

ASIAN FOOD INDUSTRIES LIMITED

Analyst:

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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A-	A2	A-	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	June 09, 2026		April 07, 2025	

Shareholding (5% or More)

Mr. Shahid Iqbal – 92%

Ms. Zulaikha Iqbal – 8%

Other Information

Incorporated in 1966

Public Limited Company (Unlisted)

Chief Executive: Mr. Khurram Zia

External Auditor: Rahman Sarfaraz Rahim Iqbal Rafiq 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

The assigned ratings reflect AFI's established market presence under the 'Mayfair' brand in the biscuits and confectionery segment, supported by an extensive distribution network and a diversified product portfolio. The financial risk profile is characterized by strong revenue growth over the years; however, recent growth in topline has moderated due to softness in export sales and subdued domestic demand amid weakening discretionary consumer spending. Nevertheless, overall topline and profitability have remained broadly stable.

Moreover, the Company continues to benefit from an efficient working capital cycle, adequate liquidity profile along with satisfactory coverage metrics. The capitalization indicators remained elevated given fresh debt mobilization on balance sheet amid ongoing capex. Going forward, improvement in the same will remain important from ratings perspective.

Company Profile

Asian Food Industries Limited ('AFI' or 'The Company') was incorporated in Pakistan in 1966 as a Private Limited Company and was subsequently converted into a Public Limited Company in 1987. The Company operated under the brand name 'Mayfair' and specializes in production of confectionery, biscuits and allied products, maintaining a strong presence in Pakistan's food manufacturing industry for several decades.

The registered office of the Company is located on Shahrah e Faisal, Karachi while its manufacturing unit is in District Kasur, Punjab.

During FY25, Mayfair Holdings (Pvt) Limited, previously a wholly owned subsidiary of AFI, was merged with and into Asian Food Industries Limited. However, since Mayfair Holdings has not commenced operations, the merger did not result in any significant change. The subsidiary was originally established as a Special Purpose Vehicle (SPV) for investment in properties and other associate companies of AFI. However, in light of prevailing macroeconomic conditions, it was decided to merge Mayfair Holdings (Pvt) Ltd into AFI instead of continuing it as a separate entity.

AFI has two other associated companies:

1. Mayfair Limited: An associated company previously engaged in yarn spinning and exports. The business has ceased operations and its facilities are now leased to generate rental income.
2. Mayfair Foods FZ LLC: An associated company based in UAE, responsible for managing global sales with a strong emphasis on international market expansion.

Management and Governance

CHAIRMAN/ CEO PROFILE

Mr. Shahid Iqbal is the Chairman of the Company. He joined AFI in 1992 as Chief Executive Officer and served in that capacity until June 2025. He holds a business degree from Boston University and has also attended various executive education programs at Harvard Business School.

Mr. Khurram Zia has been appointed Chief Executive Officer (CEO) of the Company effective June 2025. He holds an MBA from LUMS and an MSc in Engineering from the University of Leeds. He has a strong background in FMCG sector and brings over 18 years of experience.

BOARD & SENIOR MANAGEMENT

The Company's corporate governance set up reflects its structure as a family-owned business, with key decision-making authority resting with shareholders, primarily Mr. Shahid Iqbal and his family including Mrs. Zulaikha Iqbal (wife) and Ms. Kausar Sultana (mother of Mr. Shahid Iqbal) who collectively hold all shares in the Company.

The senior management team comprises seasoned professionals with over a decade of relevant experience. During the last year, new appointments were made at several key positions, including Chief Growth Officer, Head of Sales, and Head of Technical Operations, as a result of turnover. These roles are now held by Mr. Jamil Ahmed, Mr. Shahpar Mehboob, and Mr. Riaz Ali Anjum, respectively, all of whom bring relevant experience and possess strong background in the FMCG industry.

Moreover, the Company has undertaken structural changes by forming separate production and procurement departments, which were previously integrated into the supply chain function, and are now headed by dedicated departmental heads. In addition, export operations have been improved through the division of regions and appointment of dedicated regional managers to strengthen export sales, particularly via its associated company, Mayfair Foods FZ LLC, which is engaged in international marketing of Mayfair's products.

The Company currently utilizes SAP as its core ERP system and is in process of upgrading to SAP S/4HANA to enhance monitoring, reporting and overall efficiency. This is expected to conclude by end of FY26.

The financial accounts of the Company are audited by Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants, who are in 'A' category of SBP's panel of auditors. The auditor has issued an unqualified opinion for FY25 accounts.

Business Risk

INDUSTRY UPDATE

The global biscuits and confectionery industry represents a significant part of global packaged food industry, characterized by growing demand from rising urbanization, changing consumption patterns, and shift towards convenient snack products. As of CY25, the market size of biscuits and confectionery segments is estimated around USD ~134 billion and USD ~198 billion, respectively. These segments are expected to grow at a moderate pace (~3-4% CAGR), driven by product innovation, premiumization, and expansion in emerging markets. However, the industry

remains highly competitive, with margins sensitive to volatility in key raw materials such as sugar, wheat, and cocoa, while demand is also influenced by seasonal and festive consumption patterns.

In Pakistan, the overall sector's production, comprising biscuits & crackers, snacks/ chips, confectionery & condiments, is recorded at ~5.8Mn MT in FY25, representing a ~14.3% decline YoY amid high inflation and weakened consumer purchasing power. The industry remains fragmented with significant informal presence, though a few organized players dominate the branded segment through strong distribution networks and brand equity such as Ismail Industries, Asian Foods Industries (Mayfair), English Biscuit Manufacturers (Peek Freans), Continental Biscuits Ltd (LU) etc.

Pakistan maintains a net export position, with biscuits exports of ~USD 81Mn (rising ~3.7% YoY) and sugar confectionery exports of ~USD 89.5 Mn (declining by ~20% YoY) in FY25, targeting markets such as Afghanistan, the Middle East, the UK, and the US. Going forward, industry performance is expected to remain contingent on macroeconomic stability, input cost trends, and recovery in discretionary consumption, while long-term growth prospects remain supported by favorable demographics and urbanization.

Operational Performance

Over the years, the Company has steadily expanded its production capacity, reaching a total installed capacity of 139,944 metric tons as of FY25. Consequently, overall capacity utilization levels have moderated slightly despite an increase in production volumes

In metric ton	FY23			FY24			FY25		
	Biscuits	Confectionery	Total	Biscuits	Confectionery	Total	Biscuits	Confectionery	Total
Installed Capacity	76,440	33,072	109,512	77,711	43,527	121,238	96,417	43,527	139,944
Actual Production	65,636	21,466	87,102	67,045	28,084	95,129	68,589	30,700	99,289
Capacity Utilization	86%	65%	80%	86%	65%	78%	71%	71%	71%

The Company manages its distribution operations through an extensive network of approximately 450 distributors and sub-distributors across Pakistan, ensuring widespread product availability across both urban and rural markets through an efficient supply chain network.

Moreover, the Company adheres to internationally recognized food quality and safety standards, which supports export sales growth and facilitates expansion into new markets. Currently, the Company holds several certifications, including ISO 9001:2015 Quality Management System (QMS), FSSC 22000 Food Safety Certification, and BRCGS Issue 9 Certification (Global Standard for Food Safety).

Power Arrangements:

The Company's total power requirement stands at ~7.5 MW, which is primarily sourced from the grid. In addition, the Company operates a 4.5 MW solar power system, supplemented by 5 MW of backup generators to ensure uninterrupted operations during grid outages.

PROFITABILITY

AFI has demonstrated strong topline growth over the years with a 4-year CAGR of 62% (Revenue FY21: PKR 5.4 bn). However during FY25, the Company recorded only a marginal topline increase of 5%, reaching PKR 36.8 billion (FY24: PKR 35.2 billion) driven by subdued growth in local sales amid lower discretionary spending and intense competition, while export sales, accounting for only 5% of topline, declined 13% YoY. This decline was mainly driven by lower volumes to European market amidst changes in its distribution network. Key export markets remain Europe (FY25: 25%, FY24: 40%), Middle East (FY25: 39%; FY24: 28%), and Asia (FY25: 13%; FY24: 18%).

However, AFI's revenue base remains heavily concentrated in local sales, which account for 97% (FY24: 96%) of total volumes and 95% of topline revenue. Distributor wise concentration is also considered high with top 10 distributors contributing 55% to total sales during FY25 (FY24: 58%).

Sales Break up	FY24		FY25	
	Volume	Value	Volume	Value
Local	96%	94%	97%	95%
Exports	4%	6%	3%	5%
Biscuits	68%	65%	67%	62%
Confectionery	32%	35%	33%	38%

Segment wise, biscuits remained the largest contributor, accounting for 62% of topline (FY24: 65%), with remaining pertaining to confectionery, which is the highest margin segment with an estimated 20%+ gross margin. During FY25, the Company also entered the bakery segment, offering packaged croissants and puff pastries, which currently contributes around 4-5% to sales with gross margins around 15-20%. This newly introduced segment faces limited competition at present, with existing competition primarily from local bakeries, indicating strong growth potential.

Overall, gross margins remained steady at 11.8% in FY25 (FY24: 11.3%) reflecting Company's ability to pass on cost pressures mainly through indirect price adjustments including changes in pack sizes and product quantity. Net margin for the period lowered marginally to 1.9% (FY24: 2.2%) amidst higher effective tax.

In HY26, the Company showed some improvement in profitability, with revenue reaching PKR 20.2 billion while gross margin inched up to 12.1% driven by a favorable sales mix, supporting operating and net margins at 4.3% and 2.0%, respectively.

Financial Risk

CAPITAL STRUCTURE

The Company maintains a highly leveraged capital structure, with gearing and leverage ratios recording at 1.37x and 3.27x, respectively, as of FY25, while net gearing stood at 0.81x (FY24: 0.86x). This is driven by increased debt utilization due to ongoing expansion initiatives, including installation of a soft dough cookie line, a lipid nutrition supplement line, a biscuit production line, and expansion of solar power capacity. Total capex of PKR 1.6 billion (FY24: PKR 2.9 billion) was incurred during FY25. Short-term borrowings also increased to support working capital requirements, amidst deployment of internal cash flows toward capex.

During the period, the Company fully repaid its discretionary, interest free directors' loan of PKR 320 million, initially injected in FY23 and gradually retired over time. Meanwhile, as of end-HY26, the addition of short-term investments amounting to PKR 1.7 billion further moderated net gearing to 0.56x.

Going forward, the Company plans additional capex of PKR 600 million for expansion in the confectionery segment, which is expected to be partly debt-funded, thereby keeping capitalization metrics broadly stable in the near term. However, in the medium term, leverage and gearing are expected to gradually moderate following stabilization and optimization of the recent capacity expansions.

DEBT COVERAGE & LIQUIDITY

As of FY25, current ratio stood at 0.88x (FY24: 1.0x) indicating room for improvement, however, liquidity profile is supported by an efficient negative cash conversion cycle of -30 days (FY24: -23 days), reflecting effective working capital management. The Company primarily operates on cash and advance payment terms, with distribution carried out through sole distributors who further supply to sub-distributors, general stores, and LMTs.

However, Funds from Operations (FFO) witnessed a notable decline despite stable profitability, primarily due to higher finance costs and increased income tax payments. Combined with increase in debt, FFO based coverages weakened, however remaining at manageable levels. FFO to long-term debt and total debt declined to 0.19x and 0.12x (FY24: 0.40x and 0.27x), respectively. Debt Service Coverage Ratio (DSCR) remained satisfactory at 1.73x (FY24: 2.41x).

Despite the weakening in cash flow coverages, AFI's liquidity position remains supported by a cash balance of PKR 1.4bn and short-term investments of PKR 1.7bn as of HY26, providing a reasonable buffer to meet obligations.

FINANCIAL SUMMARY *(amounts in PKR millions)*

Appendix I

BALANCE SHEET	FY22 A	FY23 A	FY24 A	FY25 A	HY26 M
Property, Plant and Equipment	4,935	5,220	9,550	11,133	11,284
Stock-in-Trade	1,350	3,056	2,930	2,349	2,115
Trade debts	98	128	170	316	455
Cash & bank balance	233	1,250	1,359	1,948	1,401
Total Assets	7,613	11,122	16,404	17,991	18,553
Long-term debt (inc. current portion)	1,056	555	2,702	3,045	3,321
Short term debt	754	1,069	1,254	1,711	1,915
Total debt	1,811	1,624	3,956	4,756	5,236
Trade & Other payables	1,459	4,508	5,071	5,295	5,155
Total Liabilities	3,473	6,863	10,026	11,298	11,489
Paid-Up Capital	510	510	510	510	510
Retained earnings	1,463	1,668	2,441	2,949	3,219
Surplus on revaluation of PPE	1,847	1,922	3,351	3,235	3,335
Total Equity	4,140	4,259	6,378	6,693	7,064
Tier-1 Equity	2,293	2,338	3,027	3,459	3,729
INCOME STATEMENT	FY22 A	FY23 A	FY24 A	FY25 A	HY26 M
Net Sales	11,642	29,594	35,242	36,896	20,227
Gross Profit	1,593	3,793	3,978	4,351	2,441
Operating Profit	362	1,147	1,529	1,504	870
Finance Costs	(202)	(227)	(451)	(386)	(270)
Profit Before Tax	227	1,169	1,325	1,317	655
Profit After Tax	109	566	759	697	403
RATIO ANALYSIS	FY22 A	FY23 A	FY24 A	FY25 A	HY26 M
Gross Margin (%)	13.7%	12.8%	11.3%	11.8%	12.1%
Operating Margin (%)	3.1%	3.9%	4.3%	4.1%	4.3%
Net Margin (%)	0.9%	1.9%	2.2%	1.9%	2.0%
Funds from Operation (FFO) (PKR Mn)	271	930	1,087	586	792
FFO to Total Debt (x)*	0.15	0.57	0.27	0.12	0.30
FFO to Long Term Debt (x)*	0.26	1.68	0.40	0.19	0.48
Gearing (x)	0.79	0.69	1.31	1.37	1.40
Gearing (net debt) x	0.69	0.16	0.86	0.81	0.56
Leverage (x)	1.51	2.94	3.31	3.27	3.08
Debt Servicing Coverage Ratio (x)*	0.69	2.55	2.41	1.73	3.04
Current Ratio (x)	0.92	0.96	1.00	0.88	0.97
(Stock in trade + trade debts) / STD (x)	1.92	2.98	2.47	1.56	1.34
Return on Average Assets (%) *	1.4%	6.0%	5.5%	4.1%	4.4%
Return on Average Equity (%) *	4.8%	24.4%	28.3%	21.5%	22.4%
Cash Conversion Cycle (days)*	(1)	(19)	(23)	(30)	(27)

*Annualized, if required

A - Actual Accounts

M - Management Accounts

REGULATORY DISCLOSURES						Appendix II
Name of Rated Entity	Asian Food Industries Limited					
Sector	Food					
Type of Relationship	Solicited					
Purpose of Rating	Entity Ratings					
	Rating Date	Medium to Long Term	Short Term	Outlook / Rating Watch	Rating Action	
Rating History	RATING TYPE: ENTITY					
	09/06/2026	A-	A2	Stable	Reaffirmed	
	07/04/2025	A-	A2	Stable	Reaffirmed	
	21/02/2024	A-	A2	Stable	Initial	
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	S.No.	Name		Designation	Date	
	1.	Mr. Qazi Muhammad Younas		GM Finance	12-May-2026	
	2.	Mr. Saeed Khawar		DM Finance		