revaluation surplus) increased to PKR 2.9 bn on account of profit retention. Resultantly, gearing and leverage ratios improved to 1.85x and 2.29x, respectively, by 1HCY25.

Going forward, management expects profitability growth to further strengthen the capitalization profile, with gearing and leverage ratios projected to improve over time. The Company's ability to sustain profitability and achieve the projected financial targets will remain important from the ratings perspective.

DEBT COVERAGE & LIQUIDITY

OBS Pharma's current ratio moderated to 0.95x in CY24 (CY23: 1.04x), primarily reflecting the use of short-term borrowings to finance investing outflows. Funds from Operations (FFO) decreased to PKR 706.4 mn (CY23: PKR 950.5 mn) due to lower profitability amid higher finance costs. Resultantly, the Debt Service Coverage Ratio (DSCR) dropped to 0.98x (CY23: 2.72x).

Following integration of the acquisition and the gradual realization of operational synergies, the Company reported an improved FFO of PKR 806.4 mn during 1HCY25. This led to an improvement in FFO-to-Total Debt and FFO-to-Long-Term Debt ratios of 0.29x (CY24: 0.12x) and 0.32x (CY24: 0.14x), respectively, with the DSCR rebounding to 1.44x.

Going forward, maintaining effective liquidity management and enhancing the Company's debt servicing capacity will remain important.

Financial Summary

Appendix I

Balance Sheet (PKR Millions)	CY23A	CY24A	6MCY25M
Property, plant and equipment	3,986.21	3,896.19	3,821.33
Right-of-use Assets	0.00	0.00	0.00
Intangible Assets	3,198.30	3,199.61	3,199.14
Long-term Investments	0.00	0.00	0.00
Stock-in-trade	1,792.07	1,630.87	1,367.69
Trade debts	303.04	496.85	683.57
Short-term Investments	707.63	71.41	485.59
Cash & Bank Balances	23.08	72.26	118.77
Other Assets	229.73	150.91	120.96
Total Assets	10,240.06	9,518.10	9,797.05
Creditors	2,466.35	406.34	924.77
Long-term Debt (incl. current portion)	5,016.99	5,163.88	4,964.92
Short-Term Borrowings	0.00	767.30	538.96
Total Debt	5,016.99	5,931.18	5,503.88
Other Liabilities	538.01	843.96	394.34
Total Liabilities	8,021.35	7,181.48	6,822.99
Paid up Capital	0.13	0.13	0.13
Revenue Reserve	518.59	636.49	1,273.92
Equity (excl. Revaluation Surplus)	2,218.72	2,336.62	2,974.05

Income Statement (PKR Millions)	CY23A	CY24A	6MCY25M
Net Sales	2,912.17	7,568.70	4,636.17
Gross Profit	1,793.38	3,223.98	2,331.38
Operating Profit	1,182.62	2,165.50	1,418.50
Finance Costs	412.30	1,426.94	412.01
Profit Before Tax	770.32	738.56	1,006.49
Profit After Tax	557.96	467.90	637.42

Ratio Analysis	CY23A	CY24A	6MCY25M
Gross Margin (%)	61.58%	42.60%	50.29%
Operating Margin (%)	40.61%	28.61%	30.60%
Net Margin (%)	19.16%	6.18%	13.75%
Funds from Operation (FFO) (PKR Millions)	950.48	706.37	806.37
FFO to Total Debt* (%)	18.95%	11.91%	29.30%
FFO to Long Term Debt* (%)	18.95%	13.68%	32.48%
Gearing (x)	2.26	2.54	1.85
Leverage (x)	3.62	3.07	2.29
Debt Servicing Coverage Ratio* (x)	2.72	0.98	1.44
Current Ratio (x)	1.04	0.95	1.05
(Stock in trade + trade debts) / STD (x)	-	2.77	3.81
Return on Average Assets* (%)	5.45%	4.74%	13.20%
Return on Average Equity* (%)	25.15%	20.54%	48.01%
Cash Conversion Cycle (days)	-182.00	42.40	89.25

*Annualized, if required

A - Actual Accounts

M - Management Accounts

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	OBS Pharma (Private) Limited				
Sector	Medical and Pharmaceutical				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	17-Dec-25	A	A1	Stable	Reaffirmed
	23-Sep-24	A	A1	Stable	Reaffirmed
	16-Jun-23	A	A1	Stable	Initial
	RATING TYPE: BLR				
	17-Dec-25	A+(blr)		Stable	Reaffirmed
	23-Sep-24	A+(blr)		Stable	Reaffirmed
	28-Mar-24	A+(blr)		Stable	Final
	03-Jul-24	A+(blr)		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.				
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Due Diligence Meeting Conducted	Name		Designation		Date
	Mr. Muhammad Kamran		Chief Executive Officer		November 04, 2025
	Mr. Muhammad Asad		Deputy Director Finance		
	Mr. Junaid Aslam		Group Chief Financial Officer		