

BUNNY'S LIMITED

Analysts: Husnain Ali (husnain.ali@vis.com.pk) Mian Maheer Jamshaid (maheer.jamshaid@vis.com.pk)	RATING DETAILS				
	RATINGS CATEGORY	Latest Rating		Previous Rating	
		Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	A-	A2	A-	A2	
RATING OUTLOOK/ WATCH	Stable		Negative		
RATING ACTION	Maintained		Maintained		
RATING DATE	April 14, 2026		December 31, 2024		

Shareholding (5% or More)	Other Information
Omer Shafiq Chaudhry – 30.22%	Incorporated in 1964
Mahnour Chaudhry – 10.98%	Public Limited Company (Listed)
Saqib Anjum – 10.11%	Chief Executive: Omer Shafiq Chaudhry
General Public – 42.02%	External auditor: Aslam Malik & Co. Chartered Accountants

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/docs/VISRatingScales.pdf>

Rating Rationale

Bunny's Limited ('BL' or 'the Company') operates in Pakistan's organized bread segment, and markets its products under the well-established 'Bunny's' brand. The Company's core product portfolio includes bread, buns, rusk, and other baked food items, catering to both retail consumers and institutional customers.

Assigned ratings take into account non-cyclical demand dynamics of bread and snacks segments and the established brand name of the Company. In FY25, production capacity expanded to unwind bottleneck in the core bakery segment and addition of SKUs in the snacks segment. In addition, the Company has also increased its marketing efforts to further expand its footprint in Punjab. Following the losses reported in FY24, primarily due to margin compression and higher financial charges, the Company's profitability profile improved in FY25. Net sales increased in FY25 and 1HFY26, primarily driven by higher sales volumes. Moreover, lower procurement price of raw material mainly flour led to higher margins during FY25 and 1HFY26. With lower overall borrowings and higher equity base, leverage indicators improved. The improvement in financial indicators is expected to sustain given expansion in outreach, largely maintained prices and lower interest rate scenario; outlook on the assigned rating is therefore revised from 'negative' to 'stable'. Going forward, ratings will remain sensitive to prudent debt management along with effective execution of enhancement in operational efficiencies and maintenance of improving trend in financial metrics.

Company Profile

Bunny's Limited ('BL' or 'the Company') was incorporated in Pakistan in 1964 as a private limited company and was subsequently converted into a public listed company. The Company is principally engaged in the manufacturing and sale of bakery and other food products. BL operates from its registered office and manufacturing facility located at Quaid-e-Azam Industrial Estate, Kot Lakhpat, Lahore

BL operates in Pakistan's organized bakery segment and markets its products under the well-established "Bunny's" brand. The Company's core product portfolio includes bread, buns, rusk, and other baked food items, catering to both retail consumers and institutional customers. Over the years, Bunny's has developed a recognizable domestic presence supported by consistent product quality and a wide distribution network.

The Company places strong emphasis on quality control and food safety standards. BL holds multiple certifications, including ISO 22000, HACCP certification for its snacks division, and membership of the American Institute of Baking (AIB), underscoring its commitment to maintaining international quality and safety benchmarks. Governance oversight is provided by an experienced Board of Directors, supported by board committees, while the management team focuses on operational efficiency, capacity enhancement, and gradual product diversification. The FY25 financial statements were audited by Aslam Malik & Co. Chartered Accountants, which is a QCR rated firm though not categorized on the SBP's Panel of Auditors.

Business Risk

INDUSTRY

The bread industry in Pakistan is characterized by stable consumption patterns, with bakery products forming an important part of daily diets across income segments. Demand remains largely non-cyclical, supported by population growth, urbanization, and increasing preference for convenient, ready-to-consume food options, resulting in relatively stable volumes even during periods of economic stress.

Industry cost dynamics remain closely linked to wheat and flour prices, which constitute a key input for bakery manufacturers. Input cost volatility, weather-related disruptions, and changes in agriculture policy continues to influence margins across the sector. However, management expects improved crop quality and yields in the upcoming season, which may help ease supply pressures and support relative stabilization in input costs.

Regulatory oversight continues to influence profitability, as essential items such as bread, buns, and rusk remain subject to price monitoring, limiting pricing flexibility amid rising input, energy, and labor costs. In contrast, value-added and packaged products are subject to standard sales tax rates, resulting in margin differentiation within product categories.

The competitive landscape is intense, comprising established organized players such as Dawn Bread and several regional bakeries, alongside a large informal segment. Overall, business risk for the sector is assessed as medium to low, reflecting stable demand, partly offset by raw material volatility, regulatory constraints, and competitive pressures.

OPERATIONAL UPDATE

Bunny's Limited operates primarily through its Bakery and Snacks divisions. The Company's product portfolio mainly comprises bread, buns, rusk, and other bakery items, alongside a developing snacks segment. Manufacturing operations are supported by a centralized production setup, complemented by warehousing facilities, including a warehouse located in Multan, which enhances distribution efficiency across key consumption regions.

During FY25, installed capacity in the Bakery Division increased to 18,500 units from 13,500 units in FY24, supported by the addition of a new bread production plant in I-9 Islamabad, which is now operational. Actual production increased to 13,500 units (FY24: 12,725 units); however, capacity utilization stood at 73.0% in FY25 (FY24: 94.3%).

The Snacks Division witnessing a modest increase in installed capacity to 2,200 units in FY25 (FY24: 1,800 units) due to additions of SKUs. Actual production declined to 800 units (FY24: 920 units), primarily due to lower demand for snack products. Consequently, capacity utilization in the snacks segment decreased to 36.4% in FY25 from 51.1% in the preceding year.

Division	Metric	FY24	FY25
Bakery	Maximum Capacity	13,500	18,500
	Actual Production	12,725	13,500
	Capacity Utilization (%)	94.3%	73.0%
Snacks	Maximum Capacity	1,800	2,200
	Actual Production	920	800
	Capacity Utilization (%)	51.1%	36.4%

Going forward, the Company intends to focus on operational efficiency and cost optimization through automation of selected production processes.

The Company plans to increase its installed solar power capacity to be financed through long-term debt of around Rs. 100-150m to enhance its existing capacity of 200 kW to 1,000 kW, which is expected to meet the entire daytime electricity requirement and reduce electricity costs by approximately 50%. Management is also evaluating the adoption of biogas as an alternative energy source, given its cost advantage, to further mitigate energy cost pressures over the medium term.

SALES & PROFITABILITY

Net sales increased by 5.3% to Rs. 7.38bn in FY25 (FY24: Rs. 7.01bn), due to increased sales volume, addition of new SKUs, selective price adjustments on non-regulated products, and incremental contribution from new markets. Pricing for standard bread SKUs remained constrained due to government regulations. During the year, Multan was added as a new market, while Islamabad recorded improved sales traction, supporting topline growth.

Gross margin improved to 26.2% in FY25 (FY24: 20.3%), mainly driven by low raw material prices and operational efficiencies. The Company also spent on brand-building efforts, with advertising and promotional expenses increasing by 3.4x in FY25. Furthermore, the appointment of three dedicated sales heads covering the snacks division, Lahore sales, and outstation sales, may lead to an uptick in salaries and wages during the ongoing year though these initiatives are expected to yield future revenue growth. Finance costs declined to Rs. 200.8m in FY25 (FY24: Rs. 271.9m), supported by lower interest rates. Driven by higher gross margin and lower finance costs, the Company reported a net profit of Rs. 309.6m in FY25, compared to a loss of Rs. 108.1m in the previous year.

In 1HFY26, revenue stood at Rs. 4.01bn (1HFY25: Rs. 3.69bn), reflecting an increase of 8.7%, driven by stable demand and improved sales execution. Margins strengthened further in 1HFY26, with gross margin recorded at 30% (1HFY25: 24.9%), mainly due to better cost control, and relatively stable input prices during the period, while net margin stood at 5.7% (1HFY25: 3.1%). The improvement in profitability remains sensitive to the sustainability of demand conditions and input cost trends.

Going forward, management intends to focus on deeper market penetration within existing locations, rather than aggressive geographic expansion, while improved sales execution and brand visibility are expected to support revenue growth, with margins normalizing at sustainable levels.

Financial Risk

CAPITAL STRUCTURE

The Company has undertaken measures to reprofile certain financing facilities with its lenders to improve cash flow management and align repayment obligations with its operating capacity. During the period, the Company regularized its PKR 100 million facility with First Women Bank, which was converted into a long-term arrangement repayable over 42 unequal monthly installments across four years. Similarly, the Company's PKR 145.5 million short-term facility with Bank of Khyber was restructured into a long-term facility as of December 31, 2025. As a result of these arrangements, the Company's debt profile shifted toward longer tenors, with long-term borrowings comprising 57.7% of total borrowings at end-1HFY26 (FY25: 47.3%; FY24: 36.4%), while short-term borrowings declined to 42.3% (FY25: 52.7%; FY24: 63.6%).

During FY25, the Company also approved a subdivision of its share capital, reducing the face value of ordinary shares from PKR 10 to Re. 1 per share, which increased the number of outstanding shares without affecting paid-up capital or overall shareholders' equity. Supported by profit retention, Tier-I equity increased to PKR 1.9 billion at end-1HFY26 (end-FY25: PKR 1.7 billion; end-FY24: PKR 1.4 billion). Consequently, gearing improved to 0.51x at end-1HFY26 (end-FY25: 0.63x; end-FY24: 0.80x), while leverage moderated to 1.12x (end-FY25: 1.21x; end-FY24: 1.64x). Looking ahead, management plans to undertake debt-funded capital expenditure, primarily for bread packing automation and expansion of solar power capacity. While these initiatives may lead to a modest increase in gearing by end-FY26, leverage is expected to remain within manageable levels. The planned investments are anticipated to enhance operational efficiency and reduce energy costs over the medium term.

DEBT COVERAGE & LIQUIDITY

DSCR (debt service coverage ratio) improved to 1.38x in FY25 (FY24: 0.88x) with stable FFO (funds from operations) and lower finance cost due. FFO to total debt remained broadly stable at 0.18x (FY24: 0.17x), while FFO to long-term debt decreased to 0.38x (FY24: 0.47x) following an increase in long-term borrowings after restructuring. FFO to long-term debt improved slightly to 0.40x while FFO to total debt strengthened to 0.23x in 1HFY26.

Liquidity profile strengthened, with the current ratio improving to 0.98x at end-FY25 (end-FY24: 0.80x) and further to 1.21x at end-1HFY26, primarily due to lower short-term borrowings and an increase in stock-in-trade. Cash conversion cycle shortened to 19 at end-FY25 (end-FY24: 29) primarily reflecting improved inventory turnover.

FINANCIAL SUMMARY				
BALANCE SHEET (PKR Millions)	FY23A	FY24A	FY25A	1HFY26
PPE	2,406.0	2,523.0	3,107.0	3,250.5
Stock-in-Trade	590.0	445.0	487.0	715.5
Trade Debts	484.0	576.0	500.0	584.7
Loans & Advances	273.2	349.0	387.0	462.8
Cash and Bank Balances	6.0	1.0	35.0	2.8
Other Assets	300.9	248.0	213.5	42.5
Total Assets	4,060.6	4,142.1	4,729.4	5,058.8
Trade and other Payables	450.1	553.2	617.1	761.2
Short Term Debt	632.0	721.0	568.0	420.0
Long Term Debt (including current portion)	555.1	412.1	509.1	571.9
Total Debt	1,187.0	1,134.0	1,077.0	992.0
Other Liabilities	458.0	619.0	378.0	419.2
Total Liabilities	2,105.0	2,154.0	1,917.0	2,182.0
Tier I Equity (excl. revaluation surplus)	1,955.50	1,414.06	1,716.31	1,945.56
Total Equity (incl. revaluation surplus)	1,955.50	1,826.19	2,647.45	2,876.70
Total Equity & Liabilities	4,060.64	4,142.14	4,729.36	5,058.77
INCOME STATEMENT (PKR Millions)	FY23A	FY24A	FY25A	1HFY26
Net Sales	5,687.0	7,009.0	7,380.0	4,011.6
Gross Profit	1,360.0	1,424.0	1,935.0	1,202.4
Operating Expenses	952.0	1,173.9	1,430.1	802.3
Operating Profit	408.0	250.0	505.0	400.1
Finance Charges	208.0	272.0	201.0	66.1
Profit Before Levy and Tax	198.0	(5.0)	361.0	312.0
Net Profit	131.5	(108.1)	309.6	229.3
Ratio Analysis	FY23A	FY24A	FY25A	1HFY26
Gross Margin	23.9%	20.3%	26.2%	30.0%
Net Margin	2.3%	-1.5%	4.2%	5.7%
FFO (PKR in m)	329.0	194.5	192.4	113.2
FFO To Total Debt (x)*	0.28	0.17	0.18	0.23
FFO to Long Term Debt (x)*	0.59	0.47	0.38	0.40
Debt Servicing Coverage Ratio (x)*	1.24	0.88	1.38	1.49
Gearing (x)	0.61	0.80	0.63	0.51
Leverage (x)	1.08	1.64	1.21	1.12
Current Ratio (x)	0.94	0.80	0.98	1.21
STD Coverage (x)	1.70	1.42	1.74	3.10
ROAA*	3.2%	-2.6%	7.0%	9.4%
ROAE*	6.7%	-5.7%	13.8%	16.6%
Cash Conversion Cycle (days)*	43	29	19	19

*Annualized, if required

A - Actual Accounts

M - Management Accounts

REGULATORY DISCLOSURES

Appendix I

Name of Rated Entity	Bunny's Limited				
Sector	Consumer Goods				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	April 14, 2026	A-	A2	Stable	Maintained
	December 31, 2024	A-	A2	Negative	Maintained
	April 6, 2023	A-	A2	Stable	Reaffirmed
	February 1, 2022	A-	A2	Stable	Reaffirmed
	December 30, 2020	A-	A2	Stable	Reaffirmed
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.				
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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Due Diligence Meetings Conducted		Name	Designation	Date	
		Muhammad Zubair	CFO	16-February-2026	