VIS
Credit Rating Company Limited

RATING REPORT

Analysts:
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APPLICABLE METHODOLOGY(IES):
Corporate Rating:
https://docs.vis.com.pk/docs/CorporateMethodology.pdf
Rating Scale:
(https://docs.vis.com.pk/docs/VISRatingScales.pdf)

RS. MILLION	FY23	FY24	9MFY25
Net Sales	11,044	17,949	13,630
PAT	182	-347	907
Paid up capital	2,087	2,087	2,087
Equity (incl. surplus on PEE)	7,205	6,772	7,563
Total Debt	1,979	2,721	4,800
Debt Leverage	0.4	1.3	1.3
Gearing	0.3	0.4	0.6
FFO	575.0	-554.6	1,290.9
FFO/Total Debt (%)	29.1%	-20.4%	35.9%
NP Margin (%)	1.6%	-1.9%	6.7%

SUNRIDGE FOODS (PRIVATE) LIMITED

Chief Executive Officer: Mr. Farrukh Amin

RATING DETAILS

RATINGS CATEGORY	FINAL RATING		PRELIMINARY RATING	
	Long-Term	Short-term	Long-term	Short-term
ENTITY	BBB+	A3	BBB+	A3
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Initial	
RATING DATE	October 30, 2025		September 10, 2024	

RATING RATIONALE

Assigned ratings reflect the Company's financial risk profile and exposure to sector dynamics. The Company posted topline growth in FY24, supported by higher volumes and price increases; however, profitability weakened due to margin compression from elevated operating and finance costs. In 9MFY25, profitability recovered on account of easing raw material prices and cost rationalization leading to improved margins and coverage indicators. Liquidity remained under pressure but showed improvement, while rising gearing continued to constrain capitalization. Going forward, amid sector headwinds, improvement in liquidity, profitability and capitalization profile remains important for rating.

COMPANY PROFILE

Sunridge Foods (Private) Limited ('SFPL' or 'the Company') is a wholly-owned subsidiary of Unity Foods Limited. It primarily engages in the processing of wheat, flour, rice and staple foods including sugar, salt, lentils and pulses. SFPL also extends its portfolio through Sunridge Confectionery Limited, an integral part of the group's value chain. This subsidiary is dedicated to delivering high-quality value-added products, including cupcakes, cakes, nimco, and a diverse range of confectionery items. The Company sells its products under the brand name 'Sunridge', directly to retailers, restaurants, hotels and a vast network of distributors spread across the country.

INDUSTRY PROFILE & BUSINESS RISK

Market demand for wheat and flour in Pakistan remained robust due to the country's heavy reliance on the staple food, with 2.2% (FY23: 1.9%; FY22: 1.8%) contribution to the GDP during FY24. The wheat production for FY24 stood at 31.4m MT (FY23: 28.2m MT), marking an approximate 11.6% increase compared to the previous year supported by post-flood recovery, better input availability, and expanded cultivation area. Despite this growth, the domestic wheat market remained unstable due to supply disruptions, affecting the downstream supply chain. To mitigate the risk of shortages, the government imported 3.5 million tons of wheat. However, this, coupled with a bumper crop and declining global prices, led to oversupply therefore farmers were left to sell their crop at distress prices. This left farmers cash-strapped, which triggered a domino effect — a chain reaction that affected the subsequent crops. Due to liquidity issues, farmers could not apply inputs, especially fertilizers, in the required quantities at the right time. The impact is now evident in the figures of FY25 where wheat harvest is expected to be lower than target. Looking ahead, the post flood yields of wheat are expected to be higher, which would have a positive impact on the crop output. Moreover, Government is working to restore stability in market by setting support price to ensure consistency in supply. Imports are likely to bridge any supply gap if it arises.

Product Profile & Capacity

The Company sells its products under the brand name ‘Sunridge’, directly to retailers, restaurants, hotels and a vast network of distributors spread across the country. The major portion of sales are coming from Flour (44%), followed by other items.

SFL having three key facilities including SR-1: Pesa flour plant for wheat processing and flour packing located in Port Qasim, SR-2: Flour mill for wheat processing located in Site Area Maymar Karachi and SR-3: Rice and flour mill located in Sheikhupura. The Company has geographical footprints in Punjab and Sindh.

During FY24, flour segment capacity reached 197,100 MT from 167,100 MT in the previous year, registering an increase of 18% whereas rice segment capacity reached 61,320 MT from 39,420 MT reported last year, exhibiting a growth of 55%. As a result of these additions, the installed capacity of the company has grown by 25%. However, the capacity utilization for flour and rice combined remained lower in FY24, at 36% (FY23: 51%), primarily due to increase in installed capacity and lower annual production due to unfavorable market and industry conditions.

FINANCIAL RISK

Despite topline growth in FY24 driven by volumetric growth, margins and bottom-line remained compressed due to supply glut, however have recouped in 9MFY25. Moreover, the liquidity indicators remained under pressure due to inventory buildup and higher creditors portion. The long-term investments also tied into associates, therefore going forward improvement in liquidity profile coupled with planned consolidations and self-sustainability of the subsidiaries will remain important for Company's liquidity profile.

On account of lower profitability, coverage profile remained under pressure in FY24, which in the third quarter of FY25 has shown signs of improvement with debt service coverage reaching 3x. Gearing and leverage metrics depict a minor incline in FY24. However, 9MFY25 data has shown that leverage metrics have shown marginal improvement. At the same time, gearing has slightly inched upwards owing to short term borrowings. Going forward, maintaining a reasonable capitalization profile will remain important for financial profile.

Capital Structure

Initially, supporting newly established associates resulted in cash-flow being locked and a buildup in loans and advances. However, as those associated companies stabilize going forward and working-capital support is drawn from the Sukuk proceeds, this pressure is expected to ease. Maintaining a reasonable capitalization profile remains imperative for ratings.

Profitability

Margins remained volatile in FY24, significantly influenced by the abrupt and significant fall in wheat prices due to supply anomalies. In FY22, the government set the support price at Rs. 2,200 per 40 kg, which increased to Rs. 3,900 in FY23 and Rs. 4,000 in FY24. However, the actual market price has remained considerably lower than the support price amid free fall as a consequence of supply glut to date. These fluctuations have resulted in lower selling prices and inventory losses eventually disrupting market parity and placed pressure on profit margins.

Growth in topline noted, recorded at Rs. 17b in FY24 (FY23: Rs. 11b) on the back of volumetric growth. However, adverse pricing situation in the market negatively impacted the gross margins along with inventory losses which dragged the gross margins to 8.4% (FY23: 15.6%). Furthermore, the higher operating expenses in an inflationary environment put additional pressure, causing the net margin to turn negative (-1.6%) in FY24, despite some support provided by the other income portion.

Nevertheless, gross margins rebounded to 16.75% in 9MFY25 (FY24: 8.43%), driven by lower raw material costs and operational efficiences. With operating expenses trimmed and uptick in other income, the bottom line turned positive, lifting net margins to 6.65%.

Debt Coverage & Liquidity

As a result of lower profitability in FY24, together with higher working capital needs of the company for associates and capex spend, liquidity profile of the Company has remained under pressure. Consequently, decline in current ratio was noted (0.69x). Additionally, while cash conversion cycle has improved, the same is attributable to the company's extension of its payable cycle, reflecting potential liquidity risk. On account of lower profitability, coverage profile has also remained under pressure, which in the third quarter of FY25 has shown signs of improvement with a debt service coverage of 3x. Improvement in the liquidity and maintenance in coverage profile will remain important for ratings.

Financial Summary — Annexure I

Balance Sheet (PKR Millions)	FY21A	FY22A	FY23A	FY24A	9MFY25M
Property, plant and equipment	904.39	2,631.62	4,614.42	5,793.47	5,823.84
Right-of-use Assets	5.16	0.00	0.00	0.00	0.00
Intangible Assets	0.27	0.27	56.43	42.79	32.56
Long-term Investments	0.00	0.00	835.52	3,661.94	3,041.63
Stock-in-trade	1,015.22	1,474.38	1,481.78	3,279.27	2,930.47
Trade debts	229.32	570.43	1,324.18	861.56	1,403.66
Short-term Investments	0.00	0.00	0.00	0.00	0.00
Cash & Bank Balances	12.42	198.10	149.17	128.24	57.90
Other Assets	102.53	281.23	1,712.76	1,970.91	3,982.41
Total Assets	2,269.31	5,156.03	10,174.26	15,738.18	17,272.47
Creditors	360.30	385.33	389.96	5,925.08	4,758.42
Long-term Debt (incl. current portion)	30.12	8.19	0.00	0.00	0.00
Short-Term Borrowings	1,443.00	1,870.28	1,978.58	2,721.25	4,800.00
Total Debt	1,473.12	1,878.47	1,978.58	2,721.25	4,800.00
Other Liabilities	80.36	2,791.41	601.03	319.62	151.17
Total Liabilities	1,913.78	5,055.21	2,969.57	8,965.95	9,709.59
Paid up Capital	531.22	531.22	2,086.78	2,086.78	2086.78
Revenue Reserve	-175.70	-430.38	-326.51	-759.00	31.66
Other Equity (excl. Revaluation Surplus)	0.00	0.00	5,444.44	5,444.44	5,444.44
Sponsor Loan	0.00	0.00	0.00	0.00	0.00
Equity (excl. Revaluation Surplus)	355.52	100.84	7,204.71	6,772.22	7,562.88

Income Statement (PKR Millions)	FY21A	FY22A	FY23A	FY24A	9MFY25M
Net Sales	3,602.93	5,669.90	11,043.54	17,948.77	13,630.31
Gross Profit	459.48	392.09	1,719.38	1,513.70	2,283.43
Operating Profit	247.61	-202.17	629.70	-19.66	1,660.03
Finance Costs	80.86	137.37	372.80	177.57	601.35
Profit Before Tax	166.75	-339.54	256.90	-197.23	1,058.68
Profit After Tax	226.46	-255.12	182.11	-346.71	906.65

Ratio Analysis	FY21A	FY22A	FY23A	FY24A	9MFY25M
Gross Margin (%)	12.75%	6.92%	15.57%	8.43%	16.75%
Operating Margin (%)	6.87%	-3.57%	5.70%	-0.11%	12.18%
Net Margin (%)	6.29%	-4.50%	1.65%	-1.93%	6.65%
Funds from Operation (FFO) (PKR Millions)	211.86	-277.43	574.97	-554.63	1,290.90
FFO to Total Debt* (%)	14.38%	-14.77%	29.06%	-20.38%	35.86%
FFO to Long Term Debt* (%)	703.39%	-3387.42%			
Gearing (x)	4.14	18.63	0.27	0.40	0.63
Leverage (x)	5.38	50.13	0.41	1.32	1.28
Debt Servicing Coverage Ratio* (x)	2.72	-0.92	1.94	-1.00	3.00
Current Ratio (x)	0.68	0.46	1.43	0.69	0.86
(Stock in trade + trade debts) / STD (x)	0.86	1.09	1.43	1.53	0.91
Return on Average Assets* (%)	9.98%	-6.87%	2.38%	-2.68%	7.32%
Return on Average Equity* (%)	63.70%	-111.81%	4.99%	-4.96%	16.87%
Cash Conversion Cycle (days)	99.28	86.05	74.00	4.97	-31.22

Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURE — Annexure II

Name of Rated Entity	Sunridge Foods (Private) Limited
Sector	Food
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
Rating History	see table below
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 Meeting Conducted	see table below

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
RATING TYPE: Entity				
Oct-30-2025	BBB+	A3	Stable	Reaffirmed
Sep-10-2024	BBB+	A3	Stable	Initial

Due Diligence Meeting Conducted

Name	Designation	Date
Mr. Muhammad Abdullah Khan	Chief Financial Officer	September 24, 2025
Ms. Laraib Mohib	Manager Investments	September 24, 2025
Mr. Farrukh Amin	Chief Executive Officer	September 24, 2025