VIS
Credit Rating Company Limited

RATING REPORT

MATCO FOODS LIMITED (MFL)

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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A-	A2	BBB+	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Upgrade		Reaffirmed	
RATING DATE	January 01, 2026		January 06, 2025	

Shareholding (5% or More)	Other Information
Ghori Family ~ 61%	Incorporated in 1990
General Public – 20%	Listed Public Limited Company
International Finance Corporation- 15%	Chief Executive: Mr. Khalid Sarfraz Ghori
	External Auditor: Grant Thornton Anjum Rahman

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

Rating Scale

https://docs.vis.com.pk/do cs/VISRatingScales.pdf

Rating Rationale

The assigned ratings reflect Matco Foods Limited's (MFL) sound market position in Pakistan's rice export sector, governance strength supported by experienced sponsors and International Finance Corporation (IFC), and improving profitability. Historically, earnings were diversified across rice exports, corn starch, and 'Falak' branded foods, which supported higher margins and resilience during rice market volatility. However, the ongoing carve-out of corn starch and 'Falak' businesses will concentrate MFL's operations in lower-margin rice exports, resulting in the loss of historical margin advantage and increased sensitivity to commodity price and export demand fluctuations. Financial risk is marked by high leverage and gearing, which constrain profitability. In FY25, profitability and debt coverage improved, supported by cost efficiencies, margin gains, and operational optimization. Assigned ratings are underpinned on planned deleveraging through equity injection and internal cash generation, alongside efforts to improve gross and net margins in core operations. The successful execution of the carve-out, margin stabilization, and continued balance-sheet strengthening will be key for ratings, going forward.

Company Profile

Matco Foods Limited (MFL) or ('the Company') was incorporated on April, 1990 in Karachi as a private limited Company and listed on Pakistan Stock Exchange Limited on February, 2018. The Company business primarily engages in the processing and export of rice and associated products. The Company also provides a complete line of corn starches and corn based animal nutrition products. In addition, Matco also provides a wide variety of culinary and convenience food items. MFL is selling its products under the brand name ' Falak' and private labelling including brand names: Amber, Areej, Bahar, Everyday, Falak, Fiza, Rojan, Sevan, Sunbul, Rice glucose, Rice protein, Maltodextin, Dextrose monohydrate and cornstarch. The Company's products include predominantly basmati rice, rice glucose, rice protein, rice maltodextrin, corn starch, Himalayan pink salt, and other gourmet salts, spices, dessert mixes, and many more.

The Company's operations span five rice processing and milling plants, incorporating paddy drying, storage, and husking facilities situated in Sadhoke, Punjab, and Karachi, Sindh while the Corn Starch plant is located in Faisalabad, Punjab.

The Company also has 100% ownership of JKT General Trading FZE, a United Arab Emirates-based subsidiary registered with the Government of Sharjah. The subsidiary's business involves the purchase and sale of processed rice.

Matco Foods also has a 49% ownership in Barentz Pakistan Private Limited which is engaged in the business of processing and export of rice, glucose, protein and flour, manufacturing, general trading, exports/imports and other related activities. During the year, the Board approved the separation of two divisions — the Corn Starch Division and the Falak Foods Division — into wholly owned subsidiaries, namely Matco Corn Products (Private) Limited and Falak Foods (Private) Limited. Additionally, Matco Marketing (Private) Limited was renamed Falak Foods (Private) Limited (FFPL) to serve as the dedicated entity for the Falak Foods Products Division.

Management and Governance

OWNERSHIP/SPONSOR/CHAIRMAN/CEO PROFILE

The Company's shareholding structure is predominantly family-owned, with the Ghouri family collectively holding a majority stake. Key shareholdings include Mr. Javaid Ali Ghouri (19.62%), Mr. Khalid Sarfraz Ghouri (19.63%), and Ms. Sadaf Tariq (20%). Notably, the International Finance Corporation (IFC) holds a significant 15% equity stake, reflecting strong institutional participation and providing an added layer of governance discipline and credibility. The remaining shares are held by the general public and other shareholders.

Mr. Khalid Sarfraz Ghori, the Company's Chief Executive Officer, is a graduate of the University of Karachi (1981) and completed his articleship with the Institute of Chartered Accountants of Pakistan (ICAP), Karachi. He has over three decades of experience in rice processing, with deep expertise in agri-product quality assessment and a hands-on approach to procurement and production. Succession and management depth are supported by the active involvement of his son, Mr. Faizan Ghori, in day-to-day management, alongside broader participation of sponsor family members in the Company's operations and oversight.

BOD's & COMMITTEE:

The Company's Board of Directors consists of nine members including the Chairman, the CEO, two Executive Directors, one Non-Executive Director, and four Independent Directors. The Board met with adequate frequency during the year. Matco Foods Limited has two board committees, the Audit Committee and the Human Resource and Remuneration Committee, both of which convened meetings as per regulatory requirements.

Business Risk

INDUSTRY

After India imposed export restrictions in 2023, Pakistan initially benefitted from improved market access. However, India's re-entry into the global rice market led to a sharp correction in international prices, causing Pakistan's rice export revenues to decline notably in FY25. Pakistan exported 5.8 million metric tons (MMT) of rice in FY25, a modest 3.7% decrease from 6 MMT in the previous year. Despite the relatively small drop in volume, export earnings fell substantially by 14.7% year-on-year, declining to USD 3.36 billion from USD 3.93 billion in FY24.

The revenue contraction was primarily driven by falling global prices, especially for non-basmati rice, which makes up over 85% of Pakistan's rice export mix. Basmati exports recorded a slight 3% increase in volume to 797,000 tons, but earnings still slipped by 5.2% to USD 832 million, compared to USD 877 million in FY24. Non-basmati exports faced more pronounced pressures, with volumes declining 4.7% and export value dropping 17.4%, reflecting weaker international demand and stronger price competition. Earnings from non-basmati rice fell to USD 2.52 billion in FY25 from USD 3.05 billion in FY24.

The downward trend has persisted into FY26. During 1QFY26, Pakistan's rice exports dropped 28% year-on-year, falling to 712,797 tons from 991,146 tons in the same period last year. The decline was sharpest in the basmati segment, which plunged 45.5% to 137,066 tons from 248,500 tons. Non-basmati exports also fell 22.1%, declining to 575,731 tons from 764,700 tons, underscoring ongoing pricing pressure and subdued demand in key markets. Over the past year, basmati rice prices remained around USD 1,200–1,600 per metric ton, though gains were capped by buyer resistance. In contrast, IRRI rice prices softened to about USD 450–650 per metric ton due to ample global supplies and increased export availability. Going forward, basmati prices are expected to remain stable to moderately firm, while IRRI prices may stay under pressure in the near term, with only a gradual recovery expected over the medium term, contingent on supply adjustments, demand recovery in Africa and Asia, and any adverse weather impacts on upcoming crops.

OPERATIONAL UPDATE:

During FY25, the actual production in the rice processing segment declined to 82,642 tons (FY24: 178,500) due to lower offtakes of Basmati and Non-Basmati Rice in the International market as India lifted its export restrictions. Consequently, the capacity utilization declined to 46% (FY24: 62%).

During FY25, the actual production in the rice glucose segment increased to 11,986 tons (FY24: 10,659 tons) as the segment performed well in both the local and export market. Consequently, the capacity utilization improved to 36% (FY24: 32%).

The Corn Starch Plant recorded production of 51,519 tons (FY24: 49,212 tons)

	FY24	FY25
Rice Processing- Annual Plant Capacity (Tons)	178,500	178,500
Rice Processing- Actual Production (Tons)	110,732	82,642
Capacity Utilization	62%	46%
Rice Glucose- Annual Plant Capacity (Tons)	33,000	33,000
Rice Glucose- Actual Production (Tons)	10,659	11,986
Capacity Utilization	32%	36%
Corn Starch- Annual Plant Capacity (Tons)	72,000	72,000
Corn Starch- Actual Production (Tons)	49,212	51,519
Capacity Utilization	68%	72%

Financial Risk

CAPITAL STRUCTURE

Matco's equity base increased to Rs 5.6b as of Sep'25 (Jun'25: Rs 5.4b; Jun'24: Rs 4.8b), driven by improved profitability and profit retention. Total borrowings increased to Rs 15.03b as of Sep'25 (Jun'25: Rs 15.19b; Jun'24: Rs 13.2b), reflecting higher working capital needs. As a result, capitalization indicators remained elevated, with leverage and gearing recorded at 3.61x and 2.70x, respectively (Jun'24: 3.64x and 2.82x). The debt mix continues to be primarily short-term in nature.

Looking ahead, management plans to deleverage supported by higher anticipated profitability and a planned rights issue in 2026 (projected gearing 2.05 and leverage 2.91). Additionally, the carve-out of the Falak Foods and Corn Starch divisions into separate subsidiaries, along with the planned listing of Falak Foods, is expected to improve capitalization metrics. Strengthening the company's capital structure will remain an important consideration from a ratings perspective.

PROFITABILITY

During FY25, Matco's revenue declined by ~4% to Rs 26.65b (FY24: Rs 27.7b) primarily due to pricing pressures in rice export market. Export sales accounted for 55% of total sales in FY25 (FY24: 59%). The Company generates revenue from three business segments, Rice and Allied Products, Corn Starch and Falak Foods Products.

Revenue from Rice and Allied Products declined by ~8% to Rs 20.45b (FY24: Rs 22.3b) largely driven by a reduction in export earnings, which fell to Rs 14.64b (FY24: Rs 16.75b). While the value-added rice by -products segment showed stronger performance in both domestic and export markets, Basmati rice exports dipped as a result of lower international prices and intensified competitive pressures. Basmati exports were recorded at $43,848 (FY24: $49,263) in FY25. The Corn Starch & Falak Foods segment recorded healthy growth with revenue rising to Rs. 5.68bn (FY24: Rs 5.04b) and Rs 540.8m (FY24: Rs 365.15m) respectively This growth in both segments reflected improved market penetration in export markets and stronger positioning in the local market.

Despite a decline in the Company's overall revenue, Matco strengthened its profitability on the back of higher margins. Gross Margin improved to 12.55% (FY24: 11.45%) due to more efficient raw material procurement and inventory management and lower energy costs stemming from Company's solar power initiatives. Furthermore, the finance cost also declined significantly to Rs 1.85b (FY24: Rs 2.24b) reflecting lower borrowing costs due to easing interest rates. Together these factors led to recovery in profitability, posting a net profit of Rs 413.9m (FY24: Rs -262.5m) in FY25.

In 1QFY26, the Company's revenue remained under pressure as rice exports continued to face competition in international markets and a decline in global basmati prices. However, gross margin strengthened further to 15.71%, supported by ongoing cost optimization and improved inventory management.

DEBT COVERAGE & LIQUIDITY:

Matco's liquidity profile remains adequate, with the current ratio modestly improving to 1.07x at end FY25, and further to 1.07x in Q12026. Short-term borrowing coverage also remained stable at 1.2x in FY25, while working capital cycle remained rangebound historical levels

During FY25, debt servicing capacity strengthened with Debt Service Coverage ratio (DSCR) improving to 1.02x (FY24: 0.89) supported by lower finance cost and higher profitability. The improvement continued in Q12026 with DSCR further improving to 1.38x, driven by higher Funds from Operations (FFO) generation. While still moderate, further enhancement in cash flows and continued deleveraging will remain important to sustain comfortable leverage levels going forward.

Financial Summary

Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	3MFY26M
Property, plant and equipment	7,741.82	11,419.86	10,983.12	10,823.53
Right-of-use Assets	243.53	239.64	0.00	0.00
Long-term Investments	65.31	55.58	55.68	55.68
Stock-in-trade	9,574.43	11,613.57	13,668.05	13,943.39
Trade debts	2,194.18	2,334.77	1,957.42	2,379.68
Short-term Investments	4.22	1.20	1.20	1.20
Cash & Bank Balances	359.00	357.42	353.44	416.41
Other Assets	864.41	1,517.05	2,943.54	3,012.82
Total Assets	21,046.90	27,539.09	29,962.45	30,632.71
Creditors	1,658.59	2,228.58	2,687.46	2,693.83
Long-term Debt (incl. current portion)	2,296.79	2,045.08	1,855.40	1,751.10
Short-Term Borrowings	8,416.68	11,123.99	13,330.53	13,280.26
Total Debt	10,713.47	13,169.07	15,185.93	15,031.36
Other Liabilities	1,190.70	2,153.80	1,686.16	2,358.15
Total Liabilities	13,562.76	17,551.45	19,559.55	20,083.34
Paid up Capital	1,224.01	1,224.01	1,224.01	1,224.01
Revenue Reserve	3,171.67	2,888.86	3,474.86	3,659.60
Other Equity (excl. Revaluation Surplus)	680.47	680.47	680.47	680.47
Equity (excl. Revaluation Surplus)	5,076.15	4,793.34	5,379.34	5,564.08

Income Statement (PKR Millions)	FY23A	FY24A	FY25A	3MFY26M
Net Sales	19,985.41	27,695.67	26,654.38	6,065.29
Gross Profit	2,453.26	3,171.02	3,346.33	952.71
Operating Profit	1,946.16	2,175.56	2,344.31	555.93
Finance Costs	1,182.36	2,243.88	1,854.11	362.84
Profit Before Tax	763.80	-68.32	490.20	193.09
Profit After Tax	555.61	-262.47	413.90	146.46

Ratio Analysis	FY23A	FY24A	FY25A	3MFY26M
Gross Margin (%)	12.28%	11.45%	12.55%	15.71%
Operating Margin (%)	9.74%	7.86%	8.80%	9.17%
Net Margin (%)	2.78%	-0.95%	1.55%	2.41%
Funds from Operation (FFO) (PKR Millions)	803.70	284.67	179.72	322.21
FFO to Total Debt* (%)	7.50%	2.16%	1.18%	8.57%
FFO to Long Term Debt* (%)	34.99%	13.92%	9.69%	73.60%
Gearing (x)	2.11	2.75	2.82	2.70
Leverage (x)	2.67	3.66	3.64	3.61
Debt Servicing Coverage Ratio* (x)	1.14	0.89	1.02	1.38
Current Ratio (x)	1.15	1.06	1.07	1.07
(Stock in trade + trade debts) / STD (x)	1.41	1.28	1.20	1.26
Return on Average Assets* (%)	2.91%	-1.08%	1.44%	1.93%
Return on Average Equity* (%)	11.45%	-5.32%	8.14%	10.71%
Cash Conversion Cycle (days)	193.19	158.59	188.85	231.01

**Annualized, if required*

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Matco Foods Limited
Sector	Food
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
Rating History	see table below

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
01/01/2026	A-	A2	Stable	Upgrade
01/06/2025	BBB+	A2	Stable	Reaffirmed
12/29/2023	BBB+	A2	Stable	Reaffirmed
12/12/2022	BBB+	A2	Stable	Reaffirmed
01/31/2022	BBB+	A2	Stable	Downgrade
01/06/2021	A-	A2	Stable	Maintained
12/10/2019	A-	A2	Positive	Maintained
11/15/2018	A-	A2	Stable	Reaffirmed
01/01/2018	A-	A2	Stable	Reaffirmed
04/04/2017	A-	A2	Stable	Reaffirmed
12/28/2015	A-	A2	Stable	Reaffirmed
12/29/2014	A-	A2	Stable	Reaffirmed
11/29/2013	A-	A2	Stable	Reaffirmed
06/15/2012	A-	A2	Stable	Upgrade
05/27/2011	BBB+	A3	Stable	Upgrade
04/05/2010	BBB	A3	Positive	Initial

Instrument Structure	N/A
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
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Due Diligence Meetings Conducted	see table below

Name	Designation	Date
Mr. Amir Farooqi	Chief Financial Officer (CFO)	12/02/2025
Mr. Danish Ahmed	Senior Manager Financial planning and analysis and reporting	12/02/2025