VIS
Credit Rating Company Limited

RATING REPORT

GARIBSONS (PRIVATE) LIMITED

Chairman & Chief Executive: Mr. Farooq Ahmed Garib & Mr. Fuad Hamid Garib

Analyst:
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APPLICABLE METHODOLOGY(IES):
VIS Entity Rating Criteria Methodology – Industrial Corporates
(https://docs.vis.com.pk/docs/CorporateMethodology.pdf)

Rating Scale:
(https://docs.vis.com.pk/docs/VISRatingScales.pdf)

RS. MILLION	FY23	FY24	1HFY25
Net Sales	42,174	107,669	35,863
PBT	2,521	2,781	1,130
PAT	1,980	1,826	733
Paid up capital	7,904	7,904	7,904
Equity (incl. surplus on PPE)	8,592	10,026	10,759
Total Debt	13,299	12,763	15,723
Debt Leverage	1.81	1.75	1.79
Gearing	1.55	1.27	1.46
FFO	2,421	1,612	525
FFO/Total Debt (x)*	0.18	0.13	0.07
NP Margin (%)	4.70%	1.70%	2.04%

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		Upgrade	
RATING DATE	March 19, 2025		March 01, 2024	

RATING RATIONALE

The assigned rating reflects the Company's established position in the rice export industry. It has maintained stable operational performance, benefiting from an extensive distribution network and strong brand recognition in both global and domestic markets.

Business risk remains high due to exposure to raw material availability, crop size variations, price volatility, currency fluctuations, and changes in global trade policies. However, the Company's ability to sustain export volumes, supported by sufficient production capacity, helps mitigate these risks. The lifting of trade restrictions by key competitors may exert pricing pressure in the near term, though demand for high-quality rice continues to support revenue stability.

On the financial front, the Company has demonstrated consistent revenue growth, primarily driven by higher export volumes. While profitability margins remain under pressure due to inventory losses and financial charges, they are at manageable levels. Liquidity is supported by efficient working capital management, ensuring stable cash flow generation.

The capital structure remains moderately leveraged, with short-term borrowings constituting the majority of the debt profile. These borrowings are primarily seasonal, aligned with raw material procurement requirements. Gearing levels have remained within acceptable limits, supported by profit retention. Although finance costs increased due to restrictive monetary conditions, the Company's debt coverage metrics remain adequate.

Going forward, fund flows are expected to improve following a reduction in the monetary policy rate amid improving macroeconomic conditions. Maintaining financial discipline, sustaining market share, and managing external risks will be key factors influencing the rating outlook.

COMPANY PROFILE

Garibsons (Pvt.) Limited ('GSPL' or the 'Company') is a family-owned business established in 1976 and is the largest exporter of premium-quality rice from Pakistan, supplying to over 100 countries globally. The Company is engaged in rice husking, reprocessing, steaming, and parboiling, with a diversified portfolio that includes the export and local sales of Basmati and Non-Basmati Rice, Rice Bran, Rice Husk, Wheat, Maize, and Sesame seeds. Additionally, GSPL is involved in the trading of Lentils, Chickpeas, and Solar Panels, as well as the manufacturing of Raw and Laminated Chipboard and Medium Density Fibreboard (MDF). A brief description of the Company's business units is presented below:

Rice: The Company procures paddy directly from farmers at the start of the harvest season. Initial processing takes place at husking plants, where the paddy is de-husked. The rice is then further processed to meet buyer specifications. A significant portion of the Company's rice production is exported globally, while it also markets its own brand, 'Mughal,' which is available nationwide at major retail outlets and malls.

Wheat Flour: GSPL also procures wheat, processes it further and locally sells wheat flour under the same 'Mughal' brand.

Hybrid Seeds: Garibsons has invested in research and development efforts to produce hybrid seeds which will enable farmers to increase their yield per acre.

Panels and Woodworking: The Company sells panels and woodwork under the brand name of NUBoard. The following products are sold under the said brand: Medium-Density Fiberboard (MDF), High-Density Fiberboard (HDF), Particle boards, Lamination (PVC & UV), Exotique, Ultra-Gloss, Naturals.

AUDITOR'S REPORT

The FY24 financial statements were audited by Grant Thornton, which is a QCR rated firm and categorized as 'Category A' on the SBP's Panel of Auditors. The auditor issued an unmodified and unqualified opinion on the financial statements.

INDUSTRY PROFILE

In FY24, Pakistan's rice sector contributed approximately 2.5% to the agricultural sector's value addition and 0.6% to the national GDP. Pakistan's rice sector has experienced substantial growth in FY24 and 1HFY25, driven by strong production levels and favorable export conditions. In FY24, rice production surged to approximately 10 million metric tons (MMT), a 37% increase from the previous year, attributed to favorable weather conditions and an expansion in cultivated land. This resulted in record rice exports of around 6 MMT, generating approximately $4 billion in revenue—almost double the previous year's $2.15 billion. Basmati rice exports saw strong demand, particularly from the Middle East and European markets, while for non-Basmati varieties, including IRRI-6 and IRRI-9, major buyers were in African and Southeast Asian markets.

However, in 1HFY25, production estimates were revised downward to 9.5 MMT due to a marginal reduction in the cultivated area and yield, though export prospects remained strong. During this period, Pakistan's rice exports grew by a weighted average 19% year-over-year, reaching 3.06 MMT valued at $1.87 billion, driven by a 30.4% increase in Basmati rice exports to 0.42 MMT and a 17.2% increase in non-Basmati exports to 2.65 MMT.

A crop shortage is now anticipated, which may result in lower production volumes this year. In certain areas of Upper Sindh, such as Jacobabad, empty rice husks have been reported, indicating a lack of grain formation. Additionally, early in FY25, floods in regions like Gharo caused damage to crop fields. Given these challenges, which have led to a decrease in rice production, along with heightened competition in international rice exports in FY25, similar export trends are unlikely to be sustained this year, despite the unprecedented demand in global markets.

A major factor behind Pakistan's strong export performance in FY24 was India's decision to impose restrictions on rice exports in 2023 to safeguard its domestic supply. This policy shift led to a 21% decline in India's rice exports, creating a supply gap in the global market that Pakistan was able to fill. However, in October 2024, India lifted key restrictions, including the removal of the floor price for non-Basmati white rice and the export tax on parboiled rice, after forecasting a bumper harvest. In response, Pakistan also withdrew its minimum export price (MEP) for rice, to retain share in the global market. These policy changes are expected to increase competition in the global rice market and exert downward pressure on international rice prices, potentially challenging Pakistan's future export momentum. Nevertheless, Pakistan's position in the global rice market has been strengthened by a recent resolution in the Basmati rice ownership dispute, which has concluded in Pakistan's favor. New Zealand and Australia have officially recognized Basmati as a Pakistani product, and a similar decision from the European Union (EU) is anticipated. Trade experts and historians have validated that Basmati rice originates from Pakistan's Hafizabad district, leading to the dismissal of India's claims.

BUSINESS RISK

The sector remains exposed to challenges related to raw material availability and international freight charges. Fluctuations in freight costs, influenced by competition and demand-supply dynamics, continue to pose a key risk for rice exports. Additionally, the lifting of export restrictions by India has intensified market competition, increasing price volatility. Nonetheless, growing global population supports long-term demand prospects. The assigned ratings also incorporate GSPL's sizeable market share, with the Company maintaining a leading position in Pakistan's rice exports—commanding 8% of total exports and 9% of non-basmati rice exports in volumetric terms during FY24.

Production Capacity

The Company's processing and storage facilities are located across Sindh (Karachi, Gharo, Jacobabad, and Golarchi) and Punjab (Sheikhupura, Kot Pindi das, and Layyah Chaubara). During FY24, the Company exhibited improved capacity utilization across its processing facilities. As a rice exporter in a seasonal industry, production fluctuates throughout the year, with periods of full capacity utilization during the harvesting season and comparatively lower output during off season. The rice re-processing segment recorded a capacity utilization of 64% (FY23: 44%), with total throughput reaching 675,765 metric tons (FY23: 460,603 metric tons). Within this segment, the Port Qasim facility operated at 63% utilization (FY23: 44%), while SKP-2 and Layyah Chaubara plants recorded utilization levels of 87% (FY23: 62%) and 77% (FY23: 53%), respectively. The paddy husking segment also saw an increase in capacity utilization to 49% (FY23: 40%), with total throughput of

261,195 metric tons (FY23: 216,893 metric tons). The SKP-2 facility recorded the highest capacity utilization in the segment at 74% (FY23: 54%).

Other plant operations, including sesame seed and wheat flour processing segments, reported a combined utilization of 25% (FY23: 18%), with total processed volumes reaching 35,320 metric tons (FY23: 26,122 metric tons).

FINANCIAL RISK

Capital Structure

As of Jun'24, the Company's equity base increased to Rs. 10.0 bn (Jun'23: Rs. 8.6 bn), despite a dividend payout of Rs. 400.0 mn during FY24, primarily driven by profit retention. The debt profile remained skewed toward short-term borrowings, largely to support working capital requirements. Long-term debt amounted to Rs. 1.0 bn (Jun'23: Rs. 1.0 bn), while short-term debt reduced to Rs. 11.7 bn (Jun'23: Rs. 12.3 bn) by end-Jun'24. Consequently, the gearing and leverage ratios improved to 1.27x (FY23: 1.55x) and 1.75x (FY23: 1.81x), respectively.

By end-Dec'24, equity further strengthened on the back of retained earnings, while short-term borrowings increased due to additional short-term debt drawdown for financing paddy procurement. This led to a moderate weakening of gearing and leverage ratios to 1.46x and 1.79x, respectively, in line with seasonal trends. Going forward, capitalization metrics are expected to remain within manageable levels, supported by continued equity accretion through profit retention.

Profitability

During FY24, GSPL recorded a significant increase in sales, reaching Rs. 107.7 bn (FY23: Rs. 42.1 bn), supported by volumetric gains, higher export prices, and favorable exchange rate movements amid rupee devaluation. Historically, export sales have comprised over 75% of the total revenue mix, reflecting the Company's strong international presence. GSPL exports to more than 100 countries, though geographic concentration remains moderate to high, with the top five countries contributing ~57.3% of total export sales in FY24. Meanwhile, client concentration has trended down, standing at ~42.2% (FY23: ~52.2%) during FY24. Despite a varied product portfolio, rice—specifically IRRI-6—remained the dominant contributor, accounting for ~65.6% of total revenue.

By March 2024, product prices had begun to decline gradually in anticipation of India lifting its export ban and re-entering the market to reclaim its export share.

This triggered a downward inventory price correction, necessitating an adjustment to Net Realizable Value (NRV). Consequently, the gross margin compressed to 8.8% (FY23: 15.3%) in FY24, primarily due to inventory losses sustained in the final quarter. Moreover, administrative expenses increased in FY24, driven by higher Salaries & Benefits and depreciation on operating fixed assets. The rise in Salaries & Benefits stemmed from a significant increase in the remuneration package of one of the Company's directors, while the higher depreciation charge resulted from additions to property, plant, and equipment (PP&E). This margin pressure, compounded by elevated administrative expenses and higher finance costs amid an elevated monetary policy rate, led to a reduced bottom line of Rs. 1.8 bn (FY23: Rs. 2.0 bn), despite the Company recording an exchange gain of Rs. 723.9 mn in FY24, compared to an exchange loss of Rs. 65.7 mn in the prior year. Excluding the exchange gain, the profitability ratios—Net Profit Margin, Return on Average Assets (ROAA), and Return on Average Equity (ROAE)—would have been 1.0%, 4.3%, and 11.8%, respectively.

In 1HFY25, GSPL reported sales of Rs. 35.9 bn, with gross margin improving to 9.6%, while the bottom line stood at Rs. 732.9 mn. The management anticipates closing FY25 with a net profit of Rs. 1.5 bn. Going forward, the strategic focus remains on strengthening exports while enhancing the quantum of branded product sales (Mughal brand). As per management, branded products command high margins and will help improve profitability in the medium term. Additionally, diversification of the product portfolio through the introduction of new offerings is planned over the long term, aimed at broadening revenue streams.

Debt Coverage & Liquidity

GSPL maintained an adequate liquidity position in FY24, as reflected by a stable current ratio of 1.31x (FY23: 1.31x). The receivables ageing analysis shows that approximately 89.6% (FY23: 93.3%) of trade debts will be recovered within 60 days, with management indicating no changes in credit terms. The Company's cash conversion cycle improved during FY24, primarily due to a reduction in days inventory outstanding, supported by high customer demand and an efficient production cycle. However, Funds from Operations (FFO) declined to Rs. 1.6 bn (FY23: Rs. 2.4 bn), mainly due to increased finance cost pressures during FY24. As a result, the Debt-Service-Coverage-Ratio (DSCR) fell to 1.53x (FY23: 2.15x), though it remained above the 1.0x threshold. Similarly, both FFO/Total debt and

FFO/Long-term debt ratios declined to 0.13x (FY23: 0.18x) and 1.56x (FY23: 2.41x), respectively in FY24.

In 1HFY25, the Company's FFO totaled Rs. 524.7 mn and is projected to surpass Rs. 1.4 bn by the end of the ongoing year. GSPL's DSCR stood at 2.09x during the same period, while the FFO/Total debt and FFO/Long-term debt ratios slightly declined to 0.07x and 1.12x, respectively. Going forward, maintaining liquidity metrics in line with the assigned ratings will remain important.

FINANCIAL SUMMARY						Appendix I
Balance Sheet (PKR Millions)	FY22A	FY23A	FY24A	6MFY25M	FY25P	FY26P
Property, plant and equipment	3,829.29	4,310.37	5,036.22	5,121.00	4,781.36	5,114.81
Intangible Assets	-	3.45	-	-	-	-
Long-term Investments	47.59	157.51	196.07	196.07	212.18	229.9
Stock-in-trade	13,521.09	12,741.74	15,590.42	15,348.00	11,680.50	14,202.16
Trade debts	4,387.00	4,904.78	4,406.31	6,394.99	4,625.85	4,896.52
Short-term Investments	25.12	18.11	8.77	4.51	10.53	12.63
Cash & Bank Balances	446.8	548.49	533.07	1,282.68	566.07	591.08
Other Assets	1,572.68	1,432.06	1,783.33	1,641.44	1,611.58	1,689.10
Total Assets	23,829.57	24,116.51	27,554.19	29,988.69	23,488.07	26,736.21
Creditors	2,178.36	811.36	1,610.07	-	515.6	372.14
Long-term Debt (incl. current portion)	860.6	1,003.55	1,030.78	940.49	845.96	1,151.24
Short-Term Borrowings	12,770.94	12,295.69	11,731.86	14,783.00	9,444.15	10,039.13
Total Debt	13,631.54	13,299.24	12,762.64	15,723.49	10,290.11	11,190.37
Other Liabilities	1,390.82	1,413.41	3,155.91	3,506.71	1,578.73	1,531.86
Total Liabilities	17,200.72	15,524.01	17,528.62	19,230.20	12,384.44	13,094.38
Paid up Capital	903.8	7,903.80	7,903.80	7,903.80	7,903.80	7,903.80
Revenue Reserve	5,725.03	688.69	2,121.77	2,854.70	3,199.83	5,738.03
Equity (excl. Revaluation Surplus)	6,628.83	8,592.49	10,025.57	10,758.50	11,103.63	13,641.83
Income Statement (PKR Millions)	FY22A	FY23A	FY24A	6MFY25M	FY25P	FY26P
Net Sales	41,082.54	42,173.97	107,668.71	35,863.42	62,219.95	75,078.78
Gross Profit	2,871.51	6,437.61	9,481.16	3,451.75	6,919.43	9,201.99
Operating Profit	2,468.73	4,229.01	5,359.21	1,808.15	3,264.57	4,698.14
Finance Costs	386.44	1,708.22	2,577.88	677.67	1,415.82	1,113.67
Profit Before Tax	2,082.29	2,520.79	2,781.33	1,130.48	1,848.75	3,584.47
Profit After Tax	1,649.45	1,980.38	1,826.13	732.94	1,078.06	2,538.20
Ratio Analysis	FY22A	FY23A	FY24A	6MFY25M	FY25P	FY26P
Gross Margin (%)	6.99%	15.26%	8.81%	9.62%	11.12%	12.26%
Operating Margin (%)	6.01%	10.03%	4.98%	5.04%	5.25%	6.26%
Net Margin (%)	4.01%	4.70%	1.70%	2.04%	1.73%	3.38%
Funds from Operation (FFO) (PKR Millions)	1,758.20	2,420.82	1,611.59	524.78	1,409.22	2,762.56
FFO to Total Debt* (%)	12.90%	18.20%	12.63%	6.68%	13.69%	24.69%
FFO to Long Term Debt* (%)	204.30%	241.23%	156.35%	111.60%	166.58%	239.96%
Gearing (x)	2.06	1.55	1.27	1.46	0.93	0.82
Leverage (x)	2.59	1.81	1.75	1.79	1.12	0.96
Debt Servicing Coverage Ratio* (x)	3.61	2.15	1.53	2.09	1.78	2.92
Current Ratio (x)	1.18	1.31	1.31	1.32	1.56	1.75
(Stock in trade + trade debts) / STD (x)	1.41	1.44	1.71	1.48	1.73	1.91
Return on Average Assets* (%)	8.18%	8.26%	7.07%	5.09%	4.22%	10.11%
Return on Average Equity* (%)	27.41%	26.02%	19.62%	14.11%	10.20%	20.51%
Cash Conversion Cycle (days)	121.75	159.06	63.94	110.05	114.79	92.39

**Annualized, if required*

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES **Appendix II**

Name of Rated Entity	Garibsons (Private) Limited
Sector	Food
Type of Relationship	Solicited
Purpose of Rating	Entity Rating

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
Rating Type: Entity				
19-Mar-2025	A	A2	Stable	Reaffirmed
01-Mar-2024	A	A2	Stable	Upgrade
14-Mar-2023	A-	A2	Stable	Reaffirmed
23-Feb-2022	A-	A2	Stable	Maintained
11-Mar-2021	A-	A2	Positive	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. Faisal Farooq Garib	Director	20th February, 2025
2.	Mr. Waqas Anwer	CFO	