



The Pakistan Credit Rating Agency Limited

Rating Report

Warble (Pvt.) Limited

Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
21-Mar-2023	BBB-	A2	Stable	Maintain	-
31-Mar-2022	BBB-	A3	Stable	Maintain	-
26-Aug-2021	BBB-	A3	Stable	Maintain	-
26-Aug-2020	BBB-	A3	Stable	Upgrade	-
27-Aug-2019	BB+	A3	Stable	Maintain	-
25-Feb-2019	BB+	A3	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Warble (Pvt.) Limited's rating is underpinned by the consistent support it receives, owing to the synergistic benefits from the Group. The Company's prudent decision-making framework, in tandem with its healthy top line, is reflected in the entity's ratings. Further, operational synergies have led to increased margins and augmented profitability. Warble primarily engages in the production and sale of three different segments of agri-based products, namely i) Pesticides ii) Fertilizers iii) Seeds. While the raw materials for pesticides are essentially procured predominantly from China and Europe while raw material for fertilizers is procured locally. The Company maintains a well-integrated network of over 750 franchises spread across the country. Moreover, in lieu of relying heavily on imported products, the Company expanded its product portfolio by incorporating locally produced biofertilizers that are a cost-effective and efficient substitute for urea and DAP-based fertilizers. Additionally, the Company is diversifying its revenue stream in the construction business through group owned company (i.e., Warble Constructions). The revision in short-term rating factors in the improvement in liquidity position and debt coverage indicators of the company during FY22. Further, the ratings continue to derive strength from the long-standing experience of the sponsors in the pesticides industry, its established track record of operations and strong competitive position of its diversified products in the country.

Pakistan's agriculture sector suffered massive losses as surplus rains and floods have devastated major crops. However, the Company was able to mitigate this risk on account of an efficient procurement strategy. The ratings, however, remain constrained by the fluctuations in raw material prices owing to PKR depreciation and fragmented & competitive nature of the pesticide industry.

The ratings assigned to Warble take into account a moderate business risk profile; the sponsor strength emanates from Allahdin Group's vast and prolonged business interests in fertilizers, pesticides and other commodities. Going forward, ratings remain sensitive to the achievement of projected revenues, maintenance of debt servicing ability and enhancement in coverages.

Disclosure

Name of Rated Entity	Warble (Pvt.) Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Corporate Rating(Jun-22),Methodology Correlation Between Long-term & Short-term Rating Scales(Jun-22),Methodology Rating Modifiers(Jun-22)
Related Research	Sector Study Pesticides(Feb-22),Sector Study Pesticides(Feb-23)
Rating Analysts	Muhammad Noor Ul Haq noorulhaq@pacra.com +92-42-35869504

Profile

Legal Structure Warble (Pvt) Limited ('Warble' or 'the Company') is a private limited Company incorporated in 1995.

Background AllahDin Group (ADG) well has diversified businesses in the country. Over the years, they have developed a strong value chain for agribusiness. Warble, one of the pioneer companies of the Group, is established as the second Company by the Allah Din Group.

Operations The Company's activities involve imports, formulations, manufacturing & marketing of all kinds of pesticides (Insecticides, Herbicides, Fungicides, Insect Growth Regulators), fertilizers and micronutrients (liquid & granules), plant growth regulators, seeds of different field crops & vegetables, and etc. Warble's head office is located in Lahore. The formulation facility is at Jhanian Multan, equipped with Chinese machinery and technology.

Ownership

Ownership Structure The entire shareholding of the Company is held by the families of two brothers. Mr. Masood Ur Rehman holds (46.8%) and Mr. Zain Iftikhar (43.8%), while rests of the shareholding are vested between Mr. Atta ur Rehman (7.7%), Ms. Ghazala Asmat Ghazal (1.6%).

Stability Formation of a group holding company or documented succession plan would do well to secure the future of the Company. Although there is no formal succession plan, the ownership of the Company rests among the family members.

Business Acumen The Group has a well-established operating track record in agribusiness. They have developed synergies through modern technology and unique services all over Pakistan. AGC is equipped with people having vision, wisdom and unique set of skills.

Financial Strength The history of the AllahDin Group dates back to the 1990's, total asset base of the group is reported over PKR 13bln in FY22. Allahdin group vested business interests in Agriculture, Bottling, and the Pharmaceutical industry.

Governance

Board Structure The overall control of the Company is vested with a three-member Board 2 executives and 1 non-executive member. Mr. Masood ur Rehman is Chief Executive Officer (CEO) of the Company. All three members are actively involved in the operations of the Company. However, the final decision is approved by the Chairman of the Group Chaudhry Iftikhar Niaz.

Members' Profile All members have been with the organization for a long time. Warble is able to endure its professionals. Mr. Rehman has completed his graduation

Board Effectiveness Board members and senior management of the Company meet frequently. Minutes of all formal meetings are documented. The agenda of the meetings includes all strategic matters.

Financial Transparency The external auditors of the Company M/s. Tabussum Saleem and Co., Chartered Accountants, a QCR-rated firm expressed an unqualified opinion on financial statements for the period ended Jun'22.

Management

Organizational Structure Business operations are divided into four key functions namely; (i) Sales & Marketing, (ii) Finance, (iii) HR & IT and (iv) Taxation & Accounts. The reporting lines converge to the CEO.

Management Team Mr. Masood Ur Rehman, one of the key stakeholders, is the Chief Executive Officer (CEO), and Mr. Zain Iftikhar Chaudhry is the Chief Operating Officer (COO). Mr. Rehman has been with the business for a long time and is assisted by a team of professionals.

Effectiveness Meetings of management are conducted as and when required. Senior management gives input in the decision-making while Ch. Iftikhar Nazir is the final authority for all decision-making processes.

MIS The Company has built an in-house ERP system. It has all the required modules like inventory, sales & marketing, finance, procurement, HR and others. It generates reports on a daily, weekly and monthly basis.

Control Environment The Company does not possess any formal committee at the management level. Warble's monitoring and reviewing mechanisms are adequate as evidenced by the frequent meetings at the management level. The Company's monthly and quarterly MIS reports comprise comprehensive segment and product performance reports reviewed monthly by the senior management.

Business Risk

Industry Dynamics Pakistan's agricultural sector holds a ~19% contribution to its GDP, showcasing its importance to the economy. The pesticide industry is an important segment of agriculture since it is one of the major crop inputs. The size of the pesticide market is estimated to be in the range of PKR~60bln to PKR~75bln. The local pesticide market is import dependent, with ~20% to ~30% of the pesticide cost component being imported to the country, majorly from China. The absolute dependence on imports, presents the risk of supply constraints amid a lag in international trade, as was the case briefly, in the initial months of the worldwide lockdown, in the wake of the pandemic Covid-19. On the other hand, the demand for necessities is inelastic, which bodes well for the sustenance of the industry, even in times of economic contraction. The issue of locust swarms, if aggravated, may add some uncertainty to the future demand side mechanics. The pesticide market is fragmented, comprising MNCs and local companies

Relative Position Allah Din Group overall holds a strong market position and brand image in the industry. The overall group has a total asset size of PKR 13bln.

Revenues Warble has maintained a healthy business risk profile backed by its established industry presence, a wide range of products in the domestic market and a robust sales network across the country. The Company operates a network of more than 700 franchises across the country. Warble has diversified revenue streams major portion is coming from pesticides. During FY22, overall sales of the Company surged to PKR 2,487mln as compared to ~PKR 2,274mln in the same period last year, observing 9.3% growth on a YoY basis. Management of the Company introduces special sales policies (offering discounts) to liquidate their stock, which is reflected in the top line of the Company. The large product base in different segments enables the diversification of revenue streams through regular product launches. During 6MFY23, topline of the Company reported at PKR 827mln.

Margins Warble reported a healthy gross margin (FY22: ~18.1%; FY21: ~18.8%), a minute dip in gross margins is due to rupee depreciation. The same trend is reflected in operating margins of the Company, which stood at (FY22: 8.9%, FY21: 9.5%). Administration and general expenses inched up and reported at (FY22: PKR 229mln, FY21: PKR 210mln). In order to manage large working capital requirements in a timely manner, the firm procured borrowing facilities. Hence, the finance cost of the Company surged to ~PKR 79mln in FY22 (FY21: PKR 78mln).

Sustainability Going forward, the management will keep its focus on sustaining its cost leadership and performance uptrend. The Company is securing its business by registering its farmers and providing them with pesticides and in return purchasing their crops. The idea was implemented in the segments of cotton and wheat. Furthermore to diversify their revenue stream management plans to keep real state business through a group company Warble Constructions.

Financial Risk

Working Capital Warble's working capital cycle links to the crop seasons of the country. Optimal inventory management remains the key to a sound working capital system. As at Jun-22, the inventory days of the Company showed improvement and stood at 156 days (Jun-21: 217 days), due to a change in sales strategy (offering discounts) and well-planned inventory management. However, as at Dec-22 inventory days of the Company reported 208 days. Moreover, the receivables days of the Company increased to 100 days as at Jun-22 (Jun-21: 58 days), and receivable days further increased to 159 days as at end-Dec22. Furthermore, the trade payable days of the Company contracted to 85 days in Jun-22 (Jun-21: 106 days). As at Jun-22 net working capital days of the Company inched up and reported to 171 days (Jun-21: 169 days). An increase in net capital working days is due to high receivables compared to the corresponding period.

Coverages During FY22, the Company's EBITDA amounted to PKR~251mln (FY21: PKR~239mln). The liquidity position of the Company is strongly supported by FCFO which clocked to PKR~220mln (FY21: PKR~218mln). Moreover, the interest coverage ratio of the Company remained unchanged at 3.3x as FY22 (FY21: 3.3x) stable coverage ratio is reflecting Company is able to cover its interest expense.

Capitalization As at Jun-22, the Company's total leveraging stood at PKR~706mln (FY21: PKR~470mln). Warble's exposure is mainly in short-term borrowing. Whereas the equity of the Company stands at PKR~1,492mln (FY21: PKR~987mln).



The Pakistan Credit Rating Agency Limited

Warble (Pvt.) Ltd. Agri & Allied Pesticides	Dec-22 6M	Jun-22 12M	Jun-21 12M	Jun-20 12M
A BALANCE SHEET				
1 Non-Current Assets	300	317	369	300
2 Investments	-	-	-	-
3 Related Party Exposure	478	478	-	-
4 Current Assets	1,943	2,137	1,976	2,033
<i>a Inventories</i>	885	998	1,122	1,585
<i>b Trade Receivables</i>	699	744	620	104
5 Total Assets	2,721	2,932	2,345	2,333
6 Current Liabilities	381	723	881	884
<i>a Trade Payables</i>	260	575	581	745
7 Borrowings	799	706	470	580
8 Related Party Exposure	-	-	-	-
9 Non-Current Liabilities	9	9	8	33
10 Net Assets	1,533	1,494	987	835
11 Shareholders' Equity	1,533	1,492	987	835
B INCOME STATEMENT				
1 Sales	827	2,487	2,274	2,249
<i>a Cost of Good Sold</i>	(655)	(2,036)	(1,848)	(1,832)
2 Gross Profit	172	451	427	418
<i>a Operating Expenses</i>	(88)	(229)	(210)	(245)
3 Operating Profit	85	222	217	173
<i>a Non Operating Income or (Expense)</i>	(4)	(8)	(6)	(6)
4 Profit or (Loss) before Interest and Tax	81	214	211	167
<i>a Total Finance Cost</i>	(30)	(79)	(78)	(67)
<i>b Taxation</i>	(10)	(27)	19	(47)
6 Net Income Or (Loss)	40	108	151	52
C CASH FLOW STATEMENT				
<i>a Free Cash Flows from Operations (FCFO)</i>	92	220	218	163
<i>b Net Cash from Operating Activities before Working Capital</i>	62	141	140	96
<i>c Changes in Working Capital</i>	(162)	(283)	41	(433)
1 Net Cash provided by Operating Activities	(100)	(143)	181	(337)
2 Net Cash (Used in) or Available From Investing Activities	-	6	9	(0)
3 Net Cash (Used in) or Available From Financing Activities	93	171	(186)	336
4 Net Cash generated or (Used) during the period	(7)	35	5	(1)
D RATIO ANALYSIS				
1 Performance				
<i>a Sales Growth (for the period)</i>	-33.5%	9.3%	1.1%	--
<i>b Gross Profit Margin</i>	20.8%	18.1%	18.8%	18.6%
<i>c Net Profit Margin</i>	4.9%	4.3%	6.7%	2.3%
<i>d Cash Conversion Efficiency (FCFO adjusted for Working Capital / Sales)</i>	-8.4%	-2.5%	11.4%	-12.0%
<i>e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets / Equity)]</i>	5.3%	8.7%	16.6%	6.5%
2 Working Capital Management				
<i>a Gross Working Capital (Average Days)</i>	367	256	275	434
<i>b Net Working Capital (Average Days)</i>	275	171	169	290
<i>c Current Ratio (Current Assets / Current Liabilities)</i>	5.1	3.0	2.2	2.3
3 Coverages				
<i>a EBITDA / Finance Cost</i>	3.5	3.3	3.3	3.0
<i>b FCFO / Finance Cost+CMLTB+Excess STB</i>	2.0	1.8	1.8	1.8
<i>c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Financing Cost)</i>	0.6	0.6	0.4	0.4
4 Capital Structure				
<i>a Total Borrowings / (Total Borrowings+Shareholders' Equity)</i>	34.3%	32.1%	32.3%	41.0%
<i>b Interest or Markup Payable (Days)</i>	0.0	0.0	0.0	0.0
<i>c Entity Average Borrowing Rate</i>	7.4%	11.1%	15.6%	15.4%

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-term Rating Definition
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
AA-	
A+	
A	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
A-	
BBB+	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BBB	
BBB-	
BB+	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
BB	
BB-	
B+	
B	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
B-	
CCC	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility.
CC	Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
C	
D	Obligations are currently in default.

Scale	Short-term Rating Definition
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



*The correlation shown is indicative and, in certain cases, may not hold.

Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults, or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s):
 a) Broker Entity Rating
 b) Corporate Rating
 c) Debt Instrument Rating
 d) Financial Institution Rating
 e) Holding Company Rating
 f) Independent Power Producer Rating
 g) Microfinance Institution Rating
 h) Non-Banking Finance Companies Rating

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Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)

ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)

iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

(3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)

(4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)

(5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

(6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)

(7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).

(8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)

(9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)

(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)

(11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

(12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity

(13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)

(14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)

(15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)

(16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)

(17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

(18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)

(19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)

(20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)

(21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(F-VII)

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