



## 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-2024	BBB-	A2	Stable	Maintain	-
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 ("Warble" or "the Company") 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). During FY23, the pesticide sector in Pakistan faced substantial challenges, marked by catastrophic events i.e., heavy rainfall and floods. Resultantly, the agri-chain incurred considerable losses, particularly affecting the major crops. To effectively mitigate risks the Company employs a streamlined procurement approach and reinforces its business presence in the Punjab region. Sustaining a healthy top line, the Company introduced new products to the market. Margins and in turn profits remain intact. However, fluctuations in raw material prices owing to PKR depreciation and the fragmented & competitive nature of the pesticide industry embeds challenges. On the financial risk front, improved liquidity position and debt coverage indicators support the financial matrix. Further, the ratings continue to derive strength from the long-standing experience of the sponsors established a track record for operations and a strong competitive position.

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

<b>Name of Rated Entity</b>	Warble (Pvt.) Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Entity Rating
<b>Applicable Criteria</b>	Methodology   Corporate Rating(Jul-23),Methodology   Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology   Rating Modifiers(Apr-23)
<b>Related Research</b>	Sector Study   Pesticides(Feb-24)
<b>Rating Analysts</b>	Faiqa Qamar   faiqa.qamar@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 of Companies ('the Group') is among the leading players in the pesticides sector. Warble, was the second Company setup by the Group. While the sponsoring family primarily focused on the construction business, one of the siblings possessed extensive experience in the agriculture industry, bringing valuable expertise.

**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 Company's ownership transitioned to the new generation Mr. Masood ur Rehman possesses a majority shareholding of ~47%, followed by Mr. Zain Iftekhar with ~44%, Mr. Atta ur Rehman with ~7%, and Ms. Ghazala Ghazni holds ~2% stake.

**Stability** Although there is no formal succession plan, the ownership of the Company rests among the family members.

**Business Acumen** The Company has a strong history of succeeding in agriculture. They have created synergies throughout Pakistan by using cutting-edge technology and providing one-of-a-kind services. AllahDin Group is equipped with people with vision, wisdom and unique skills.

**Financial Strength** AllahDin Group's history dates back to the 1990s, and the Group's entire asset base were reported over ~PKR 8bln in FY23. The Group holds vested business interests in agriculture, gotting, and the pharmaceutical industry

## Governance

**Board Structure** The overall control vests with 3 members Board - 2 Executives and 1 Non-Executive Director - and is dominated by the Sponsoring family. Mr. Masood ur Rehman is the Chairman of the Company. However, the final decision is approved by the Chairman of the Group, Mr.Ch. Iftekhar Niaz.

**Members' Profile** All members have been with the organization since long. Mr. Masood possesses significant knowledge, expertise and skillset. He is the Chairman & CEO of Welcon Chimacals.

**Board Effectiveness** The Board meet frequently and minutes are documented as per the requirement.

**Financial Transparency** The External Auditors of the Company M/S. HLB Ijaz Tabussum & Co., Chartered Accountants, a QCR-rated firm expressed an unqualified opinion on financial statements for the period ended FY23.

## 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, who is the man at the last mile, i.e. the key decision maker.

**Management Team** Mr. Masood Ur Rehman is the Chief Executive Officer (CEO); while, Mr. Zain Iftikhar Ch. is the Chief Operating Officer (COO). Mr. Masood has been with the Company since long and is assisted by a team of professionals.

**Effectiveness** Management meetings are conducted as and when required with senior management contributing their insights to the decision-making process. Ch. Iftikhar Nazir serves as the ultimate authority in all decision-making matters. The Company does not have any formalized management committees in place.

**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 operates without formal management committees. Nevertheless, Warble demonstrates its commitment to robust oversight through frequent management meetings. Also, the Company's monthly and quarterly Management Information System (MIS) reports provide in-depth segment and product performance assessments, which are subject to monthly scrutiny by the senior management.

## Business Risk

**Industry Dynamics** The agricultural sector plays a pivotal role in Pakistan's economy, contributing ~22% to the GDP and serving as a crucial source of raw materials for various industries. To enhance crop protection and cultivation practices, the industry heavily relies on pesticides (Agro Chemicals). The pesticide sector is significantly dependent on imports as ~90%-95% of raw material is imported from China. In FY23, the pesticide industry's estimated value stood at ~PKR 104bln, marking a significant YoY increase of ~5.4%. This growth is attributed to the overall expansion of the crops sector and the subsequent rise in demand. Additionally, increased prices have further contributed to this upward trend. During FY23, total imports of raw materials were up ~19.1% YoY in PKR terms while in volumetric terms, imports were recorded at ~18.3mln MT, recording ~1.5% decrease YoY.

**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 8bln.

**Revenues** Warble has maintained a healthy business risk profile backed by its established industry presence, the introduction of new products in the domestic market, and its robust sales network across the country. The Company has diversified revenue streams with an ~65% coming from pesticides, seed ~21% and fertilizer ~14%. During FY23, the revenue of the Company clocked to ~PKR 2,692mln (FY22: 2,487mln) witnessing a slight increase of ~8%. Improvement in revenue was majorly attributed to price hike of finished products. The large product base in different segments enables the diversification of revenue streams through regular product launches.

**Margins** During FY23, the Company's gross profits stood at ~PKR 508mln, marking a ~12% increase from FY22: ~PKR 451mln. The gross profit margin rose to ~19% during FY23 (FY22: ~18%), attributed to higher product prices. Operating profits surged to ~PKR 262mln during FY23 (FY22: ~PKR 222mln), with the operating profit margin slightly increasing to ~10% from ~9%, indicating efficient administrative and selling expense management by Welcon. However, due to high finance costs of ~PKR 128mln in FY23 (FY22: ~PKR 76mln) net profits of the Company witnessed a substantial decrease and reported at ~PKR 58mln during FY23 (FY22: ~PKR 108mln). Due to a decline in the Company's net profits, net profit margins also decreased and were reported at ~2% during FY23 (FY22: ~4%), primarily due to the high finance costs incurred during the period under review. Moving forward, the expectation of unchanged policy rates may result in higher finance costs, that may negatively impact the Company's net performance.

**Sustainability** The Company secures its business by registering farmers, providing them with pesticides, and purchasing their crops, initially in cotton and wheat segments. Furthermore to diversify their revenue stream management plans to keep real state business through a group company Warble Constructions.

## Financial Risk

**Working Capital** In FY23, the Company's net working capital cycle slightly increased to ~183 days (FY22: 171 days). This uptake was primarily driven by a decrease in trade payable days which stood at 71 days in FY23 (FY22: 85 days). Whereas, improved inventory management leads to a reduced inventory period of 137 days (FY22: 156 days) due to market disruptions caused by floods. Consequently, trade receivable days increased to 117 days in FY23, up from 100 days in FY22, reflecting the lingering impact of the flood. Moving forward, improvement in a working capital cycle is anticipated due to the stability of the operating environment.

**Coverages** Warble maintains a satisfactory liquidity profile, primarily supported by the Free Cash Flow from Operations (FCFO), which stood at ~PKR 254mln (FY22: ~PKR 220mln). However, the Company faced a notable impact on its liquid coverage ratio due to higher finance costs reported at ~PKR 130mln in FY23 (FY22: ~PKR 79mln). Despite a decline in the interest coverage ratio (FCFO / Finance Cost), which stood at 2.0x in FY23 compared to 2.9x in FY22, the Company consistently exhibits the capability to sufficiently cover its interest expenses. Looking ahead, the expectation of unchanged policy rates may potentially lead to increased finance costs.

**Capitalization** Warble maintains a moderately leveraged capital structure with a ratio of ~32% in FY23 (FY22: ~32%). Warble's exposure is mainly in short-term borrowings so as to fund the working capital requirement. Whereas, the equity grows and stands at PKR~2,231mln (FY22: PKR 1,492mln), preliminary supported by revaluation of fixed assets.



The Pakistan Credit Rating Agency Limited

Financial Summary

PKR mln

Warble (Pvt) Limited Pesticide	Jun-23 12M	Jun-22 12M	Jun-21 12M	Jun-20 12M
<b>A BALANCE SHEET</b>				
1 Non-Current Assets	932	317	369	300
2 Investments	-	-	-	-
3 Related Party Exposure	478	478	-	-
4 Current Assets	2,511	2,137	1,976	2,033
a Inventories	1,023	998	1,122	1,585
b Trade Receivables	983	744	620	104
5 Total Assets	3,922	2,932	2,345	2,333
6 Current Liabilities	643	725	881	884
a Trade Payables	477	577	581	745
7 Borrowings	1,037	706	470	580
8 Related Party Exposure	-	-	-	-
9 Non-Current Liabilities	12	9	8	33
10 Net Assets	2,230	1,492	987	835
11 Shareholders' Equity	2,231	1,492	987	835
<b>B INCOME STATEMENT</b>				
1 Sales	2,692	2,487	2,274	2,249
a Cost of Good Sold	(2,185)	(2,036)	(1,848)	(1,832)
2 Gross Profit	508	451	427	418
a Operating Expenses	(245)	(229)	(210)	(245)
3 Operating Profit	262	222	217	173
a Non Operating Income or (Expense)	(5)	(8)	(6)	(6)
4 Profit or (Loss) before Interest and Tax	257	214	211	167
a Total Finance Cost	(130)	(79)	(78)	(67)
b Taxation	(69)	(27)	19	(47)
6 Net Income Or (Loss)	58	108	151	52
<b>C CASH FLOW STATEMENT</b>				
a Free Cash Flows from Operations (FCFO)	254	220	218	165
b Net Cash from Operating Activities before Working Capital Changes	124	141	140	98
c Changes in Working Capital	(9)	(69)	41	(433)
1 Net Cash provided by Operating Activities	116	71	181	(335)
2 Net Cash (Used in) or Available From Investing Activities	9	6	9	(0)
3 Net Cash (Used in) or Available From Financing Activities	(44)	(43)	(186)	336
4 Net Cash generated or (Used) during the period	81	35	5	1
<b>D RATIO ANALYSIS</b>				
1 Performance				
a Sales Growth (for the period)	8.2%	9.3%	1.1%	0.0%
b Gross Profit Margin	18.9%	18.1%	18.8%	18.6%
c Net Profit Margin	2.2%	4.3%	6.7%	2.3%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	9.1%	6.1%	11.4%	-11.9%
e Return on Equity [ Net Profit Margin * Asset Turnover * (Total Assets/Sh	3.1%	8.7%	16.6%	6.3%
2 Working Capital Management				
a Gross Working Capital (Average Days)	254	256	275	274
b Net Working Capital (Average Days)	183	171	169	153
c Current Ratio (Current Assets / Current Liabilities)	3.9	2.9	2.2	2.3
3 Coverages				
a EBITDA / Finance Cost	2.3	3.3	3.3	3.1
b FCFO / Finance Cost+CMLTB+Excess STB	1.6	1.8	1.8	1.8
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	0.4	0.6	0.4	0.4
4 Capital Structure				
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	31.7%	32.1%	32.3%	41.0%
b Interest or Markup Payable (Days)	0.0	0.0	0.0	0.0
c Entity Average Borrowing Rate	15.3%	11.1%	15.6%	11.0%

### 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	<b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	<b>Very high credit quality.</b> 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	<b>High credit quality.</b> 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+	
BBB	<b>Good credit quality.</b> 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-	
BB+	
BB	<b>Moderate risk.</b> 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-	
B+	
B	<b>High credit risk.</b> 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	
CC	<b>Very high credit risk.</b> 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.
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	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 Companies Rating

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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

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