

MILLAC FOODS (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-	A2	A-	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Initial	
RATING DATE	April 30, 2026		February 06, 2025	

Shareholding (5% or More)

Mr. Farrukh Ikram ~ 50.0%

Mrs. Saima Farrukh Ikram ~ 40.0%

Mr. Murad Ikram ~ 0.7%

Miss Nayha Ikram ~ 0.7%

Other Information

Incorporated in 1999

Private Limited Company

Chief Executive: Mr. Farrukh Ikram

External Auditor: Malik Haroon Ahmad & 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 assigned ratings reflect Millac's strong positioning in Pakistan's dairy sector, particularly as a leading local player in the bulk milk powder segment. The Company benefits from a diversified product portfolio across industrial and retail segments, with increasing contribution from higher margin retail sales supporting profitability. During the review period, margins have improved on the back of a favorable sales mix and cost efficiencies, while the business profile is supported by Pakistan's large milk production base and growing demand. However, structural challenges in the sector persist, including its largely informal nature, low penetration of packaged milk, and exposure to pricing pressures from taxation and competition, particularly in the retail segment.

The ratings also draw comfort from the Company's conservative capital structure, reflected in low leverage, absence of long-term debt, and sponsor support through interest-free short-term loans. Liquidity remains sound, supported by an efficient working capital cycle and adequate coverage metrics. Governance practices remain relatively informal, given the absence of a formal board and independent oversight reflecting room for improvement. Ongoing ERP implementation is expected to enhance internal controls and reporting. Going forward, sustaining margin improvement, expanding retail presence, and maintaining conservative capitalization will remain important from ratings perspective.

Company Profile

Millac Foods (Private) Limited ('Millac' or 'the Company') was incorporated in Pakistan on October 14, 1999 as a private limited company. Its principal activities include processing and marketing of milk food products. The registered office of the Company is located at 4.5 K.M Raiwind, Manga Road, Lahore along with the plant of powder division, meanwhile Company's plant of liquid division is located in Karachi at Plot No. ¾ Sector 21 Korangi, Industrial Road.

Millac holds several certifications including ISO 14001, ISO 45001, ISO 9001, and Food Safety System Certification 22000 (FSSC 22000).

Group Companies:

Millac Foods holds 43.4% of shares in Pakistan Milk Foods Manufacturers Limited. The remaining companies within the group share common directorship.

Group Companies - House of Millac			
S.No	Entity	Structure	Company Description
1	MegaLac Pakistan (Pvt) Ltd	Private Limited	The Company is engaged in the commercial import and sale of animal feed and animal farm management equipment.
2	Pakistan Milk foods Manufacturers Ltd	Unquoted Public Limited	It is principally engaged in the processing, trading, and marketing of milk food products.
3	Millac Pakistan	Sole Proprietorship	Mr. Farrukh owns a sole proprietorship that specializes in selling fat-filled milk powder under the brand name "Corolac."
4	Pro-Tech Trade Services (Pvt) Ltd	Private Limited	The principal business of the Company is trading and importing food, dairy products, chemicals, and allied products, but is currently non-operational
5	Millac Pakistan (Pvt) Ltd	Private Limited	The Company was previously involved in selling pasteurized milk but is currently non-operational.

Management and Governance

CHAIRMAN/CEO PROFILE

Mr. Farrukh Ikram is the Chief Executive Officer (CEO) of the Company since 2003. He graduated in Dairy Technology from Victorian College of Agriculture and Horticulture, Australia. He has accompanied various trade missions to Australia and New Zealand led by the Government of Pakistan. Currently, He is serving as the Group CEO and Chairman of House of Millac.

BOARD & SENIOR MANAGEMENT

The Company's corporate governance set up reflects its structure as a family-owned Private Limited Company, with key decision-making authority resting with shareholders, primarily Mr. Farrukh Ikram and his family. The management team, including the COO, CFO, and Head of Marketing, are highly qualified and deliver extensive industry experience.

Currently, the Company operates without a formal board or an independent internal audit function; however, the formation of a board is under consideration. Daily management meetings are held, during which each department provides updates on their business activities, supporting operational oversight and coordination.

During the ongoing year, the Company has implemented a new ERP system, ODOO, covering all business areas to enhance reporting, standardize SOPs, and enable real-time monitoring. The implementation is expected to be completed by June 2026.

The Company's accounts are audited by Malik Haroon Ahmad & Co which has provided an unqualified opinion for the FY25 accounts.

Business Risk

INDUSTRY UPDATE

The primary raw material for the powdered milk industry is raw milk. In Pakistan, the drinking milk segment remains predominantly informal, with nearly 95% of consumption comprising loose milk, supported by its lower price point, strong distribution network, and prevalent consumption patterns. This informal system limits the penetration of packaged milk, despite its relative advantages in quality control, hygiene, and food safety. Pakistan ranks amongst the top 5 milk producers in the world, with total milk production exceeding 72 million tons in FY25.

The packaged milk segment, mainly UHT and pasteurized milk, remains largely urban-centric and continues to face affordability pressures. Retail prices have increased significantly, rising from ~PKR 280 to around PKR 350 per liter following the imposition of an 18% General Sales Tax (GST) in FY25. This sharp price escalation has positioned packaged milk among the more expensive essential items in household food basket, thereby constraining growth.

Within the powdered milk segment, Millac stands as a prominent local player operating in the bulk market, while the remainder of supply is largely import-based. In the retail segment, it competes with established brands such as Nestlé and Olpers. Given that bulk market has volatile margins and is largely unstructured, lacking reliable data, the Company is focused on shifting towards the retail market which promises better and stable margins.

Looking ahead, logistical disruptions stemming from ongoing geopolitical tensions, particularly in the Middle East, may elevate prices of imported milk powder and impact its overall supply. This could support Company's market position in bulk segment, as demand shifts toward locally produced milk powder.

Operational Performance

The Company's product portfolio comprises a diverse range of dairy products catering to both consumer and industrial segments, with its flagship product being milk powder for the industrial market. During the ongoing year, the Company has also commenced toll manufacturing of camel milk powder for export to China.

S. No	Company's Products
Consumer	
1	Milk Powder
2	Tea Whitener
3	Condensed Milk
4	Yogurt
5	Fruit Yogurt
6	Raita
7	Butter
8	Ghee
Industrial	
1	Milk Powders
2	Industrial Butter
3	Malted Milk Powder
4	Camel Milk Powder

The Company's installed capacity remained unchanged at 9,400 tons per annum. Capacity utilization is closely tied to competition from established brands in the retail market and import volumes for the bulk segment, which stayed relatively subdued during the year. As a result, utilization levels improved to 78.2%.

Capacity & Production (in tons)	FY21	FY22	FY23	FY24	FY25
Installed Capacity	9,400	9,400	9,400	9,400	9,400
Actual Production	7,253	8,052	7,126	6,407	7,351
Utilization	77.2%	85.7%	75.8%	68.2%	78.2%

Power Arrangements

The Company's power requirements are met through a combination of grid, solar, and backup sources. The sanctioned LESCO load stands at 1,500 KW, along with a solar capacity of 998 KW under net-metering. To tackle rising energy costs, the company has also installed a biomass steam generator during FY25. In case of power disruptions, diesel generators which comprise a 650 KVA Perkins 2800 Series and two Cummins units of 250 KVA each, are used to ensure uninterrupted operations.

PROFITABILITY

During FY25, Millac reported gross sales of PKR 10.2 billion (FY24: PKR 9.3 billion), reflecting a 10.7% YoY increase, however, net sales lowered to PKR 9.0 billion (FY24: 9.1 billion) significantly impacted by the imposed sales tax. Nonetheless, the current topline is around peak levels relative to Company's performance over the mid-term. A significant portion of sales was attributable to powdered milk (64%), followed by tea whitener (9%) and Industrial butter (7%). However, the share from powdered milk has been declining on a timeline basis (FY23: 70%).

The management's growing emphasis on retail sales is visible in the changing revenue mix with its proportion increasing to 37% by HY26; this strategy is expected to continue going forward through targeted marketing campaigns.

Sale Value	2024	2025	HY26
Bulk %	68%	62%	63%
Retail %	32%	38%	37%

During the year, gross margin improved to 15.4% compared to 12.1% in FY24, marking a historical high. The improvement was primarily driven by a favorable shift in sales mix, with growing contribution from the relatively higher-margin retail segment compared to bulk sales. Additionally, margins within the bulk segment also improved on a YoY basis, supported by reduced competition from imported milk powder. Gross margin was also supported by cost savings from the recently installed biomass steam generator and solar power systems amidst elevated energy costs.

Profitability was further aided by a substantially lower effective interest rate (FY25: 2.9%; FY24: 18.8%), despite higher borrowings, as a major portion of short-term debt comprises unsecured, interest-free loans extended by the Company's CEO, Mr. Farrukh Ikram, repayable on demand. Consequently, net margin strengthened to 2.4% in FY25 (FY24: 1.5%).

For HY26, the Company reported a topline of PKR 5.7 billion, while gross margin moderated to 12.1% due to seasonal factors (milk procured between December and April is relatively cheaper, supporting higher margins for the full year). This resulted in a net margin of 1.8%.

Looking ahead, management projects a topline of PKR 10-11 billion for FY26, with margin improvement expected from shift towards retail sales and cost efficiencies from renewable energy sources.

Financial Risk

CAPITAL STRUCTURE

Over the years, the Company has strengthened its capitalization profile, supported by steady growth in its Tier-1 equity base on the back of sustained profit retention despite a dividend payout ratio of 17% in FY25 and 34% in FY24, following no dividend distributions in earlier years. Consequently, Tier-1 equity stands at PKR 865 million as of end FY25 (FY24: PKR 660 million).

Meanwhile, long-term debt utilization has declined over time, with no outstanding long-term loans as of FY25 and only minimal lease liabilities on the balance sheet. While short-term borrowings have shown an overall declining trend historically, on a YoY basis, short-term debt increased to PKR 195 million (FY24: PKR 52 million) as of end-FY25. However, it should be noted that PKR 170 million (FY24: PKR 52 million) of the outstanding short-term debt comprises unsecured, interest-free loan extended by the Company's CEO, Mr. Farrukh Ikram, repayable on demand, reflecting continued sponsor support.

Resultantly, gearing and leverage ratios stood at 0.23x and 2.6x, respectively, as of FY25 (FY24: 0.08x and 2.5x), with levels mainly sustained during HYFY26.

Going forward, the Company plans to incur ~PKR 150 million in Capex to acquire new production machinery and enhance cost efficiencies. While debt funding remains an option, management intends to finance this investment from internal cash, maintaining a conservative approach.

DEBT COVERAGE & LIQUIDITY

The Company exhibits a sound liquidity profile, reflected by a current ratio of 1.1x as of FY25 (FY24: 1.2x) and a negative cash conversion cycle at -24 days (FY24: -24 days) improving further to -49 days as of HYFY26, primarily on account of inventory being financed through supplier credit and advances from customers. Receivables are well-managed, with retail customers (e.g., Chase Up, Springs) granted 1-2 months' credit; bulk sales are settled daily, while smaller B2B clients are typically on short-term credit of up to 20 days.

Funds from Operations (FFO) declined by 34% to PKR 133.4 million in FY25 (FY24: PKR 204.4 million), despite improved profitability, mainly due to increase in income tax and employee welfare payments during the year. Consequently, coverage metrics weakened, with FFO to total debt declining to 0.7x (FY24: 3.9x) however when adjusting for short term sponsor loans, coverage improves to 5.3x. The Debt Service Coverage Ratio (DSCR) stood at a comfortable level of 17.7x (FY24: 20.5x). Given the limited margins, combined with a relatively small Tier-1 equity base, the Company's ability to leverage the balance sheet is limited.

FINANCIAL SUMMARY *(amounts in PKR millions)*

Appendix I

RATIO ANALYSIS	FY21 A	FY22 A	FY23 A	FY24 A	FY25 A	HYFY26 M
Gross Margin (%)	9.9%	11.0%	12.2%	12.1%	15.4%	12.1%
Operating Margin (%)	2.0%	3.3%	3.8%	2.7%	3.6%	2.8%
Net Margin (%)	0.2%	1.6%	2.1%	1.5%	2.4%	1.8%
Funds from Operation (FFO) (PKR Mn)	43	241	234	204	133	58
FFO to Total Debt (x)*	0.11	1.02	1.43	3.88	0.67	0.8
FFO to Long Term Debt (x)*	0.52	3.19	81.04	333.59	27.17	23.5
Gearing (x)	1.88	0.62	0.30	0.08	0.23	0.2
Leverage (x)	8.38	4.08	2.97	2.52	2.60	2.6
Debt Servicing Coverage Ratio (x)*	1.67	3.79	8.73	20.48	17.70	26.8
Current Ratio (x)	1.04	1.18	1.19	1.17	1.16	1.1
(Stock in trade + trade debts) / STD (x)	3.39	4.75	5.14	14.39	7.02	10.6
Return on Average Assets (%) *	0.4%	4.3%	5.6%	3.6%	5.3%	2.3%
Return on Average Equity (%) *	5.3%	40.3%	38.2%	21.9%	28.6%	11.5%
Cash Conversion Cycle (days)*	(1)	(16)	(18)	(24)	(24)	(49)

*Annualized

A - Actual Accounts

M - Management Accounts

REGULATORY DISCLOSURES						Appendix II
Name of Rated Entity	Millac Foods (Private) Limited					
Sector	Dairy					
Type of Relationship	Solicited					
Purpose of Rating	Entity Ratings					
Rating History	Rating Date	Medium to Long Term	Short Term	Outlook / Rating Watch	Rating Action	
	RATING TYPE: ENTITY					
	30/04/2026	A-	A2	Stable	Reaffirmed	
	06/02/2025	A-	A2	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.					
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 Meetings Conducted	S.No.	Name	Designation		Date	
	1.	Mr. Salman Shahzad	CFO		26-March-26	
	2.	Mr. Imtiaz Siddiqui	Manager Finance			