

## CITI PHARMA LIMITED

**Analyst:**

Rida Hashmi

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**RATING DETAILS**

RATINGS CATEGORY	Initial Rating
	Long-term
LTS RATING	A+(plim)
RATING OUTLOOK	Stable
RATING ACTION	Preliminary
RATING DATE	April 02, 2026

**Shareholding (5% or More)**

Mr. Rizwan Ahmad – 22.8%

Mr. Nadeem Amjad – 10.6%

Saad bin Nadeem – 9.1%

Ateeq ur Rehman – 6.5%

Naveed Amjad – 6.5%

Muhammad Naeem – 6.5%

General Public – 35.6%

**Other Information**

Incorporated in 2012

Public Limited Company (listed)

Chairman: Mr. Nadeem Amjad

Chief Executive Officer: Mr. Rizwan Ahmad

External Auditor: Aslam Malik &amp; Co. Chartered Accountants

**Applicable Rating Methodology**

VIS Entity Rating Criteria Methodology – Corporates Ratings

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

Instrument Rating

<https://docs.vis.com.pk/Methodologies-2025/IRM-Apr-25.pdf>**Rating Scale**<https://docs.vis.com.pk/docs/VISRatingScales.pdf>**Rating Rationale**

The rating is supported by Citi Pharma Limited's ('CPHL' or the 'Company') strong positioning in the API segment of Pakistan's pharmaceutical sector, which carries relatively low business risk due to stable demand and limited sensitivity to economic cycles. Sustained demand for locally manufactured APIs underscores the strategic importance of domestic production, further reinforced by supportive government policies aimed at import substitution. High entry barriers arising from stringent regulatory requirements, compliance standards, and significant capital intensity limit competitive pressures and contribute to industry stability.

The rating also reflects steady revenue growth and improving margin profile, driven by the Company's gradual diversification into higher-margin formulation products through proprietary brands and institutional sales, alongside expansion in nutraceutical exports. Strategic collaborations with international partners, including Murli Krishna Pharma (India) and Hangzhou Newsea Technology Co. Ltd (China), are

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expected to enhance operational efficiency through technology transfer and automation, while also supporting medium-term international expansion.

While client and product concentration remain key considerations, management initiatives aimed at broadening the customer base and diversifying the product portfolio are expected to mitigate these risks over time. CPHL maintains a sound profitability profile, supported by topline growth and margin expansion. However, maintaining a balanced capital structure and ensuring alignment of gearing and leverage with growth and cash flow generation capacity will remain important going forward. The assigned rating of the proposed PKR 2,886.0mnn Long-term Sukuk reflects its security structure, underpinned by a first pari passu charge over fixed assets, along with additional support through the establishment of a dedicated Sukuk payment account.

## Company Profile

Citi Pharma Limited ('CPHL' or the 'Company' or the 'Issuer') was incorporated as a private limited company on October 8, 2012. In 2013, it acquired the business operations of Askari Pharmaceuticals (Private) Limited (APPL) from the Army Welfare Trust (AWT). Following the acquisition, APPL's operations were transferred to CPHL, which continued its principal business of producing and distributing Active Pharmaceutical Ingredients (APIs) and formulation drugs. The Company was converted into a public unlisted entity on October 13, 2020, and subsequently listed on the Pakistan Stock Exchange on July 9, 2021.

Today, Citi Pharma Limited is a prominent player in Pakistan's pharmaceutical industry. The sponsors of the Company hold a 52.11% stake and are represented by brothers, Mr. Nadeem Amjad, serving as Chairman, and Mr. Rizwan Ahmad, serving as Chief Executive Officer. The sponsors' entrepreneurial ventures extend to telecommunications, real estate, hospitality, and pharmaceuticals.

CPHL's head office is located in Johar Town, Lahore, while its manufacturing facility is situated in Kasur. The facility spans 47 acres of freehold land, with a covered area of 527,384 square feet, providing a significant competitive advantage given the space-intensive nature of API manufacturing. Designed to international standards and compliant with cGMP requirements, the plant comprises segregated formulation units and dedicated API production units for Paracetamol, Penicillin/Amoxicillin, Cephalosporins, and Ciprofloxacin, ensuring strict control against cross-contamination. The facility is supported by a fully functional Quality Control Laboratory, while a Bioequivalence & Research Center is currently under construction to meet evolving regulatory requirements and enhance product credibility.

CPHL generates revenue through two core segments: APIs and formulations. In the API segment, the Company is among Pakistan's largest manufacturers, producing key APIs including Paracetamol, Penicillin/Amoxicillin, Cefixime/Cephalosporins, Ciprofloxacin, and Ibuprofen, which are further used in-house for formulation manufacturing. The formulation segment offers relatively higher margins and is expected to witness steady volume growth as the Company strengthens its institutional sales footprint. Increased provincial healthcare spending, particularly in Punjab and Khyber Pakhtunkhwa, is expected to further support demand. The Company also maintains a nutraceutical portfolio, exporting to markets such as Dubai, Uzbekistan, and the USA, alongside contract manufacturing for local clients.

Recently, the Company has launched veterinary formulations to address growing demand in livestock health and productivity, and also targeting to enhance export readiness through regulatory alignment and engagement with international distributors and joint venture partners.

At the time of the IPO, a portion of the proceeds was earmarked for the development of a hospital to support healthcare infrastructure. However, due to the significant passage of time and the consequent increase in construction and operational costs, the remaining funds are no longer sufficient to execute the project at the originally intended scale. Accordingly, the Company has redirected the IPO proceeds, after shareholders and SECP approvals, towards its core pharmaceutical business. The Company is currently in the process of procuring plant and machinery, of which over 70% has already been acquired. The facilities are expected to become operational in the next financial year.

CPHL is also diversifying its operations by entering to real-estate space through CITI REIT Management Company Limited which will be established as a wholly-owned subsidiary to launch a Real Estate Investment Trust. CPHL will contribute for three major development projects in Lahore and near Islamabad International Airport, targeted for completion by Q1 FY2026-2027.

## Management and Governance

### CHAIRMAN/CEO PROFILE

Mr. Nadeem Amjad is the Chairman of Citi Pharma Limited. He is an entrepreneur with over three decades of professional business experience. Early in his career, he was involved in trading businesses, including jewelry, computer microchips and hardware, and telecommunications. He played a key role in diversifying and expanding his family business into various sectors and regions, including real estate in Hong Kong and hospitality. He holds an MBA from the University of London.

Mr. Rizwan Ahmed is the CEO of Citi Pharma Limited. He holds an LLB from the University of Punjab and has extensive experience in Pakistan's pharmaceutical sector. He began his career with Citi Phones (Pvt.) Limited and expanded the family business into telecom, real estate, hospitality, and API trading. In 2007, he established a mobile manufacturing plant in Shenzhen and founded "Discover Wireless" in Dubai. He

has also served on the Board of the Pakistan Drugs Testing and Research Center and as a member of the Ministry of Health's Expert Panel for bioequivalence center inspections.

#### BOARD & SENIOR MANAGEMENT

The seven-member Board comprises two independent, two executive, and three non-executive directors, including two female members. During FY2024-25, the Board and Audit Committee each met four times, with satisfactory attendance, reflecting active engagement. However, the auditor has highlighted non-compliance with the mandatory Directors' Training Program. While no weaknesses in financial reporting were identified, timely regularization would further strengthen Board effectiveness and regulatory compliance. Management has also indicated plans to establish a standalone Sustainability Committee, in line with recently introduced regulatory requirements.

Citi Pharma Limited maintains an independent and well-structured Board, with clear segregation between the roles of Chairman and CEO, supporting effective oversight. Both the Audit Committee and the Human Resource & Remuneration Committee are chaired by independent directors, reinforcing governance independence.

#### AUDIT OPINION

Aslam Malik & Co. Chartered Accountants, a QCR rated firm from ICAP (not listed on SBP Panel of Auditors) has provided an unqualified and unmodified opinion, affirming that the Company's financial statements comply with accounting standards and accurately portray the Company's financial position as of FY25.

### Structure of Long-Term Sukuk-1 (LTS-1)

The Company is planning to issue a secured, privately placed Long-term Sukuk amounting to PKR 2,886.0mn, (inclusive of a Green Shoe Option of PKR 1,000.0mn). The long-term instrument is structured on the basis of Musharakah (Shirkat-ul-Mulk). The proceeds are to be used for Company's working capital requirements, enhanced for the expansion of Formulation segment in the commercial sector, and to finance CAPEX including completion of Bioequivalence center and investment in Citi Veterinary Limited. The Sukuk has a tenor of three (03) years, carrying a profit rate of average 3-month KIBOR plus 100bps, starting from the issue date. Profit will be payable quarterly while principal will be redeemed in eight (8) equal quarterly installments after a grace period of one year. The proposed security structure of LTS includes: 1st pari passu charge over present and future fixed assets of the Company with 25% margin. Ranking charge to be upgraded to 1<sup>st</sup> pari passu charge within 90 days. Additionally, a dedicated Sukuk Payment Account will be maintained, ensuring that quarterly payments are deposited 5-7 days prior to the due date.

### BUSINESS RISK

#### INDUSTRY UPDATE

The API segment remains a structurally constrained yet essential component of Pakistan's pharmaceutical sector. As of FY24, the pharmaceutical market was valued at approximately USD 3.2bn, contributing around 1.0% to the national GDP. The industry comprises over 650 pharmaceutical companies, with local firms accounting for 74% of the market and multinationals holding the remaining 26%. However, domestic API manufacturing continues to represent a small fraction of national demand.

Pakistan currently relies on imports for approximately 85–90% of its API requirements, sourced predominantly from China and India. In FY24 and FY25, this dependence continued to expose the sector to foreign exchange pressures and supply chain disruptions.

As of early-FY25, there were 23 licensed API manufacturers in the country, though only seven are operational. These facilities collectively meet an estimated 15% of domestic demand, producing mainly intermediate APIs such as paracetamol, ibuprofen, amoxicillin, azithromycin, cefixime, ciprofloxacin, moxifloxacin, and cefadroxil. The focus remains on semi-basic manufacturing, while capabilities for basic manufacturing remain limited. The Drug Regulatory Authority of Pakistan (DRAP) has granted approvals for 39 APIs and issued semi-basic licenses for 117 molecules, though actual production remains constrained by capacity, infrastructure, and scale.

The working capital-intensive nature of API manufacturing, coupled with low margins, requires economies of scale for commercial viability. Regulatory inefficiencies, including prolonged approval timelines and limited availability of quality testing and bioequivalence laboratories, continue to hinder industry development. Furthermore, switching costs for formulation companies—once supply relationships with API producers are established—remain high, reducing opportunities for new entrants.

API prices in Pakistan are not directly regulated by DRAP and follow international market dynamics. However, the formulation segment operates under a semi-regulated pricing structure, creating indirect constraints on cost pass-through for integrated manufacturers.

During FY25, Pakistan's pharmaceutical exports reached USD 457 million, up from USD 341 million in FY24. However, APIs contributed minimally to this figure, with exports primarily comprising finished formulations to markets such as Afghanistan, the Philippines, Uzbekistan, Sri Lanka, Cambodia, and Iraq. The global API market, estimated at USD 238 billion in 2023, is projected to exceed USD 309 billion by 2028. Additionally, the expiry of several high-value API patents by 2025, valued at approximately USD 380.0bn globally, presents potential opportunities for local producers—contingent on regulatory readiness and quality compliance.

DRAP's 2022 API Policy offers incentives such as reduced import duties on machinery and intermediates, export retention benefits, and support for infrastructure development, including API parks. However, implementation progress has been limited. In June 2025, the Ministry of Health directed DRAP to prepare a concept note for a naphtha cracker facility, indicating intent to support backward integration of key raw materials. Industry stakeholders have also requested revisions to tax structures and accelerated policy execution.

In the near term, domestic API production is expected to remain below 20% of total demand. Improvement in sector performance will depend on regulatory reform, infrastructure development, private sector investment, and the operationalization of policy measures aimed at import substitution and export enhancement.

## PROFITABILITY

During FY25, the Company reported sales revenue of PKR 13.2bn, comprising approximately 77.0% API sales and 23.0% formulation sales, reflecting a year-on-year growth of 6.0%. Profitability strengthened, with the gross margin improving to 15.0% from 12.4% in the previous year, driven by improved operational efficiency as well as larger share of higher margin formulation sales. Consequently, net profit increased to PKR 892.0mn (FY24: PKR 833.5mn). For the 1HFY26, sales revenue of PKR 7.7bn, comprising approximately 76.0% API sales and 24.0% formulation sales recorded a 14.0% increase over same period last year. Margin performance also improved, with gross margin rising to 19.2% on account of continued efficiency gains.

## Financial Risk

### CAPITAL STRUCTURE

Capitalization metrics indicate an uptick in gearing and leverage, with ratios increasing to 1.07x and 1.93x, respectively, at the end of 1HFY26 (FY25: 0.54x and 1.38x). On a pro forma basis, the proposed LTS is expected to further elevate these metrics to 1.86x and 2.68x. The rise in leverage is primarily attributable to increased working capital financing in line with business growth initiatives. Historically, the Company has relied predominantly on short-term borrowings, while long-term capital expenditure has been funded through equity and internal cash flows. The introduction of the LTS is expected to better align the debt profile with the Company's long-term funding requirements. While equity has remained broadly stable at PKR 5,291.4mn as of 1HFY26 (FY25: PKR 5,483.0mn), partly constrained by consistently high dividend payouts, maintaining a balanced capital structure and ensuring alignment of gearing and leverage with growth and cash flow generation capacity will remain important going forward.

### DEBT COVERAGE & LIQUIDITY

CPHL has maintained an overall adequate liquidity profile, with a current ratio of 1.21x at end-1HFY26 (FY25: 1.30x). Liquidity is supported by a sizeable cash and short-term investment base of approximately PKR 3.0bn; however, a gradual drawdown is evident, primarily due to an elongated working capital cycle driven by higher inventory levels and extended receivable days. Debt servicing capacity remains strong, as reflected in a DSCR of 3.98x at end-1HFY26 (FY25: 3.89x). Nevertheless, coverage indicators have shown some moderation, with FFO to total debt declining to 26.2% (FY25: 33.5%; FY24: 71.0%), indicating increased reliance on external borrowings.

Going forward, DSCR is expected to remain comfortable on a normalized basis. The projected dip to 0.99x in FY27 is attributable to a conservative methodology, which factors in next year's principal repayments against current year cash flows. With project-related cash flows commencing from FY28 following the grace period, coverage metrics are anticipated to strengthen and remain adequate thereafter.

Financial Summary	(PKR Mn)			
	FY23A	FY24A	FY25A	1HFY26M
<b>Balance Sheet</b>				
Property, plant and equipment	3,051.89	3,399.65	8,687.90	8,663.83
Right-of-use Assets	0.00	0.00	0.00	0.00
Intangible Assets	70.39	152.60	0.00	0.00
Long-term Investments	23.65	20.22	0.00	0.00
Stock-in-trade	2,608.99	3,203.37	3,929.70	3,847.50
Trade debts	1,882.15	2,160.06	3,078.22	4,020.45
Short-term Investments	1,514.90	1,306.29	956.39	325.27
Cash & Bank Balances	54.61	87.90	603.55	2,793.89
Other Assets	777.60	1,072.34	1,183.69	1,214.09
<b>Total Assets</b>	<b>9,984.18</b>	<b>11,402.43</b>	<b>18,439.45</b>	<b>20,865.03</b>
<b>Creditors</b>	<b>1,938.47</b>	<b>3,183.63</b>	<b>3,183.63</b>	<b>3,821.25</b>
Long-term Debt (incl. current portion)	77.50	18.87	80.66	152.58
Short-Term Borrowings	1,470.57	1,393.10	2,863.21	5,517.33
<b>Total Debt</b>	<b>1,548.07</b>	<b>1,411.97</b>	<b>2,943.87</b>	<b>5,669.91</b>
Other Liabilities	827.07	1,130.29	1,444.37	697.87
<b>Total Liabilities</b>	<b>4,313.61</b>	<b>5,725.89</b>	<b>7,571.87</b>	<b>10,189.03</b>
Paid up Capital	2,284.61	2,284.61	2,284.61	2,284.61
Revenue Reserve	1,387.63	1,647.69	1,806.82	1,615.23
Other Equity (excl. Revaluation Surplus)	1,689.01	1,434.95	1,391.53	1,391.53
Sponsor Loan	297.48	43.42	0.00	0.00
<b>Equity (excl. Revaluation Surplus)</b>	<b>5,361.25</b>	<b>5,367.25</b>	<b>5,482.96</b>	<b>5,291.37</b>
<b>Income Statement</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25A</b>	<b>1HFY26M</b>
Net Sales	12,396.98	12,409.24	13,153.52	7,702.81
Gross Profit	1,507.11	1,586.20	2,017.61	1,476.52
Operating Profit	1,343.49	1,581.12	1,684.18	1,227.97
Finance Costs	386.23	299.91	329.67	202.02
Profit Before Tax	957.26	1,281.21	1,354.51	1,025.95
Profit After Tax	657.99	833.47	892.04	608.00
<b>Ratio Analysis</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25A</b>	<b>1HFY26M</b>
Gross Margin (%)	12.16%	12.78%	15.34%	19.17%
Operating Margin (%)	10.84%	12.74%	12.80%	15.94%
Net Margin (%)	5.31%	6.72%	6.78%	7.89%
Funds from Operation (FFO) (PKR Mn)	757.44	1,002.51	985.92	741.37
FFO to Total Debt* (%)	48.93%	71.00%	33.49%	26.15%
FFO to Long Term Debt* (%)	977.34%	5312.72%	1222.32%	971.78%
Gearing (x)	0.29	0.26	0.54	1.07
Leverage (x)	0.80	1.07	1.38	1.93
Debt Servicing Coverage Ratio* (x)	2.41	4.05	3.89	3.98
Current Ratio (x)	1.58	1.37	1.30	1.21
(Stock in trade + trade debts) / STD (x)	3.05	3.85	2.45	1.43
Return on Average Assets* (%)	7.27%	7.79%	5.98%	6.19%
Return on Average Equity* (%)	13.46%	15.54%	16.44%	22.57%
Cash Conversion Cycle (days)	60.82	71.09	85.23	95.41
*Annualized, if required				
A - Actual Accounts				
M - Management Accounts				

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Citi Pharma Limited				
Sector	Pharmaceutical				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	<b>RATING TYPE: ENTITY</b>				
	29-Dec-2025	A	A1	Stable	Reaffirmed
	16-Dec-2024	A	A1	Stable	Initial
	<b>Rating Type: LTS</b>				
	02-April-2026	A+(plim)		Stable	Preliminary
Instrument Structure	Instrument Name	Long Term Sukuk			
	Nature of Instrument	LTS-1			
	Tenure of Instrument	3 years			
	Size of the Issue	PKR 2,886.0mn			
	Principle Redemption Schedule	Quarterly			
	Interest Redemption Schedule	Quarterly			
	Issue Date	N/A			
	Grace Period	1 year from Date of Issue			
	Redemption Date	N/A			
	Nature of Security	Secured			
Rating	A+				
Name of Trustee	Al-Hilal Shariah Advisors (Pvt.) Ltd				
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 Meeting Conducted	S.No	Name	Designation	Date	
	1.	Mr. Salman Anwar Malik	CFO	25th March 2026	
	2.	Mr. Rasheed Alam	Company Secretary		