



The Pakistan Credit Rating Agency Limited

Rating Report

CCL Pharmaceuticals (Pvt.) Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
19-Oct-2024	A	A1	Stable	Maintain	-
20-Oct-2023	A	A1	Stable	Maintain	-
20-Oct-2022	A	A1	Stable	Maintain	-
20-Oct-2021	A	A1	Stable	Initial	-

Rating Rationale and Key Rating Drivers

CCL Pharmaceuticals (Pvt.) Limited (“CCL” or “the Company”) is a leading name in the pharmaceuticals sector, specializing in the manufacturing and marketing of high-quality branded generic products. With a legacy of over 5 decades, CCL has cemented its reputation both within Pakistan and across international markets, operating in over 20 countries. A key driver of CCL’s success is its portfolio of high-demand and flagship products, including Sita, Pulmonol, Maxflow, Paraxyl, and Jardy. These products are among the top contributors to the Company’s revenue stream. CCL operates state-of-the-art, GMP-compliant manufacturing facilities in Pakistan and Vietnam, including a PIC/S certified facility. CCL is dedicated to creating shared value through its environmental and social initiatives. During FY24 the pharmaceutical sector grew by ~22% YOY and registered a revenue of PKR ~918bln fueled by increasing health demands and a growing population. In the pharmaceutical sector, the top 15 players enjoy a market share of ~61% as per the IQVIA report. Approval for price adjustment by DRAP along with PKR stabilization proved beneficial for the industry as it relies on imported APIs for raw material needs. During the period under review prices for non-essential medicines were deregulated with market forces expected to play their role based on demand and supply. It is expected that the MRP of these non-essential drugs may increase in the short term, however, MRP will stabilize in the medium term and may gradually reduce in the long term due to increased competition. CCL is governed by a strong corporate governance structure, reflected in its board and management-level committees. As part of its long-term vision, CCL has adopted a formal group structure, now operating under the umbrella of ‘CCL Holding Pakistan. The Company is led by Mr. Ali Masood, CEO, a seasoned international business leader with over 20 years of leadership experience of leading pharmaceutical companies. During FY24 revenue of the company recorded a growth of ~32.4% primarily due to price inflation, volumetric growth and margins improvement. The assigned ratings draw comfort from the constant demand for CCL’s products and its market share in Anti-Diabetic, Anti Depressants & Expectorants, and its improved IQVIA ranking to 14th from 16th as of June 24 on a YTD basis. The Company’s financial risk profile is supported by adequate coverage ratios, stable cashflows, and a manageable working capital cycle. Capital structure is leveraged, with a mix of long-term and short-term borrowings. Looking ahead, CCL aims to further increase its market share by leveraging both organic and inorganic growth opportunities. This expansion will be driven by its growing presence in international markets, reinforced by its PIC/S certified facility.

The ratings hinge on sustaining profitability and improvement in market share while maintaining robust cashflows and coverages. Nevertheless, adherence to maintaining its debt metrics at an acceptable level is a prerequisite.

Disclosure

Name of Rated Entity	CCL Pharmaceuticals (Pvt.) Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology Rating Modifiers(Apr-24),Methodology Corporate Rating(Jul-24)
Related Research	Sector Study Pharmaceuticals(May-24)
Rating Analysts	Kanwal Ejaz kanwal.ejaz@pacra.com +92-42-35869504

Profile

Legal Structure CCL Pharmaceuticals (Pvt.) Limited ('the Company' or 'CCL Pharma') is a private limited entity.

Background The company was founded over 5 decades ago by Dr. Dilawar Hussain, the grandfather of the current sponsors. It was officially incorporated on April 28, 1985, under the Companies Ordinance 1984. After Dr. Hussain, the business was taken over by his three sons; Mr. Sajjad Sheikh, Mr. Zubair Sheikh, and Mr. Javaid Sheikh. Currently, the company is being managed by the third generation of the family.

Operations The Company is principally engaged in the manufacturing, importing, marketing, and sale of a range of medicines and allied products. Its manufacturing facilities have top-of-the-line machinery, capable of producing oral solids (tablets, capsules), oral liquids (syrups), dry powder suspensions, liquid injections, & dry powder injections. The company has a wide range of products across its Cardiomatabolic, Specialty, Acute Care, and Consumer Healthcare portfolios.

Ownership

Ownership Structure The sponsoring family owns the entire shareholding of the Company through CCL Holdings Pakistan (a subsidiary of the group's parent company 'Dilsons').

Stability There has been no recent change in the shareholding structure of the Company. Shareholding is expected to remain with the sponsoring family through multilayered group entities.

Business Acumen Mr. Kashif Sajjad, the Chairman, holds a strong profile relating to the pharmaceutical industry. He is a seasoned professional with over three decades of experience. His leadership has been instrumental in guiding the company to achieve significant milestones, solidifying its position as one of the top players in the sector. The other sponsors also possess deep industry knowledge and extensive experience, allowing them to effectively steer the company and drive its strategic activities.

Financial Strength Financial Strength of the entity is considered strong. Apart from CCL Pharmaceuticals, sponsoring family has stakes in other group entities which are CCL Life Sciences, StratHealth Pharma, Dilsons, Dilawar Hussain Foundation, Cozmetica.pk & AMVI Pharm.

Governance

Board Structure The overall control of the Company vests in eight-member board of directors/advisors. There are four Non-Executive Directors, one Executive Director i.e. the CEO and three independent advisors.

Members' Profile All the board members have extensive experience in the pharmaceutical industry, while Mr. Kashif Sajjad is the board's chairman. He has over three decades of experience in pharmaceutical operations and international business development. He is ex-Chairman of Pakistan Pharmaceutical Manufacturers' Association. Other board members are also thorough professionals and carry experience in managing business affairs in different sectors.

Board Effectiveness The board has made three committees namely i) Audit Committee, ii) HR & Remuneration Committee, and iii) Finance Committee. During the year, multiple board meetings were held. Attendance of board members in these meetings remained strong and minutes are documented adequately.

Financial Transparency M/S Rahman Sarfaraz Rahim Iqbal Rafiq & Co., Chartered Accountants, classified in category 'A' by SBP with satisfactory QCR rating, are the external auditors of the Company. The firm has expressed an unmodified opinion on the financial statements of CCL Pharma for year ended June 30, 2024.

Management

Organizational Structure The Company has a hierarchical organizational structure and HODs are directly reportable to the CEO. The organizational structure is divided into eight functional departments and are led by highly qualified professionals.

Management Team Mr. Ali Masood is the Chief Executive Officer of the Company. He has over 20 years of global experience in the pharmaceutical sector across leading multinational and national companies. He is assisted by a team of professionals.

Effectiveness The Company has seven management committees namely i) Corporate Executive Committee, ii) Operations Committee, iii) Risk Management Committee, iv) Environment Social & Sustainability Committee, v) Procurement Committee, vi) Business Management Review Committee, and vii) Sales & Operations Committee.

MIS CCL Pharma has implemented an Oracle based ERP system (different modules). The system is designed to integrate all areas of a business and generate reports (daily, weekly, monthly and yearly) pertaining to sales, purchases, inventory, and other crucial business areas.

Control Environment CCL Pharma has effective quality control systems. The Company has GMP certification which ensures that the Company has compliant manufacturing facilities for over ~20 countries. Further, the Company's PIC/S compliant manufacturing facility is expected to boost the Company's export in the near future. Management committee meetings take place weekly at both levels, i.e., departmental level and higher level in which matters relating to the company are discussed regularly.

Business Risk

Industry Dynamics In FY24, Pakistan's pharmaceutical manufacturing sector grew by 22% YOY, reaching PKR ~918 billion (USD 3.3 bn). This growth was driven by price hikes and increased sales volumes, with record sales of PKR~ 237bn (USD 860mln) in fourth quarter of FY24. During the period under review prices for non-essential medicines were deregulated, and now market forces will play their role based on demand and supply. It is expected that the MRP (maximum retail price) of these non-essential drugs may increase in short term, however, MRP will stabilize in medium term and may gradually reduce in the long term due to increased competition.

Relative Position CCL Pharma is a Leading Force in Healthcare. The company has established itself as a dominant player in the neuropsychiatry, solid tumors, expectorants, and diabetes management sectors. The company boasts a strong portfolio of branded products, including seven market leaders; (i) Sita Franchise: A leading anti-diabetic medication, (ii) Paraxyl Franchise: A top-selling anti-depressant, (iii) Stivant and Zytux: Effective treatments for solid tumors, (iv) Mirabet: A solution for incontinence management, (v) Maxflow D: A therapy for benign prostatic hyperplasia (BPH), (vi) KALV: A natural source calcium supplement. In addition to these leading brands, CCL Pharma has ten other products ranked among the top three in their respective markets. Recognizing its rapid growth and market impact, IQVIA has ranked CCL Pharma 14th on a year-to-date basis. This achievement solidifies the company's position as one of the fastest-growing pharmaceutical companies within the top 20.

Revenues During FY24, the sales of the Company rose by ~32% and clocked at PKR ~17,707mln (FY23: PKR 13,370mln). The top 5 selling products of the company are Sita followed by Pulmonol, Maxflow, Paraxyl, and Jardy.

Margins The Company's gross margin improved to ~48% in FY24, up from ~46% in FY23. It increased mainly due to increased sales volumes & pricing. Operating margins also improved in FY24 and clocked at ~13.5% (FY23: ~11.9%). Net margin also increased to ~5.3% during FY24 (FY23: ~4.5%). CCL reported a net profit of PKR ~942mln during FY24, a significant increase from FY23: ~605mln.

Sustainability Aligned with its mission to enable Healthy, Happy Lives, CCL is dedicated to creating shared value for its stakeholders and the communities it serves through its environmental and social initiatives.

Financial Risk

Working Capital The Company's gross working capital days recorded to ~75 days in FY24 (FY23: ~77 days) on account of decrease in average days of receivables. Net working capital days have slightly increased to ~62 days in FY24 as compared to 61 days in FY23 due to stable trade payables balance.

Coverages Free Cash Flow from operations of the Company stood at PKR ~3,135mln in FY24 (FY23: ~1,671mln). The Company's interest coverage ratio has reached to 3.1x times in FY24 (FY23: ~3.1x). Total finance cost clocked in at PKR ~1,078mln in FY24.

Capitalization Total debt of the company in FY24 was recorded at PKR~5,151mln (FY23: PKR 4,036mln). Out of the total debt, PKR 2,306mln pertained to short term. Equity of the Company stood at PKR~2,809mln in FY24 (FY23: PKR 2,835mln). Gearing ratio of the Company stood at ~65% in FY24 (FY23: ~59%).



CCL Pharmaceuticals (Pvt.) Limited Pharmaceutical	Jun-24 12M	Jun-23 12M	Jun-22 12M	Jun-21 12M
A BALANCE SHEET				
1 Non-Current Assets	6,275	3,859	3,177	2,485
2 Total Assets	11,783	9,587	7,934	5,614
3 Net Assets	2,809	2,835	2,820	2,293
4 Shareholders' Equity	2,809	2,835	2,820	2,293
B CASH FLOW STATEMENT				
a Free Cash Flows from Operations (FCFO)	3,134	1,671	912	750
C RATIO ANALYSIS				
1 Performance				
a Sales Growth (for the period)	32.4%	30.0%	25.7%	26.7%
2 Working Capital Management				
a Gross Working Capital (Average Days)	75	77	75	78
b Net Working Capital (Average Days)	62	61	58	66
c Current Ratio (Current Assets / Current Liabilities)	2.1	2.3	2.5	2.7
3 Coverages				
a EBITDA / Finance Cost	3.5	3.8	8.0	11.2
b FCFO / Finance Cost+CMLTB+Excess STB	2.1	2.0	1.6	1.5
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	1.3	1.0	1.5	1.7
4 Capital Structure				
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	64.7%	58.7%	51.0%	45.8%

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
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ 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.
A+ 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.
BBB+ BBB 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.
BB+ BB 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.
B+ 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.
CCC CC C	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. 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.
D	Obligations are currently in default.

Scale	Short-Term Rating
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.

Rating Modifiers | Rating Actions

<p>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'.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
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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. Rating actions may include "maintain", "upgrade", or "downgrade".

Note: This scale is applicable to the following methodology(s):

a) Broker Entity Rating	e) Holding Company Rating
b) Corporate Rating	f) Independent Power Producer Rating
c) Debt Instrument Rating	g) Microfinance Institution Rating
d) Financial Institution Rating	h) Non-Banking Finance Company

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(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)

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- (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 | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(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 | 17-(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 | 17-(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 | 14-3(f)(vii)

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