



ALSHAHEER
FOODS

ANALYST BRIEFING

June 4, 2020



COMPANY OVERVIEW



History

- Al Shaheer Corporation Limited (“ASCL” or the “Company”) is one of the leading red meat exporters of Pakistan.
- Its first facility, a world class abattoir, was set up in Gadap Town, Karachi in **2008**.
- Company started its business operations by exporting red meat (**Beef and Mutton**) to Dubai, UAE.
- It expanded its market to Saudi Arabia and later became a trusted supplier of high quality and **Halal meat to GCC countries**, except Qatar, offering a full range of boneless and bone-in products. The Company also have an approval in place to export meat to Egypt as well.
- In **2010**, Al Shaheer entered the domestic fresh meat market with **first ever red meat brand** in Pakistan – **Meat One**.
- It launched its second brand, **Khaas Meat in 2014**, which was positioned as an economy brand competing with the neighborhood butcheries.
- In addition to serving export and retail markets, **another business was launched in 2014** for institutional sales. **Professional Line** was launched to cater exclusively the needs of bulk consumers.
- ASCL was **listed on** Pakistan Stock Exchange in **2015**.

Overview – Existing Business Segments

- ASCL has 2 main business segments:



- Fresh meat business is divided into **3 sections**:

1

• Export Market

2

• Retail Market

3

• Professional Line

Existing Brands



Retail market is divided between two brands:

Meat One and **Khaas Meat**.

Professional Line was established upon the success of meat retailing business. It started serving local **B2B customers, mainly Hotels, Restaurants, Hospitals and Corporates in 2014** and serves customers based in Karachi, Lahore and Islamabad.

Overview - New Business Ventures

- Chef One** is ASCL’s latest venture **to be launched soon**.
- This brand will offer **Poultry & Frozen Food products** to its valued customers.
- This venture is **under development** and is expected to start operations soon.

Exports to GCC Countries

- ASCL product mix primarily comprises of **Beef, Mutton, Camel Meat and Offals**.
- These are exported to GCC countries except Qatar.



- It is a trusted supplier of high quality **Halal meat since 2008**.
- Approval is in place for **exporting to Egypt**.

Exports Market Share & Revenue Stream



Export market constitutes **68%** of ASCL's total **red meat sales**.



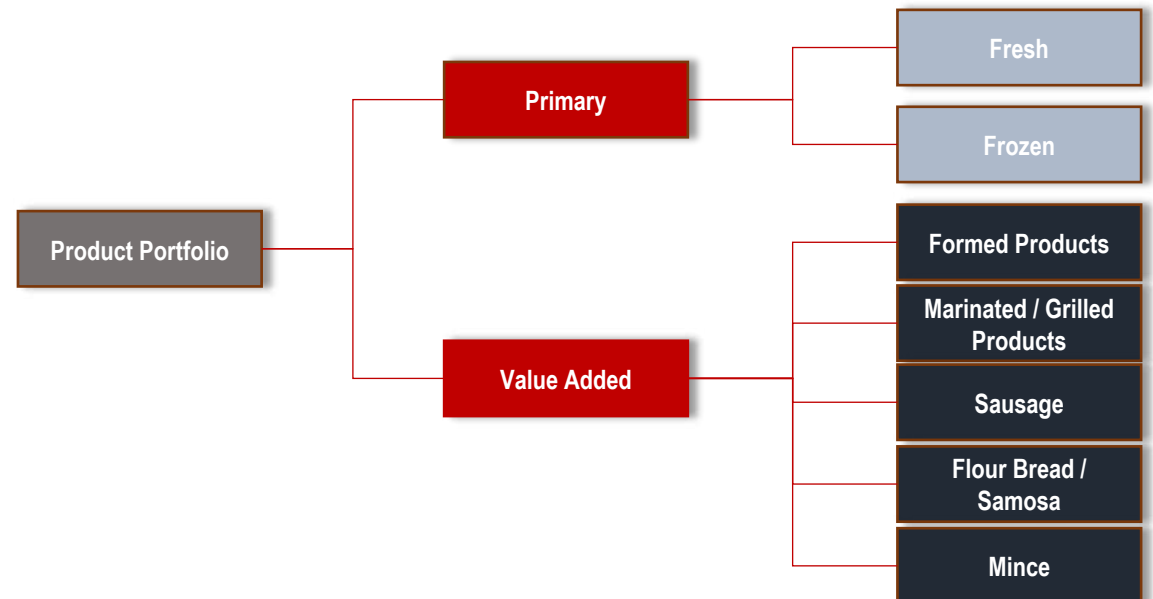
Revenue from export sales declined over the last few years. However, ASCL took **major restructuring initiatives** to reverse the fall in sales and to improve efficiency across the board.

Plant & Distribution Capacity

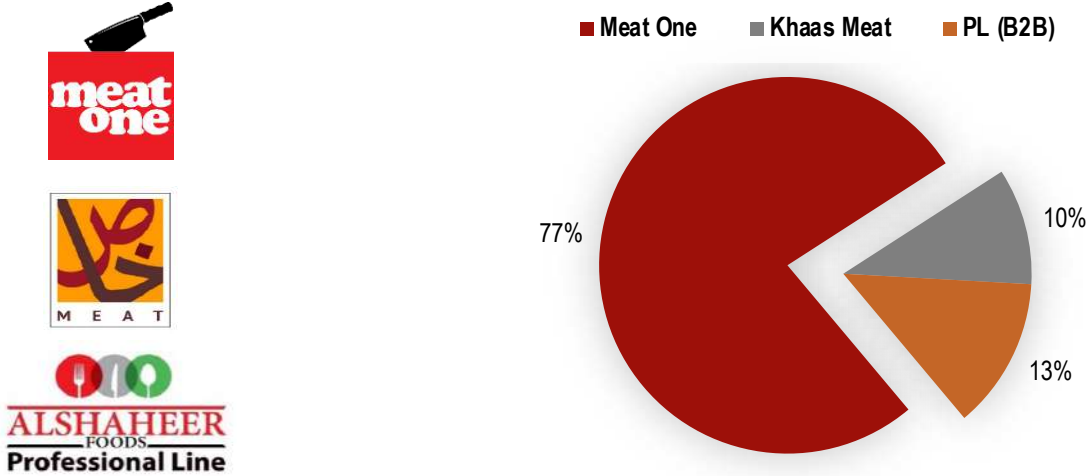
- ASCL has state of the art Beef and Mutton **slaughtering and deboning** facilities in Karachi.
- Total slaughtering capacity (80 tons / day):
 - 250 heads per shift for Beef
 - 1,600 heads per shift for Mutton
- The plant has ample chilling and freezing capacity to cater to frozen and chilled meat requirements. The storage capacity of chillers and freezers together is approximately 100 tons.
- A fleet of refrigerated trucks is on hand to transfer products from factory to the airport and local outlets with a capacity of 45,000 kgs.



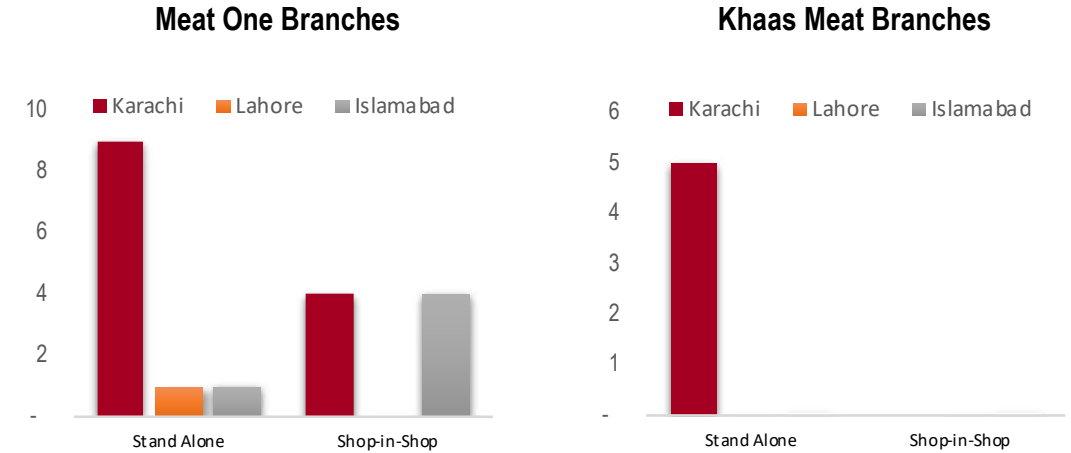
Processing Lines Capacities



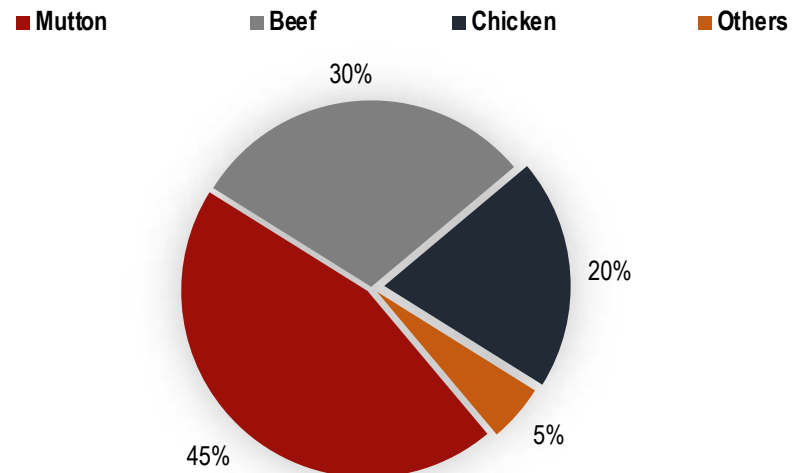
Brand - Sales Contribution



Retail Network



Segment - Sales Contribution



Products for International Market

BEEF: ASCL export and supply Beef Fore Quarters to its international clients. These are chilled and stored to maintain tenderness, aroma and freshness. In addition to Beef Fore Quarters, it exports Beef Hind Quarters which are chilled and wrapped in food grade cotton cloth prior to export.

MUTTON: ASCL also exports entire mutton and lamb carcasses. The product is wrapped in cotton cloth prior to exports. The carcasses are individually tagged to identify the buyer, date of slaughter and export destination. The mutton is kept chilled and exported fresh.

CAMEL MEAT: ASCL has been exporting camel meat to its customers in the Middle East for the past several years. They are catering to client orders for camel meat according to particular specification and cuts.

Meat One



- Meat One is the **pioneer in structured meat retailing** in Pakistan.
- It **commenced operations in August 2010** by providing its consumers with a healthy and hygienic meat option.
- The retail presence is through flagship stores, small stores and shop-in-shops in Karachi, Lahore and Islamabad.
- Meat One is committed to providing its consumers pure **Halal meat with no contaminants, no injections and no antimicrobials**.
- Fresh and hygienic products are supplied with **complete transparency**.
- Meat One **rationalised to 19 outlets from 33** in 2018-19.
- Objective is to consolidate business by **focusing on profit-making locations**.

Professional Line



- ASCL **started serving local B2B customers**, mainly Hotels, Restaurants, Hospitals and Corporates **in 2014**.
- Currently, AFSL serves **35 customers in Karachi, Lahore, Islamabad and Hyderabad**.
- It caters to some of the **most premium restaurants** across major cities.
- PL business has **0 bad debts** and a **minimum gross profit of 10% p.a.**

Khaas Meat



- Khaas Meat was **launched in February 2014** as the second brand of ASCL.
- It is an **upgrade to the existing butcher shops** in the market providing high quality meat in a **clean and hygienic environment**.
- The brand caters to SEC B & C through outlets spread in Karachi.
- Khaas Meat **rationalised to 5 outlets from 18** in 2018-19.
- Objective is to consolidate business by **letting go the loss making locations**.

Poultry and Frozen Food

- Chef One** is ASCL's latest venture which will **be launched soon**.
- Primary Processing:** The diverse product range will comprise of **fresh and frozen products**. Healthy, well fed chickens will be procured to make **fresh poultry cuts after halal slaughtering and hygienic preparation**.
- Further Processing:** These include processed **products including marinated meat and poultry cuts, formed and breaded products, wheat/flour based** and fully cooked/grilled/pan fried products.
- These ready to cook and fully cooked products use the best ingredients, bringing to customers both convenience and nutrition.





meat one

THE MEAT EXPERTS

ENJOY YOUR **EID**
IN PEACE

WITH EXPERT QURBANI SERVICE

Qurbani
service

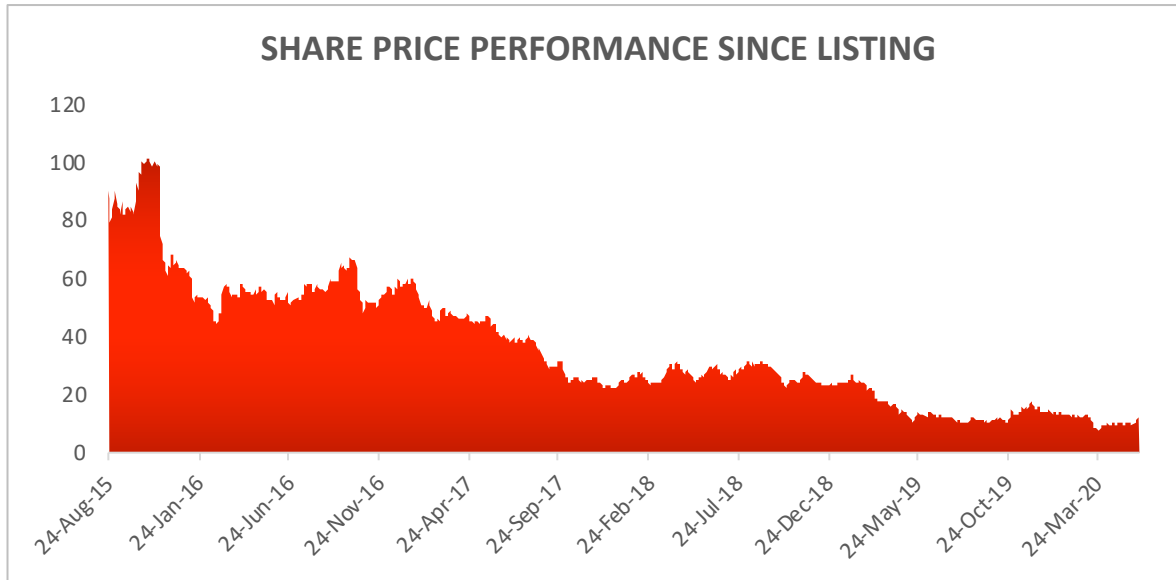
- STORE-TO-DOOR!
- HYGIENIC PROCESS
- COMPLETE SHARIAH COMPLIANT
- EXPERT BUTCHERS
- BEST ANIMALS

FROM STORE-TO-DOOR! CALL NOW
11-11-MEAT-1

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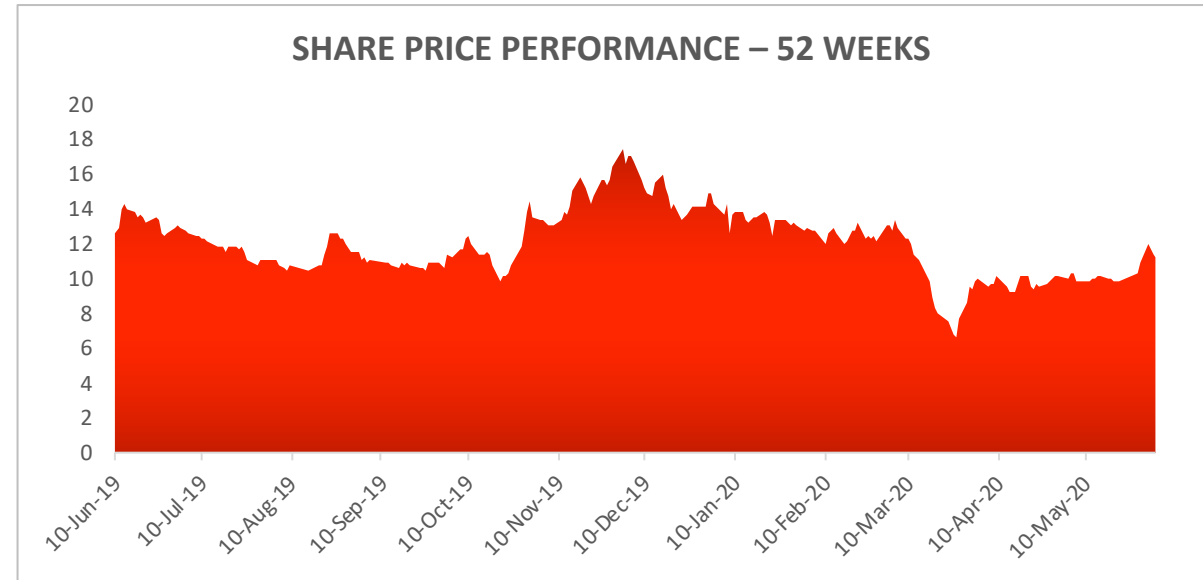
www.meatone.net

SHARE PRICE PERFORMANCE SINCE LISTING



Average Price	35.83
Maximum Price	104.38
Minimum Price	6.60
Current Price	11.17
Average Volume	570,135

SHARE PRICE PERFORMANCE – 52 WEEKS



Average Price	12.08
Maximum Price	17.85
Minimum Price	6.60
Current Price	11.17
Average Volume	638,600

Awards / Accreditations

The “Best Export Performance Awards” in 2009, 2012 and 2013 in the category of fresh and frozen meat from the FPCCI (Federation of Pakistan Chamber of Commerce and Industry).

The “Safe Food 2009” and “Safe Food 2010” award by URS, for quality and hygiene of its products and systems. The award has brought ASCL in the list of quality food manufacturers like Unilever and Nestle.

ISO 9001:2000, ISO 9001:22000 and HACCP for its quality and standards used in the production process.

The “Best Emerging Brand of the Year 2009” award by the Exhibitor (Pvt.) Ltd.

ASCL currently possesses municipality licenses to export meat to some of the most lucrative markets in the region, including UAE and Saudi Arabia.

Certifications

ASCL is certified on numerous national & international standards. Some of the certifications received are listed below:

- ISO 9001:2015 food quality management system
- ISO 22000 (FSSC) & HACCP Food safety management system
- ISO 14001: 2015 environment management system
- OHSAS 18001:2007 Occupational health & safety system
- PS 3733:2016 Pakistan Halal standard
- UAE/GSO 993:2015 for Halal slaughtering standard

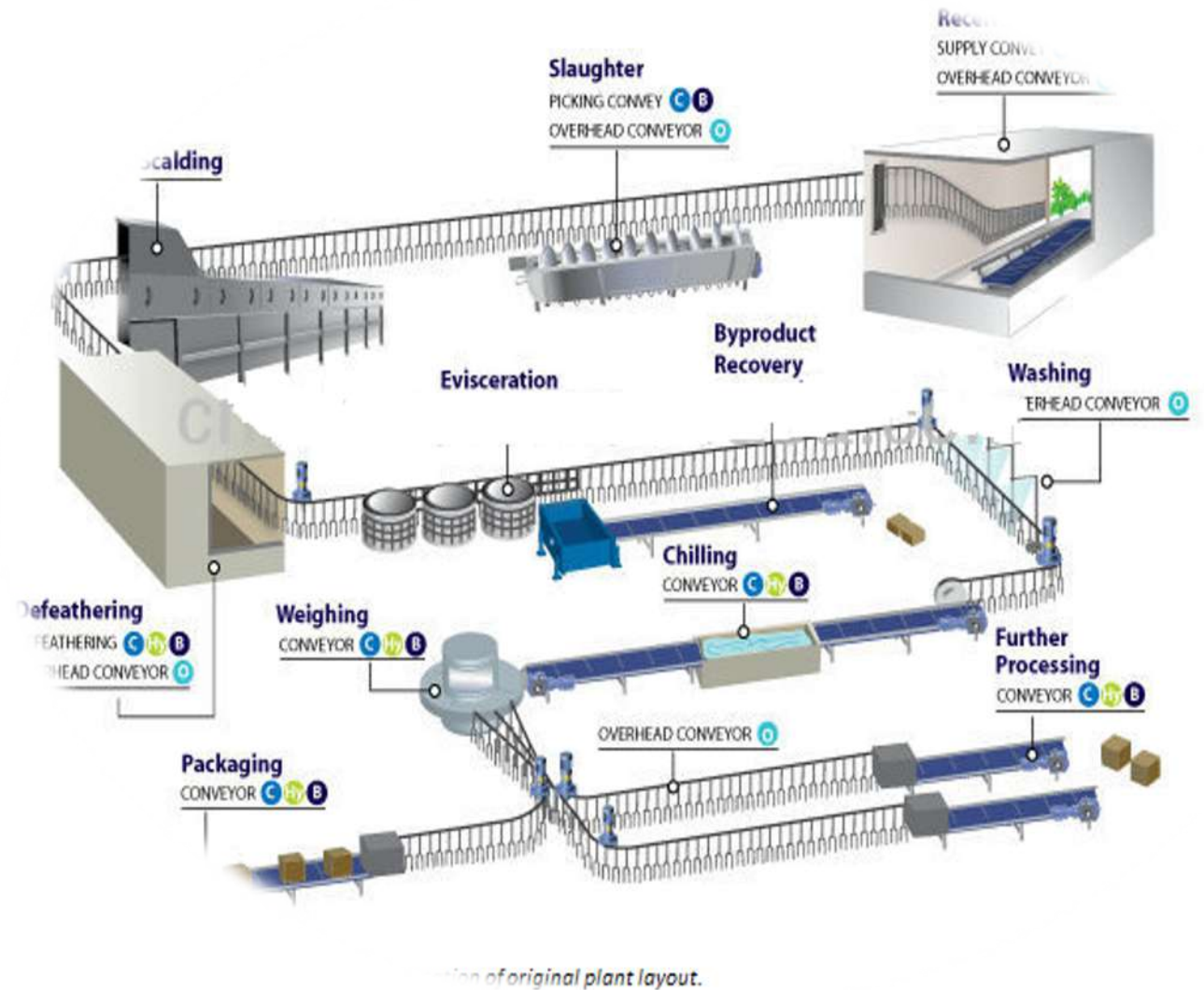




POULTRY & FROZEN FOOD LINE

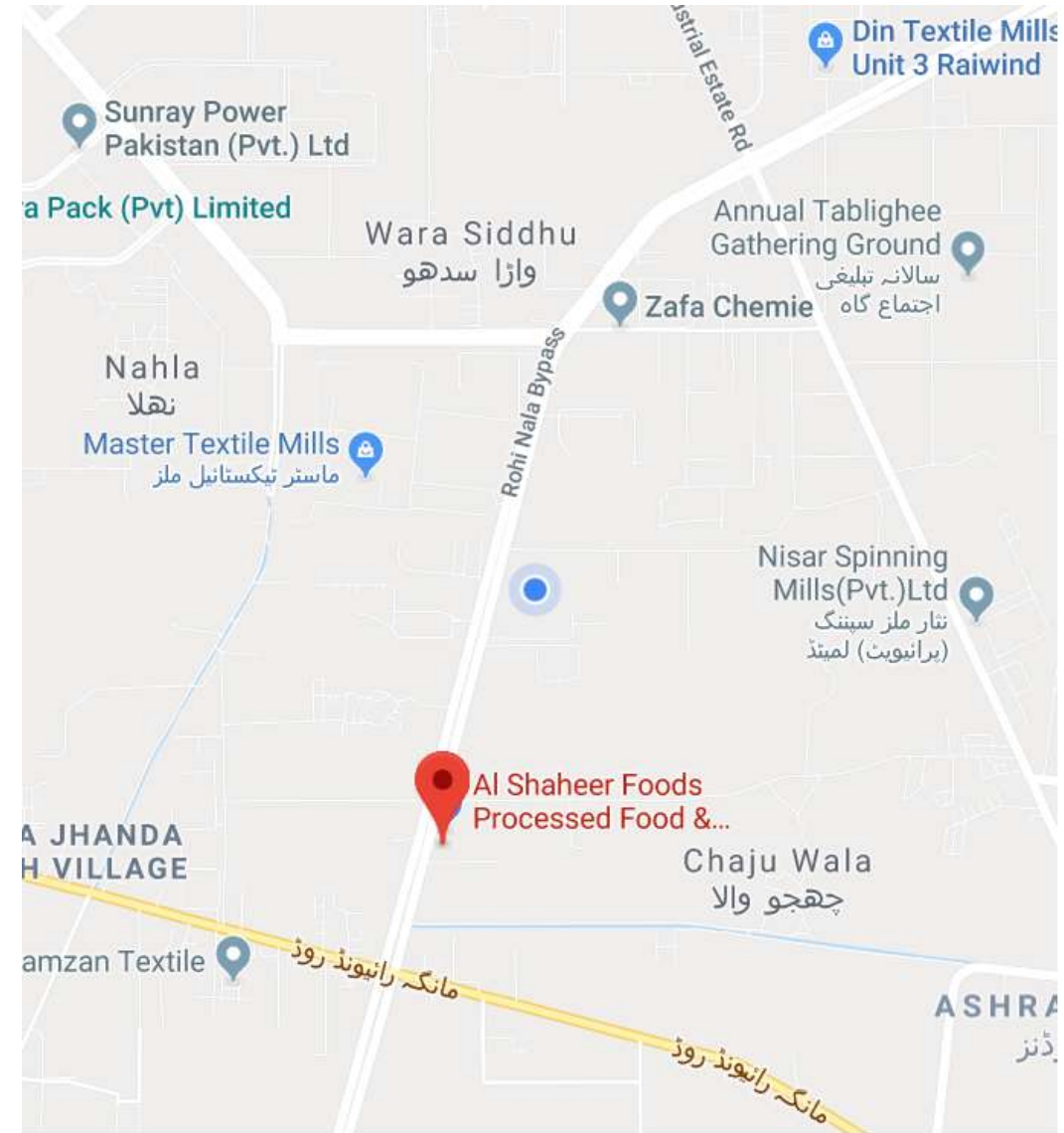


- Poultry Processing
 - Fresh and Frozen poultry cuts
- Value Added Processing
 - RTC/RTE
 - Snacks/Flour products



Plant Location

- At the main road of one of the prime industrial areas of Lahore.
- Distance of less than 25 Km from Lahore city and only 45 mins drive to Lahore Airport



Total Land	11.5 Acres
Constructed Area	8.5 Acres
Area Reserved for Future	3 Acres



Around 3 acres of land has been kept for future expansion and new projects.

Utilities infrastructure is designed in a way that is scalable for future project requirements.

Power Generation

HFO	1.5 MW
Diesel	800 KW
WAPDA (application in progress)	1.5 MW
Total Generation Capacity	3.8 MW

*WAPDA application in progress. Required infrastructure already in place.

Water (Bore well)

Water Storage	80,000 gallons
RO Treatment plant	6000 liters per hour

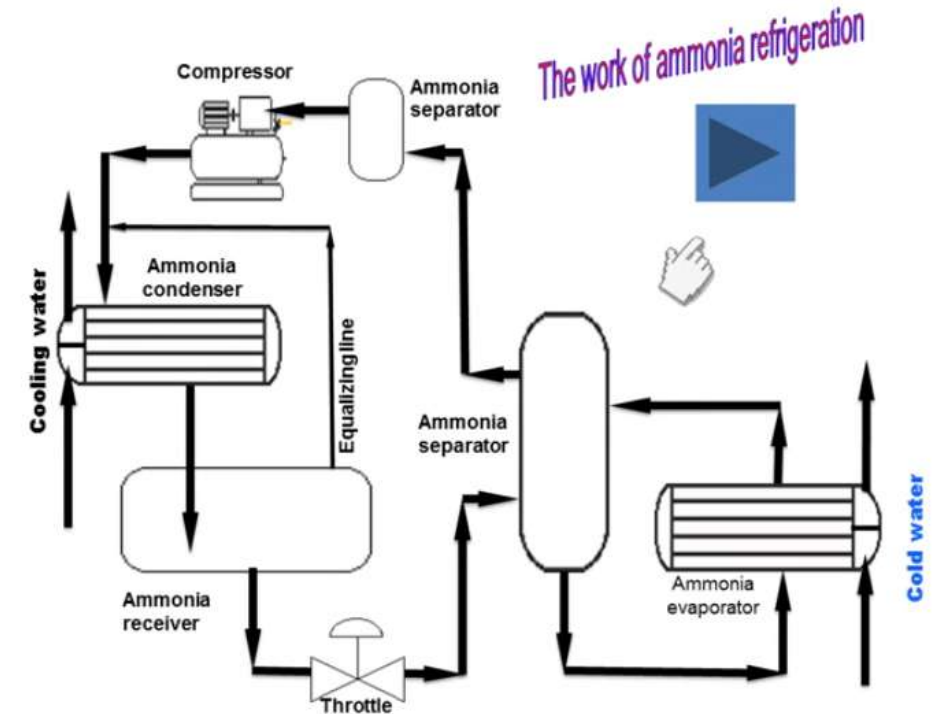
Refrigeration plant is designed comprising of three different circuits of ammonia.

- -10C Circuit: For Processing halls
- -30C Circuit: For Cold storages
- -40C Circuit: For Blast Freezing

Capacities

Refrigeration Circuit	Planned Capacity	Installed Capacity
-10C	4000 KW	1900 KW
-30C	864 KW	864 KW
-40C	700 KW	500 KW

Supportive infrastructure is complete for planned capacity. Only Addition of compressors will be required to achieve full refrigeration capacity.



Space & Capacities

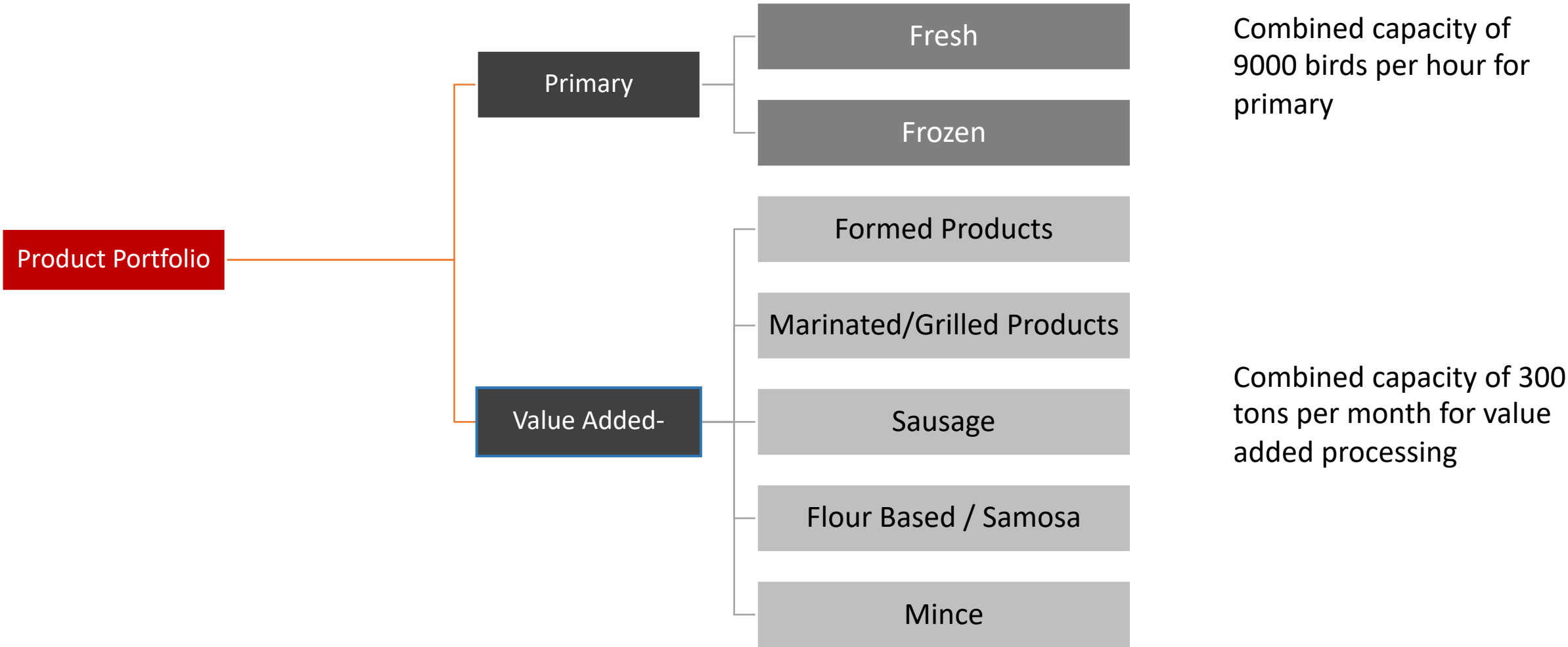
Storage – pallet positions	3500
Storage - tons	2000 tons
Freezing - Value Added	1.4 ton / hour
Freezing - Primary	3.6 tons / hour

Our processing and packaging lines comprises of machines that are from top of the line European and Japanese machine manufacturers.



Processing line	Machine Manufacture	Country of Origin
Primary Processing	MEYN	Netherlands
Forming lines	Provisur/GEA/RHEON	USA /Germany/Japan
Deli	Handtmann	Germany
Mince	Vemag	Germany
Bakery	Rondo	Switzerland
Packaging & weighing	Ishida/Multivac/Tony Freemantle	Japan/Germany/UK





Plant Laboratory

State of the art in house laboratories have been developed which is unprecedented in the industry. Comprising of

- Microbiology lab
- Chemical Lab
- R&D lab

Food Safety

Plant has been designed keeping in consideration all food safety requirements.

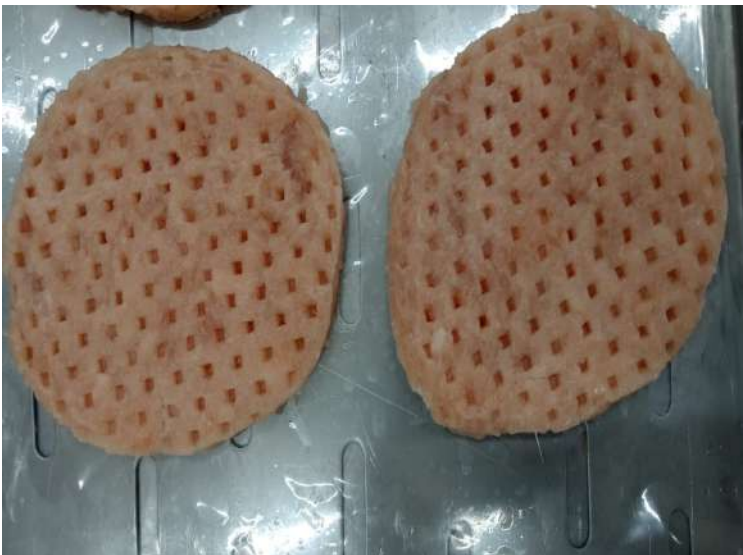
- Plant design is in line with GMPs (Good Manufacturing Practices) as prescribed in FSSC 22000 and BRC.
- Plant has already been accredited with Halal certificate.
- Pest management program has already been implemented.



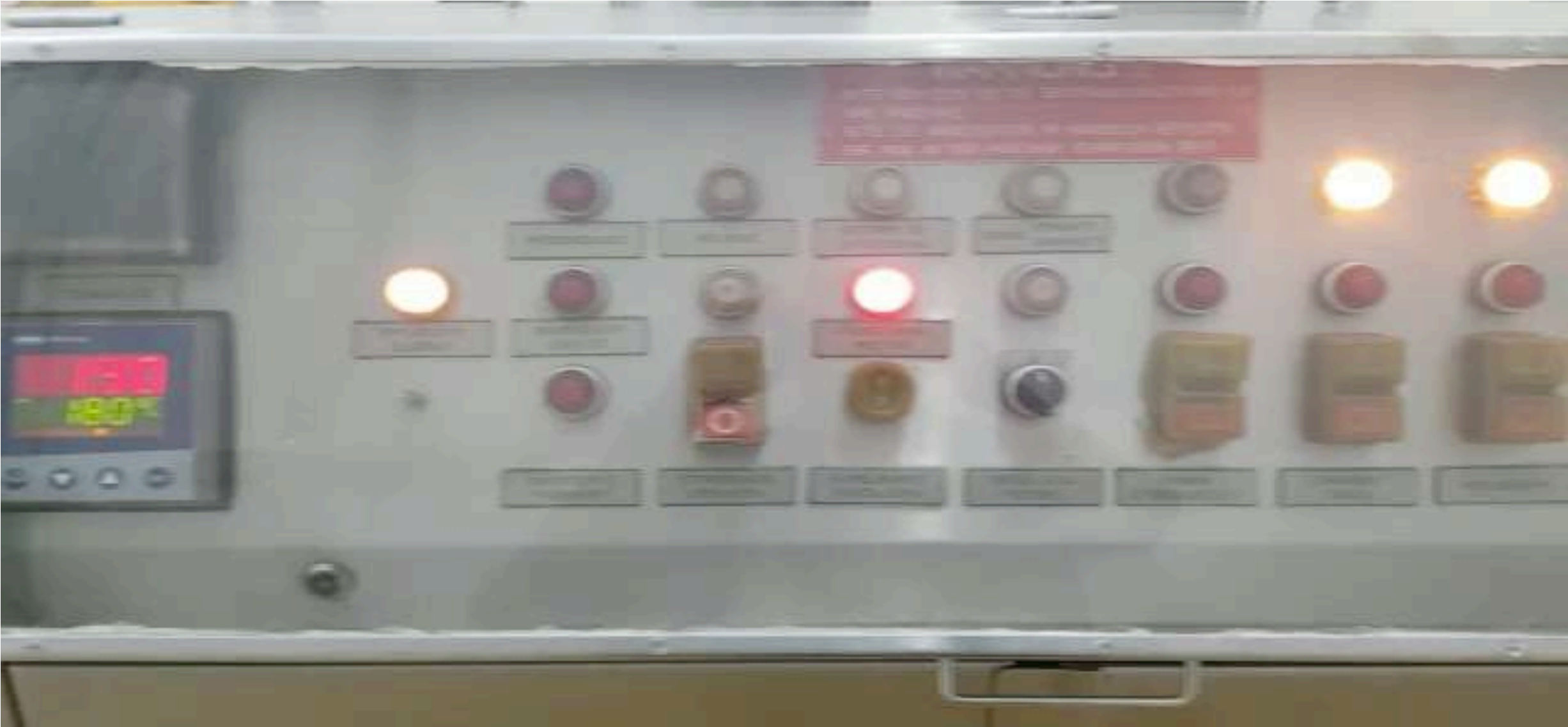
















CHALLENGES



LIQUIDITY CONSTRAINTS

In the recent past, the Company faced liquidity problems and Sales Revenue declined. This was mainly because of stagnant Rupee/Dollar parity which rendered our product uncompetitive in the foreign markets. This has been resolved with the new parities and our margins have significantly improved.

Admin cost of doing business was too high and was eating up profits, which led to liquidity constraint. This has been resolved through **extensive restructuring** and **cost cutting exercise**. Furthermore, the Company has **successfully closed a Right Issue** which helped tremendously in terms of **augmenting working capital**.

DYNAMIC BUSINESS ENVIRONMENT

Business environment in Pakistan and worldwide has been dynamic and volatile due to the **Covid-19**. However, our product comes in the **Essential goods category** thus we were able to serve in the local as well as foreign markets. The logistics and supply chain have been a challenge to the Company, but the management has very astutely **managed its logistical requirement very well** and we saw a **positive growth in Revenue**.

RESTRUCTURING

The Company has worked extensively in terms of assessing its human resource structure and requirement and have restructured it for **optimum efficiency and profitability**. We have been able to cut down **HR costs by 50%** and have at the same time significantly **increased employee efficiency**.

RIGHT SIZING OF RETAIL OUTLETS

Retail outlets have been cut down from **33 to 19** and from **18 to 5 outlets of Meat One and Khaas respectively**. Our strategy was to **shut down loss making outlets** and operate only with outlets that contribute to the bottom line. This has resulted in **higher overall margins**.



RIGHT ISSUE



ISSUE SIZE (%)

40.7%

ISSUE SIZE (PKR)

~PKR 578mn

NUMBER OF SHARES

~57.8mn

PIPC

~PKR 1,999mn

PURPOSE

Working Capital

DISBURSEMENT

FEB 28, 2020

TOPLINE GROWTH

The Company's has witnessed exponential increase in exports as it increased from ~PKR 174mn in Feb-20 to ~PKR 428mn in Mar-20 resulting in a MoM growth of 146%.

The domestic sales has increased from ~PKR 65mn in Feb-20 to ~PKR 88mn in Mar-20 resulting in a MoM growth of 37%.

FULFILLMENT OF ORDERS

The Company is now able to serve all the orders which were unfulfilled previously due to cashflow problems the Company was facing.

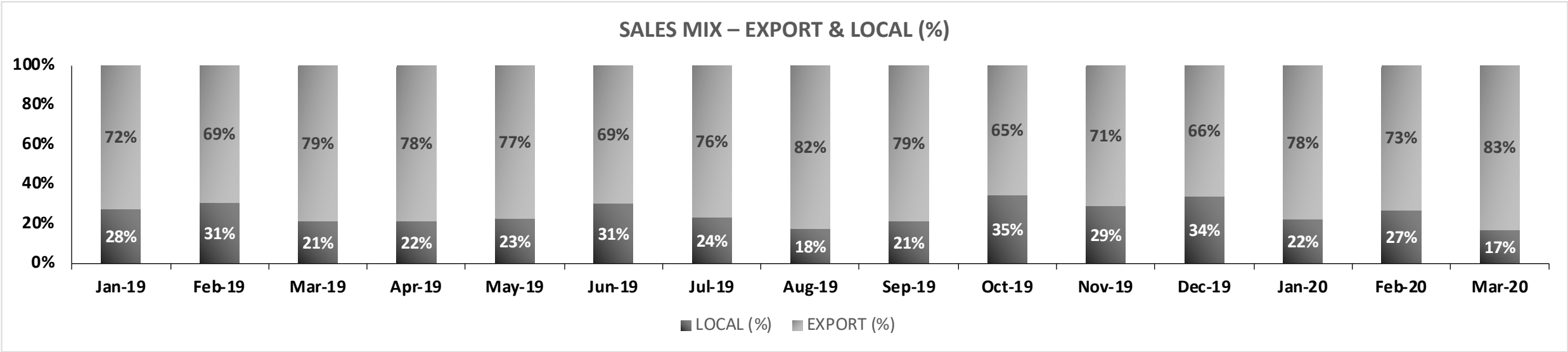
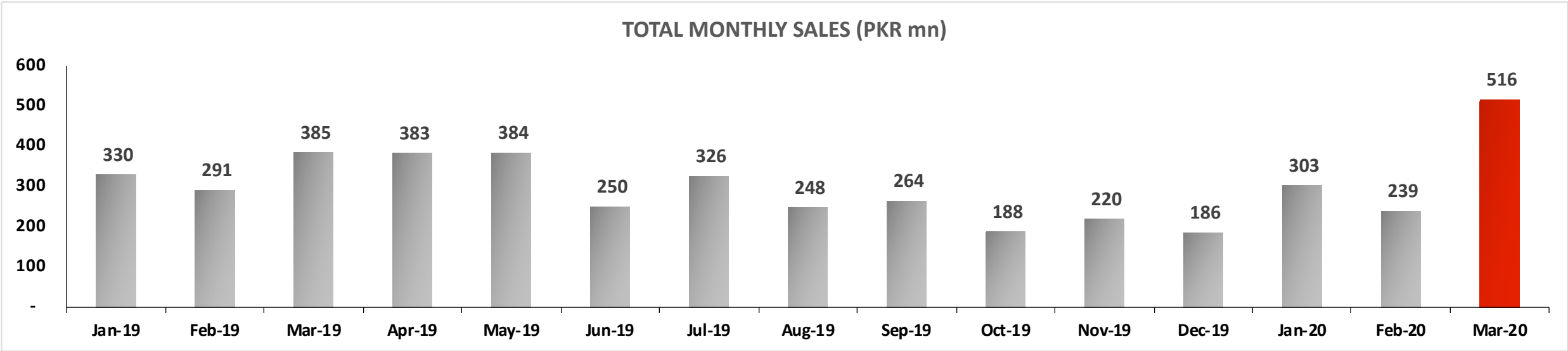
WORKING CAPITAL

With enhanced working capital, the Company is now able to progress towards increased volumes and smoothen and stabilize its operations thus resulting in visible growth in topline.

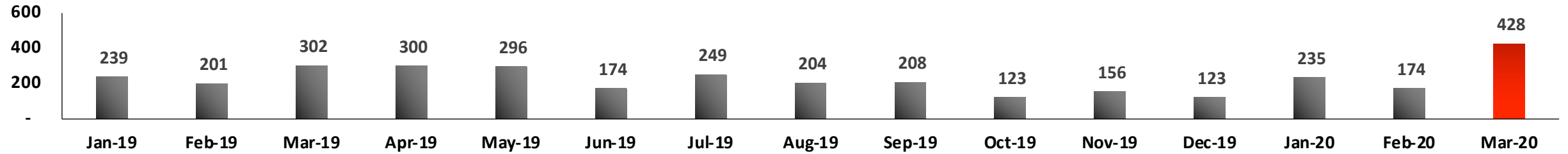
NEW MARKETS

The Company is exploring new markets for its retail footprint and plans to expand locally beyond KLI. Initially, stores will be opened in Peshawar, Abbottabad, Sialkot, Gujranwala and Faisalabad.

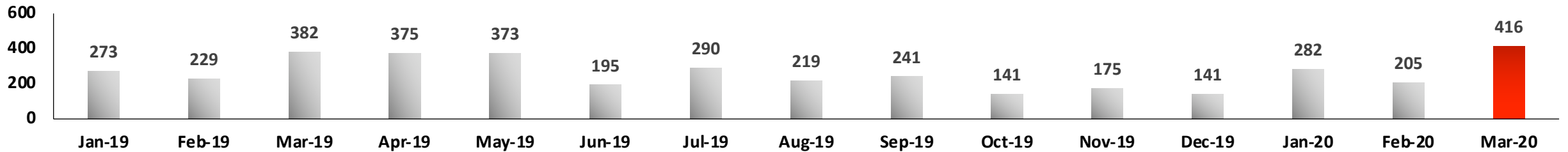
Online sales channels and e-commerce will also be explored and will contribute significantly in our Revenue. As part of this initiative, the Company has recently forged partnership with Bykea and FoodPanda.



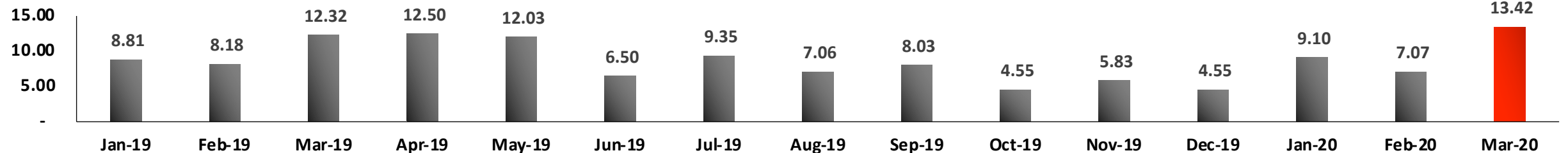
EXPORT SALES – JAN 2019 – MAR 2020 (PKR mn)

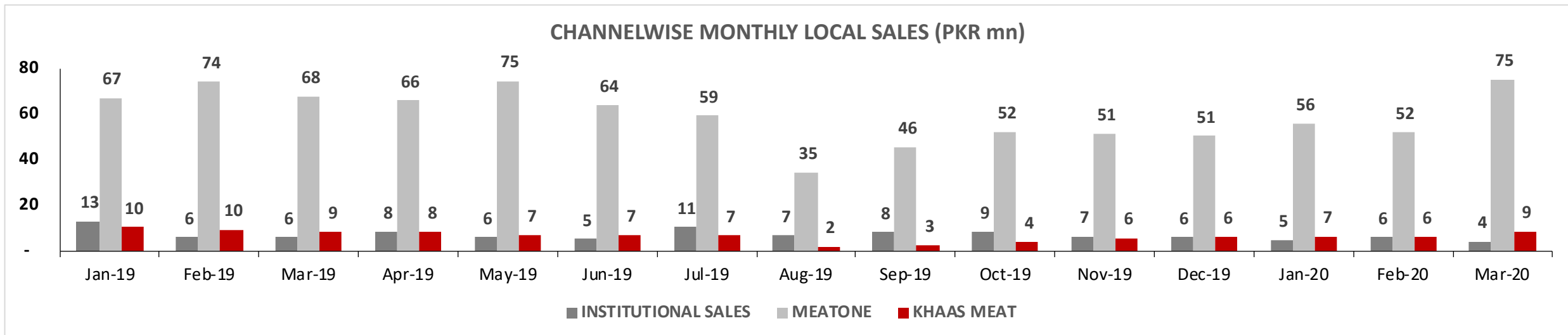
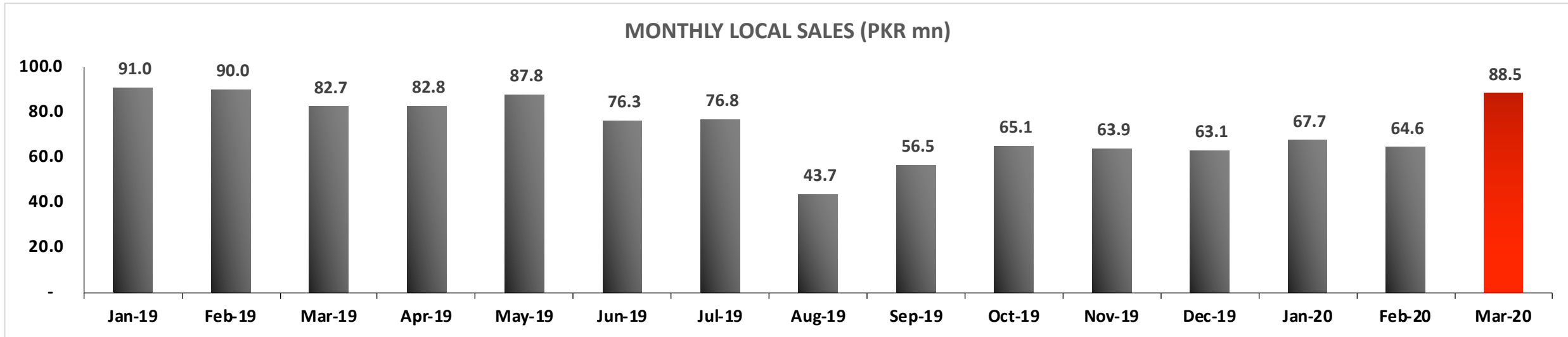


MONTHLY OFF-TAKE - EXPORT (NUMBER OF CONTAINERS)

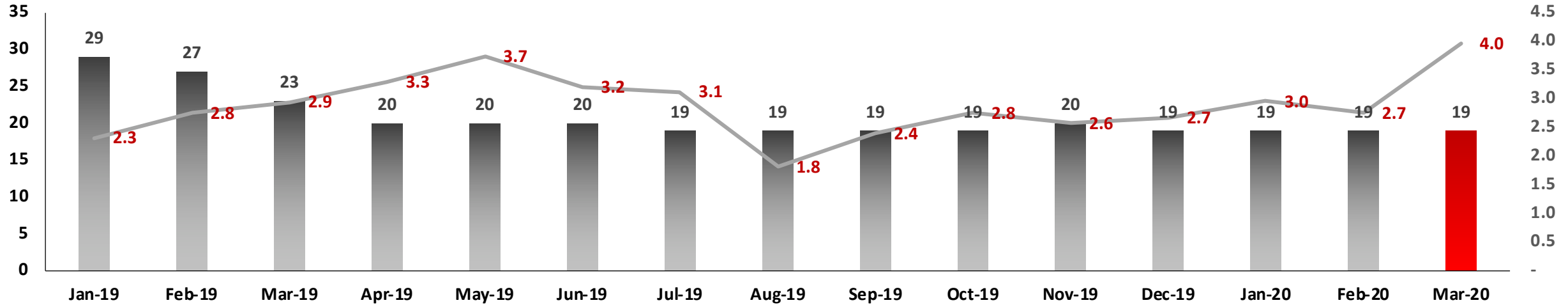


AVERAGE DAILY OFF-TAKE - EXPORT (NUMBER OF CONTAINERS)

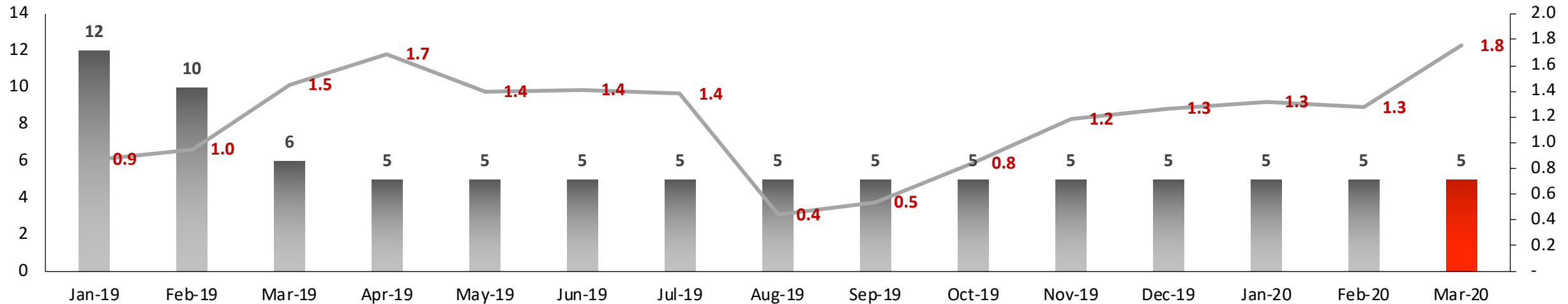




MONTHWISE AVERAGE SALES PER STORE – MEAT ONE (PKR)



MONTHWISE AVERAGE SALES PER STORE – KHAAS (PKR)



FINANCIAL PROJECTIONS - AS PER THE RIGHT DECLARATION NOTICE

AMOUNT IN PKR	FY2021*	FY2022	FY2023	FY2024	FY2025
SALES (PKR)	7,951,045,044	6,576,075,358	7,129,025,464	7,767,825,832	8,561,847,502
PAT	428,394,876	438,557,860	539,374,537	720,859,138	884,037,905
EPS	2.14	2.19	2.70	3.61	4.42
SHARE CAPITAL	1,999.59	1,999.59	1,999.59	1,999.59	1,999.59

* For sixteen months from March 2020 - June 2021

Note: The information given herein reflects current business perceptions of the Board of Directors as to the future business performance of the Company, based on current business environment, macro-economic factors and global commodity market trends. However, the Company and/or its directors cannot accept any liability for any investment decisions or conclusions drawn by any person on the basis of the projections.



COVID-19



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NO DISRUPTION IN EXPORT SALES

There was no disruption in the logistics of the Export Sales during the lockdown imposed by Pakistan and the countries the Company exports to. Exports have increased from ~PKR 174mn in Feb-20 to ~PKR 428mn in Mar-20 resulting in a MoM growth of 146%.

ESSENTIAL ITEM

As the business of the Company has been declared Essential Commodity by the GoP, our retail outlets were operational throughout the lockdown period. The domestic sales has increased from ~PKR 65mn in Feb-20 to ~PKR 88mn in Mar-20 resulting in a MoM growth of 37%.

PERCEPTION

The Company has always maintained international standards of hygiene and quality resulting in superior brand loyalty which has had an extremely positive impact on the local sales during the lockdown period in terms of both customer base and revenue.

HOME DELIVERY SALES

The Company was well equipped to cater to home deliveries before COVID-19 which has helped in catering to existing customers and capturing a new customer base. The home delivery sales jumped to 25% from 11% of the retail sales during the lockdown period.

E-COMMERCE

The Company is in process of developing its own state-of-the-art E-Commerce platform to address to change in consumer driven transition from brick-and-mortar to online purchasing.

DISTRIBTUTION

In order to cater to the growing demand in online and home delivery sales, the Company has forged partnership with Bykea and FoodPanda.

DIGITAL MARKETING

The Company has also hired a thriving marketing agency, RG-Blue, for our social media agency to ensure customer engagement at all times.





MACRO ECONOMIC FACTORS





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Thank you