

## **Public Comment No. 1**

Assalamu Alaikum,

I would like to request clarification on the following points regarding the draft prospectus of Ghani Dairies Limited:

1. What are the major risks the company may face relating to raw material price fluctuations, supply chain management, livestock disease exposure, and overall market competition?
2. How does the company plan to position itself and compete effectively with established dairy brands such as Engro Foods, Nurpur, Dayfresh, and others in the industry?

Your response will be appreciated.

Regards,  
Bilal shakeel

### **CTI Response**

Dear Mr. Bilal Shakeel,  
Walaikum Assalam,

Thank you for your question. We are pleased to provide clarification on the following points regarding the draft prospectus:

1. What are the major risks the company may face relating to raw material price fluctuations, supply chain management, livestock disease exposure, and overall market competition?

#### **Raw Material Price Fluctuation**

Fluctuations in raw material prices (particularly animal feed) represent a common risk for all livestock and dairy operations.

Ghani Dairies Limited mitigates the impact of such volatility through the following measures:

Its milk supply contracts with processors are structured for a one-year term and include price-adjustment clauses that allow any material increase or decrease in key raw material costs to be passed through to the milk processor. This mechanism largely protects the Company's margins from short-term feed price volatility.

In addition, the Company actively manages input cost risk by procuring major feed ingredients in advance (typically 3–6 months of requirements) whenever market conditions are favourable, thereby locking in costs and further reducing exposure to raw material price fluctuations.

These combined strategies provide significant stability to the Company's cost base and operating margins

## **Supply Chain Management**

Under the terms of its long-term supply contracts with major milk processors, Ghani Dairies Limited delivers raw milk on an ex-farm (factory gate) basis. The milk processor is fully responsible for arranging and bearing the cost of collection, transportation. As a result, Ghani Dairies Limited does not operate or maintain its own downstream milk supply chain or logistics infrastructure.

## **Livestock Disease Exposure**

Ghani Dairies Limited (GDL) benefits significantly from its strategic location on the outskirts of Khushab, approximately 50 km from Khushab city. The nearest residential area is 7–8 km away, and no other dairy farms or livestock operations are present in the immediate vicinity. This geographical isolation substantially reduces the risk of disease transmission.

The company maintains stringent biosecurity and hygiene protocols. All employees are provided on-site accommodation to minimize external foot traffic and further limit the introduction of pathogens.

GDL employs industry-leading herd management software that tracks individual animal health records, schedules vaccinations, and enforces mandatory isolation periods for recently vaccinated animals, ensuring full compliance and optimal herd immunity. GDL has an Egyptian doctor with international experience of working with larger dairy farm, as Veterinary Manager who take cares of health and feed of the animals.

## **Overall Market Competition**

Pakistan is one of the world's largest milk-producing countries, with annual production of approximately 68 billion litres. Of this, only around 6 % is processed and packaged, creating a substantial opportunity for formal-sector growth.

Several large-scale corporate dairy operations are now active in the country, including Nishat Dairies, Sapphire Dairies, Interloop Dairies, Umar Dairies and others. These corporate farms are increasingly becoming the preferred suppliers for processors because they deliver:

- large, consistent volumes,
- assured quality and traceability, and
- year-round supply reliability.

Ghani Dairies Limited (GDL) is well positioned in this fast-consolidating segment.

Under its ongoing expansion programme, GDL will increase annual raw milk production from the current 17.3 million litres to approximately 33.57 million litres within the planned timeframe. Even at this enhanced capacity, GDL's output will represent only about 7 % of the total raw milk volume collected by Nestlé Pakistan in 2025 — illustrating the significant headroom available in the market.

The Company currently supplies three leading milk processors, each of whom has repeatedly expressed strong demand for additional reliable corporate sources. These processors have indicated their willingness to provide financing support (including long-term loans and advance

payment facilities) to credible corporate dairy farms that commit to meaningful capacity expansion. This collaborative industry structure further de-risks GDL's growth plans and reinforces the strategic value that processors place on large-scale, high-quality corporate suppliers like GDL.

As of now, Ghani Dairies Limited has no immediate plans to diversify into value-added dairy processing or new business lines. The Company's current strategic priority is organic growth through expansion of its dairy herd and increase in milk production capacity. Management intends to continue focusing on scaling its core dairy farming operations. Hence, all capital expenditure and management attention remain directed toward strengthening and expanding the core milk production platform.

2. How does the company plan to position itself and compete effectively with established dairy brands such as Engro Foods, Nurpur, Dayfresh, and others in the industry?

The Company does not intend to compete directly with established dairy brands such as Engro Foods, Nurpur, or Dayfresh. As a corporate dairy farm operating on a B2B model, Ghani Dairies Limited focuses on supplying high-quality raw milk rather than developing retail consumer brands. This positions the Company not as a competitor, but as a potential future supplier to these major dairy processors.

We appreciate your interest and engagement with Ghani Dairies Limited and welcome any further questions or clarifications.

## **Public Comment No. 2**

Dear Sir/Madam,

I am writing to submit my comments on the draft prospectus for the upcoming IPO of Ghani Dairies Limited. My primary concern is the **extremely high valuation** implied by the offer price of PKR 24 per share, which results in a post-issue market capitalization of approximately PKR 10.3 billion.

This valuation appears unjustified when compared to the **ONLY True** relevant listed benchmark, **At-Tahur Limited (PREMA)**, which is currently valued at PKR ~8.7 billion (Which is also vertically integrated) A comparative analysis reveals a significant overvaluation:

- **Per Milk-Producing Cow Valuation:** Ghani's implied valuation is approximately **PKR 7.48 million** per currently productive cow (PKR 10.3Bn / 1,377 cows). This is **2.8 times the benchmark** of PKR 2.67 million per productive cow for PREMA (PKR 8.7Bn / 3,253 cows), an unjustifiable premium for a smaller, pre-expansion operation.
- **On total Herdsize Per-Cow Valuation:** Ghani's implied valuation is PKR ~3 million per cow (PKR 10.3Bn / 2487+1250 (including Expansion with total herd)). In contrast, PREMA is valued at PKR ~1.44 million per cow (PKR 8.7Bn / 6026 total herd).
- **Per-Litre Production Valuation (Current):** Based on current annual milk production capacity (12,300 TPA/~12.5Mn litres), Ghani's valuation is ~PKR 824 per litre. PREMA's, with 25.8Mn litres, is ~PKR 337 per litre.

I understand that JS has used many other comparable companies, but none of them are a true match and raising the valuation for the sake of comparison with top consumer companies with substantial brand value and maturity.

On the other hand, the DCF valuation is flawed as well by adding back value of Biological assets which are basically Operating assets and should not be added back, if we exclude that false add back. It reveals its true value.

Even considering Ghani's future expansion plans, the asking valuation, prices in all future growth upfront at a massive premium to the existing market standard. This leaves **no margin of safety or upside for retail investors**, who are being asked to fund the expansion while bearing all execution risk at these inflated prices.

I strongly urge the Exchange to review this valuation rigorously. For the IPO to be fair and offer a reasonable investment proposition, the **valuation should be revised downward to a range of PKR 4-6 billion**. This would align it more closely with observable market benchmarks and provide a fundamental value anchor for investors.

Thank you for considering my comments. A fairly priced IPO is crucial for protecting retail investors and maintaining confidence in Pakistan's capital markets.

**Sincerely,**

Farrukh

## **CTI Response**

Dear Mr. Farrukh,

Thank you for submitting your detailed comments on the draft prospectus for the upcoming IPO of Ghani Dairies Limited. We appreciate your engagement and would like to provide clarifications on the points you raised:

### 1. Comparison with At-Tahur Limited (PREMA) as the “Only True Benchmark”

While At-Tahur (PREMA) is the only listed dairy-sector company in Pakistan, it is not a like-for-like comparable for valuation purposes. PREMA operates as a branded consumer dairy (B2C) with substantial downstream operations including Pasteurization, , packaging, distribution, retail logistics, cold-chain infrastructure, and marketing—each of which materially influences its margins, asset base, and valuation.

In contrast, Ghani Dairies is purely a B2B raw milk producer operating under a farm-gate supply model with direct institutional off-take. Ghani incurs no packaging, no retail distribution, no cold-chain costs, and no marketing expenses, and its entire output is purchased at the source by Nestlé, Fauji, IRC dairy.

Both companies apply IAS 41; however, IAS 41 interacts very differently with a B2B raw-milk business versus a branded FMCG dairy. PREMA’s valuation is therefore driven largely by brand equity, retail presence, and processing capacity—assets whereas Ghani does not possess or require. For this reason, PREMA cannot be treated as the sole benchmark for establishing fair value.

### 2. Per-Cow and Per-Litre Valuation Comparisons

Per-cow and per-litre metrics are operational indicators, not appropriate bases for valuing a biological-asset business under IAS 41. IAS 41 requires biological assets to be measured at fair value, which reflects:

- Expected yield per cow
- Genetics and herd productivity

### Mortality and calving cycles

Ghani's herd yields approximately 2x the industry output per productive cow, and the Company's fully mechanized milking system results in 0% wastage, 0% spillage, and 0% handling losses—meaning every litre produced is realized in revenue. These advantages directly enhance fair value per cow and per litre under IAS 41, explaining why simple ratio comparisons to PREMA do not accurately capture Ghani's economic fundamentals.

Additionally, Ghani incurs zero outbound logistics cost, as all milk is collected from the farm gate by lead processors of milk. This results in materially higher net cash flows per litre, a key IAS 41 valuation determinant.

### 3. "Adding Back Biological Assets" in the DCF Valuation

As per the best practices, the methodology has been revised in discounted cash flow (DCF) in section 4A.ii.

### 4. "Pricing All Future Growth Upfront" and "No Margin of Safety"

Under IAS 41, biological value is recognized before full cash generation due to the nature of self-generating biological assets. Pregnant cows, maturing heifers, and expanding herd cycles add fair value even before they reach peak milking productivity. This is not "pricing growth upfront"; it is a mandatory accounting requirement of IAS 41.

Furthermore, Ghani's existing position includes the following measurable strengths:

- 1,377 productive cows and 2,487 total herd
- 12.7 million liters annual output with near-zero wastage
- Strong demand from Nestlé, Fauji, and IRC
- Superior yield per cow compared to sector averages
- Highly efficient cost structure (zero logistics, zero spoilage)

These realities contribute to a valuation that reflects not only future expansion but the current and ongoing biological value embedded in the herd today.

### 5. Valuation Should Be PKR 4–6 Billion"

A valuation in the range of PKR 4–6 billion would disregard:

IAS 41's fair value requirements

Ghani's zero wastage and zero cost-to-sell advantages

The Company's superior per-cow yield and productivity

Strong B2B institutional off-take

The embedded biological value of the herd

Expansion-driven capacity increases to 17.3 – 33.57 million liters

The economic uplift from mechanized milking and closed-pipeline systems

Most importantly, it would incorrectly benchmark Ghani against PREMA's FMCG business model, which is structurally, operationally, and economically different.

Our valuation incorporates internationally accepted methodologies for agricultural and dairy businesses, consistent with IFRS, and provides a realistic estimate of the Company's fair value in view of current performance and future capacity.

We appreciate your thoughtful review and continued engagement.

### **Public Comment No. 3**

Good Day,

I went over the draft prospectus, and while the expansion plans are explained in much detail, my question is more focused towards assessing the demand of milk in the market. It is mentioned that in FY 2026, production is expected to increase from 12275 tonnes to 17840 tonnes and 33570 tonnes in fiscal year 2027.

No plans or marketing efforts have been mentioned regarding how the sales of the increased produce will be handled.

I would much appreciate it if you can cover this part.

Thank you,

Best Regards,  
Hassaan Khan,  
BSc Management Sciences, LUMS'23.

### **CTI Response**

Dear Mr. Hassaan,

Thank you for your question regarding the market demand for milk and the planned sales of the increased production.

Pakistan produces an estimated 68,017 million litres of milk annually (Pakistan Economic Survey 2024-25; PACRA Dairy Sector Research 2025). However, over 90% of this supply is routed through informal channels, with only approximately 6% entering the formal processing sector. Of this formal segment, around 90% is UHT and 10% is pasteurized (PACRA 2025). Major processors collectively handle less than 6% of the national output and face significant challenges due to reliance on inconsistent local suppliers.

This creates a structural shortage of reliable, traceable, farm-grade milk for formal dairy companies. As a mechanized corporate dairy farm, Ghani Dairies Limited (GDL) directly addresses this supply gap. The Company's strategy is not focused on consumer-level marketing, as its existing B2B customers have the capacity and willingness to absorb the increased production. GDL intends to strengthen long-term supply arrangements with formal dairy processors, ensuring sustainable off-take for its growing production volumes rather than competing in the retail market.

We trust this clarifies the Company's approach to managing the increased production and the underlying market demand.

Thank you.