VIS
Credit Rating Company Limited

THE SEARLE COMPANY LIMITED

Analyst:
Rida Hashmi
(rida.hashmi@vis.com.pk)

RATING DETAILS	
RATINGS CATEGORY	**Initial Rating**
	Short-term
STS RATING	A1(plim)
RATING ACTION	Preliminary
RATING DATE	August 25, 2026

Shareholding (5% or More)	Other Information
International Brands (Private) Limited – 50.25%	Incorporated in 1965
General Public (Local & Foreign) – 28.12%	Public Limited Company (listed)
Trust & Funds – 5.34%	Chief Executive: Mr. Tahir Ahmed
	External Auditor: A. F. Ferguson & 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-2026/IRM-2026.pdf

Rating Scale

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

Rating Rationale

The rating reflects The Searle Company Limited's ('TSCL' or the 'Company') established position in Pakistan's pharmaceutical sector, supported by a diversified product portfolio, established brands, and the non-cyclical nature of pharmaceutical demand. The Company benefits from the strategic and financial support of the International Brands Limited Group.

The rating also incorporates the marked improvement in operating performance, supported by improved product availability, pricing adjustments, favorable product mix, and supply-chain optimization. Financial risk has strengthened materially following the repayment of acquisition-related debt, resulting in a more conservative capital structure, stronger debt-servicing capacity, and improved internal cash generation.

Company Profile

The Searle Company Limited ('TSCL' or the 'Company') was incorporated in Pakistan as a private limited company in October 1965 and subsequently converted into a public limited company in November 1993. Its shares are listed on the Pakistan Stock Exchange (PSX). The Company is principally engaged in the manufacturing and marketing of pharmaceuticals and other consumer healthcare products, with its registered office located in Karachi.

Group Profile

TSCL is part of the International Brands Limited (IBL) Group, which holds a controlling stake of 50.25% in the Company. Tracing its roots back to United Distributors Limited (UDL) established in 1947, IBL was formed in 1991 and operates across pharmaceuticals, consumer retail, healthcare, distribution & e-commerce sectors in Pakistan.

Management and Governance

CEO & CHAIRMAN PROFILE

Mr. Arshad Anis serves as the Chairman of TSCL and brings nearly five decades of leadership experience across the manufacturing, consumer goods, retail, and marketing services sectors. He has held senior executive and board positions with leading organizations, including ICI Pakistan, UDL Group, IBL Group, and Cupola Group. He holds a Master's degree in Applied Physics from the University of Karachi, is a Certified Director from the Institute of Chartered Accountants of Pakistan, and has completed executive management training, including a senior management programme at Harvard Business School.

Mr. Tahir Ahmed serves as the Chief Executive Officer of TSCL and brings over 25 years of leadership experience in the pharmaceutical industry across pharmaceuticals, nutraceuticals, and biologics. He has a proven track record in driving business growth, brand development, and organizational transformation. He holds an MPhil in Management and an MBA in Pharmaceutical Business, has completed executive programmes at Harvard Business School and other renowned institutions, and is a Certified Director accredited by the Institute of Chartered Accountants of Pakistan.

BOARD & SENIOR MANAGEMENT

Name	Director
Mr. Arshad Anis (Chairman)	Non-Executive Directors
Mr. Munis Abdullah	
Mr. Zubair Razzak Palwala	
Ms. Shaista Khaliq Rehman	Independent Directors
Ms. Ameena Saiyid	
Mr. S. Nadeem Ahmed	Executive Directors
Mr. Tahir Ahmed (CEO)	

The Board comprises seven directors, including the CEO, with a balanced composition of three Non-Executive Directors, two Independent Directors (females), and two Executive Directors including CEO, featuring independence and diversity. During FY25 and FY26, the Board underwent several changes. Following the resignation of Ms. Faiza Naeem as a Non-Executive Director, Mr. Tahir Ahmed was appointed as an Executive Director. Subsequently, Mr. S. Nadeem Ahmed resigned as Chief Executive Officer, with Mr. Tahir Ahmed assuming the role. Moreover, Mr. Arshad Anis replaced Mr. Adnan Asdar Ali as Chairman. In addition, Mr. Muhammad Zubair Haider Shaikh resigned as Independent Director and was succeeded by Ms. Ameena Saiyid in June 2026. While the Board continues to comprise experienced professionals, the relatively frequent changes in Board composition during the review period remain a governance consideration, warranting continued monitoring to ensure stability and continuity in strategic oversight. Three of the seven Board members, including the CEO and Chairman, have relatively recent associations with the Company. While the CEO has less than two years of tenure with the Company, the Chairman brings established Group-level experience, providing some continuity in senior governance oversight.

The Board operates through two committees: the Audit Committee (AC), and Human Resource & Remuneration Committee (HRRC); both chaired by Independent Directors. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance. During FY25, 5 meetings of Board of Directors, 4 meetings of AC and 4 meetings of HRRC were held with adequate attendance from all members.

In terms of Senior Management, Mr. Tahir Ahmed replaced Mr. S. Nadeem Ahmed as CEO. Moreover, Mr. Syed Asim Raza Zaidi replaced Mr. Mobeen Alam as CFO.

NON-COMPLIANCES

Following are the non-compliances with regards to Code of Corporate Governance Regulations, 2019:

- Reg 27(2): The AC of a company shall meet at least once every quarter of the financial year. The AC meeting was not held in the first quarter of the year.
- Reg (19): As of end-FY25, 5 out of 6 directors have obtained the Directors' Training Program (DTP) certification. The remaining director, appointed to fill a casual vacancy after year-end, will undergo training to ensure full compliance with the prescribed requirement.
- Reg (29): The responsibilities as prescribed for the nomination committee are being taken care of by the HR and Remuneration Committee as and when needed so a separate committee is not considered to be necessary.
- Reg (30): The Board has not constituted a risk management committee as risk management framework is managed at the respective department level with an oversight by the CEO and the Board Audit Committee and the CEO apprises the Board accordingly.
- Reg 35(1): As the regulation provides concession with respect to disclosure of key elements of significant policies on the website, only those policies which were considered necessary, have been posted.
- Reg 10(6): It is mandatory for chief executive officer and the directors of the company, representing 1/3 of the board size or four whichever is greater, to attend its general meeting(s) (ordinary and extraordinary) unless there are compelling reasons for not attending the meeting, which should be notified in writing to the company secretary/ chairman of the Board in advance. Only 3 directors attended the 59th AGM, while only 2 directors attended the EoGM of the Company.
- Reg (10A): The matter of compliance with requirements of clause 10A of the Listed Companies was discussed in the meeting of the Board of Directors. The management is reviewing amendments and will make necessary action to meet the requirements.

AUDIT OPINION

A. F. Ferguson & Co. Chartered Accountants, categorized as 'Category A' on the SBP's Panel of Auditors with satisfactory QCR rating from ICAP, 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 for FY25.

Structure of Short-Term Sukuk (STS) – 1

TSCL plans on issuing a short-term Sukuk, amounting to PKR 2,250mn (inclusive of a Green Shoe option of PKR 500mn), which will be privately-placed and secured. The proceeds from the issue are to be utilized for the Company's working capital requirements. The instrument will have a tenor of six (06) months and carry a profit rate of 3-month KIBOR plus 75bps, with both profit and principal payable through a single bullet payment at maturity. The Issuer shall establish and maintain a SPA under lien, which shall be funded in the last 1 month of Sukuk maturity. The SPA shall be completed at least 7 days before the Maturity Date; 10% of the issue size to be funded within 30 days, 40% of the issue size to be funded within 15 days and 50% of the issue size to be funded within 7 days. Investment Agent for the Sukuk is Pakistan Kuwait Investment Company (Private) Limited.

Business Risk

INDUSTRY UPDATE

The business risk profile of Pakistan's pharmaceutical sector is assessed as Medium to Low, reflecting low cyclicality, indicating its performance is relatively stable and not heavily dependent on economic cycles. However, it faces a medium degree of competition risk with high barriers of entry and low substitution risk. Medicine consumption is primarily driven by population growth, increasing prevalence of chronic diseases, and rising health awareness. In FY25, industry sales reached at PKR 1,078.2bn by May 2025, reflecting a YoY increase of 19.3%. This growth was largely attributable to price adjustments following the partial deregulation of drug pricing in February 2024. Export performance also strengthened: pharmaceutical exports rose by ~34% to USD 457mn in FY25 (FY24: USD 341mn).

The growth momentum continued into FY26, with sales reaching PKR 1,229.4bn by May 2026, up 14.0% YoY; however, largely stable unit volumes indicate that topline growth remains predominantly price-led. Despite over 600 licensed manufacturers, the sector remains concentrated, with the top 25 and 50 companies accounting for 71.6% and 86.4%, respectively, of the market as of May 2026. The sector remains exposed to external supply-side risks, as approximately 85–90% of APIs are imported, meaning high sensitivity to exchange-rate movements, freight costs, and global supply disruptions.

The FY27 Federal Budget provides some support to industry profitability through the reduction in Super Tax from 10% to 8% for pharmaceutical companies with profits exceeding PKR 500mn. Customs duties were also reduced across 92 tariff lines covering selected industrial inputs, while duties were exempted on critical cancer-related APIs and abolished on more than 100 raw materials used in cancer and other medicines. However, sales tax on raw materials/APIs remains unchanged, limiting the overall benefit given the sector's high import dependence. Regional geopolitical tensions, could further pressure margins through higher freight, marine insurance, energy and input costs, while disruptions along regional shipping routes could increase procurement lead times and working-capital requirements.

Sector growth in FY27 is expected to remain resilient but largely price-driven, with profitability dependent on timely pricing adjustments, exchange-rate stability, and management of imported input costs. Additionally, Pakistan and China have moved to deepen pharmaceutical investment ties, with a Beijing business briefing in June 2026 mobilizing over 40 Chinese enterprises across APIs, biologics, and medical devices ahead of the sixth Pakistan-China B2B Conference on Pharmaceutical Manufacturing. While still at an early, non-binding stage, successful conversion of this initiative into committed investment could meaningfully improve the Sector's FDI trajectory, which fell sharply in FY25 on MNC divestment and gradually reduce the import intensity that currently weighs on margins and the external account.

PROFITABILITY

During FY25, revenues stood at PKR 24,773.4mn, down 4.1% from PKR 25.827.2mn in FY24. This moderation was primarily due to external supply chain challenges in the second half of the year and internal measures to enhance efficiencies in channel inventories, which have positioned the Company for stronger performance in the periods ahead.

Despite these factors, the Company achieved planned improvements in gross margins and maintained uninterrupted supply and availability in the market. Gross margin improved to 50.8% (FY24: 48.6%), reflecting better pricing following the deregulation of non-essential medicines announced in February 2024, which allowed greater flexibility in price adjustments. Distribution costs and administrative expenses increased to PKR 7,423.6mn (FY24: PKR 7,126.3mn) and PKR 1,784.3mn (FY24: PKR 1,468.0mn), primarily owing to higher compensation costs. Administrative expenses also include a one-off consultancy charge of PKR 150.0mn paid to Ijarah Capital Partners Limited (ICPL) in relation to a disposal of its subsidiary, Searle Pakistan Limited (SPL). The impairment charged in relation to the sold subsidary amounted to PKR 927.5mn in contrast to a significant amount of PKR 5,200.0mn charged in FY24. As a result, TSCL reported an operating profit of PKR 2,760.8mn in contrast to an operating loss of PKR 910.6mn in FY24. Finance costs declined sharply to PKR 2,026.9mn (FY24: PKR 3,560.9mn), reflecting a 43.1% YoY decrease. This improvement was due to the significant monetary easing by the State Bank of Pakistan as well as the repayment of the entire long-term loan that had originally been taken to finance the acquisition of SPL, bringing the profit before levies and income tax to PKR 733.9mn, as oppose to a loss before levies and income tax of PKR 4,516.3mn in the preceding year. After accounting for taxes, Profit after Tax (PaT) was reported at PKR 434.0mn, in contrast to a loss of PKR 3.3mn in FY24.

In 9MFY26, sales increased to PKR 26,185.5mn (9MFY25: PKR 19,114.8mn), reflecting a 37% YoY increase. The significant growth in sales was underpinned by improved product availability, optimisation of the supply chain and enhanced commercial execution. Gross profit increased substantially to PKR 14,432.4mn, with the gross profit margin improving to 55.1%, compared to 50.3% in the corresponding period last year. This improvement was primarily driven by strategic price adjustments and a favorable shift in the product mix. Expense growth was contained, while finance charges further reduced to PKR 794.1mn (9MFY25: PKR 1,715.8mn). The Company reported a PAT of PKR 2,309.2mn (9MFY25: PKR 268.8mn) for the period.

Financial Risk

CAPITAL STRUCTURE

During the review period, PKR 4,266.0mn (FY25: PKR 3,498.7mn) of shares were allotted as bonus shares, increasing the paid-up capital to PKR 5,882.2mn (FY25: PKR 5,114.9mn). With improved profitability, TSCL's equity base increased to PKR 32,548.8mn by Mar'26 (FY25: PKR 30,239.7mn; FY24: PKR 29,094.9mn).

Capital structure is conservative with long-term debt (including current portion) retired almost entirely (Mar'26: PKR 206.7m; FY25: PKR 115.0mn, FY24: 3,846.8mn) in January 2025 to comply with the condition precedent under the Share Purchase Agreement of SPL. Gearing and leverage ratios were recorded at 0.26x (FY25: 0.31x; FY24: 0.54x) and 0.50x (FY25: 0.56x; FY24: 0.85x), respectively, at the end of 9MFY26.

DEBT COVERAGE & LIQUIDITY

The Company's FFO significantly increased to PKR 4,191.9mn (FY25: PKR 1,652.8mn; FY24: PKR 829.5mn) during the nine months ended Mar'26. As a result, DSCR increased to 6.20x (FY25: 1.89x; FY24: 1.22x) in 9MFY26. Additionally, FFO to total debt and FFO to long-term debt significantly improved to 77.0% (FY25: 20.6%; FY24: 6.2%) and 2703.5% (FY25: 1437.5%; FY24: 21.6%), respectively. This improvement is primarily attributable to the repayment of debt in SPL.

The current ratio stood at 1.84x (FY25: 1.62x; FY24: 1.05x) as of Mar'26, primarily owing to outstanding receivables of PKR 3,560.0mn from ICPL and Noventa Pharma (Private) Limited under Share Purchase Agreement pertaining to the disposal of SPL. With the settlement of these receivables and increase in short term borrowings, current ratio is expected to moderate. Receivables aged six months or more represented

7.8% of total receivables as of 9MFY26, reflecting a modest increase from 5.5% in FY25. Net working capital also significantly increased to PKR 11,568.8mn (FY25: PKR 8,904.0mn; FY24: PKR 829.4mn) in 9MFY26.

Financial Summary				(PKR Mn)
Balance Sheet	FY23A	FY24A	FY25A	9MFY26M
Property, plant and equipment	6,544.5	7,051.8	7,632.4	7,410.0
Right-of-use Assets	60.1	50.4	40.8	33.4
Intangible Assets	40.4	26.0	12.1	3.3
Long-term Investments	18,816.3	20,866.7	9,666.7	9,666.7
Stock-in-trade	2,535.5	2,177.2	3,540.1	5,027.7
Trade debts	11,570.1	10,705.8	9,487.6	12,561.6
Short-term Investments	100.0	100.0	100.0	0.0
Cash & Bank Balances	196.8	120.4	140.2	130.6
Other Assets	10,936.7	9,373.5	14,055.7	11,668.9
Total Assets	50,800.3	50,471.9	44,675.6	46,502.2
Creditors	1,399.8	1,969.7	1,354.5	1,272.8
Long-term Debt (incl. current portion)	6,002.4	3,846.8	115.0	206.7
Short-Term Borrowings	10,092.6	9,554.2	7,910.2	7,047.9
Total Debt	16,094.9	13,401.0	8,025.1	7,254.6
Other Liabilities	5,636.9	6,006.3	5,056.3	5,426.0
Total Liabilities	23,131.6	21,377.0	14,435.9	13,953.4
Paid up Capital	3,900.7	5,115.0	5,115.0	5,882.2
Revenue Reserve	14,001.6	10,832.5	11,457.1	13,208.7
Other Equity (excl. Revaluation Surplus)	6,049.4	9,085.1	9,085.1	9,085.1
Equity (excl. Revaluation Surplus)	23,951.7	25,032.6	25,657.2	28,176.0
Income Statement	FY23A	FY24A	FY25A	9MFY26M
Net Sales	21,641.3	25,827.2	24,773.4	26,185.5
Gross Profit	9,543.7	12,556.4	12,588.2	14,432.4
Operating Profit	3,757.9	(910.6)	2,760.8	5,196.1
Finance Costs	3,348.1	3,560.9	2,026.9	794.2
Profit Before Tax	409.8	(4,471.5)	733.9	4,401.9
Profit After Tax	302.1	(3,330.9)	434.1	2,309.2
Ratio Analysis	FY23A	FY24A	FY25A	9MFY26M
Gross Margin (%)	44.1%	48.6%	50.8%	55.1%
Operating Margin (%)	17.4%	-3.5%	11.1%	19.8%
Net Margin (%)	1.4%	-12.9%	1.8%	8.8%
Funds from Operation (FFO) (PKR Mn)	(512.0)	829.5	1,652.8	4,191.9
FFO to Total Debt* (%)	-3.2%	6.2%	20.6%	77.0%
FFO to Long Term Debt* (%)	-8.5%	21.6%	1437.5%	2703.5%
Gearing (x)	0.67	0.54	0.31	0.26
Leverage (x)	0.97	0.85	0.56	0.50
Debt Servicing Coverage Ratio* (x)	0.73	1.22	1.89	6.20
Current Ratio (x)	1.33	1.05	1.62	1.84
(Stock in trade + trade debts) / STD (x)	1.42	1.36	1.67	2.50
Return on Average Assets* (%)	0.6%	-6.6%	0.9%	6.8%
Return on Average Equity* (%)	1.3%	-13.6%	1.7%	11.4%
Cash Conversion Cycle (days)	213.7	175.9	184.6	184.4
Annualized, if required				
A - Actual Accounts				
M - Management Accounts				

REGULATORY DISCLOSURES — Appendix I

Name of Rated Entity	The Searle Company 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
RATING TYPE: ENTITY				
30-Sep-2025	AA-	A1	Stable	Reaffirmed
10-Jul-2024	AA-	A1	Stable	Maintained
19-May-2023	AA-	A1	Negative	Maintained
15-Feb-2022	AA-	A1	Stable	Reaffirmed
21-Dec-2020	AA-	A1	Stable	Reaffirmed
09-Dec-2019	AA-	A1	Stable	Initial
Rating Type: STS 1				
25-Aug-2026		A1(plim)		Preliminary

Instrument Structure

Instrument Name	**Short Term Sukuk – 1**
Nature of Instrument	STS
Tenure of Instrument	6 months
Size of the Issue	PKR 2,250mn
Principle Redemption Schedule	Bullet
Interest Redemption Schedule	Bullet
Issue Date	N/A
Grace Period	No
Redemption Date	N/A
Nature of Security	Secured
Sukuk Payment Account (SPA)	The Issuer shall establish and maintain a SPA under lien, which shall be funded in the last 1 month of Sukuk maturity. The SPA shall be completed at least 7 days before the Maturity Date; 10% of the issue size to be funded within 30 days, 40% of the issue size to be funded within 15 days and 50% of the issue size to be funded within 7 days.
Rating	A1(plim)
Name of Trustee	Pakistan Kuwait Investment Company (Private) Limited

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.
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

Due Diligence Meeting Conducted

S.No	Name	Designation	Date
1	Mr. Zohaib Yousuf	Senior Lead Manager – FP&A	6th August, 2026