BSP FOODS (PRIVATE) LIMITED

Analyst:
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	BBB+	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Upgrade		Update	
RATING DATE	November 06, 2026		August 22, 2025	

Shareholding (5% or More)	Other Information
Zulfiqar Ali – 55%	Incorporated in 2011
Muhammad Rizwan – 22.5%	Private Limited Company
Irfan Noor – 22.5%	Chief Executive Officer: Zulfiqar Ali
	External Auditor: Abdul Rahman & Co. - Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Rating
https://docs.vis.com.pk/Methodologies-2026/Corporate-Rating-2026.pdf

Rating Scale

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

Rating Rationale

BSP Foods (Pvt.) Limited's ('BSP' or the 'Company') ratings reflect its strengthening business profile, supported by its growing presence in Pakistan's rice processing industry, sizeable processing infrastructure, and diversified export customer base across the Middle East, Europe, and Southeast Asia. The ability to procure both paddy and processed rice provides operational flexibility in managing procurement requirements and catering to varying customer demand. While the Company remains exposed to commodity price volatility, international competition, and fluctuations in freight costs, management has undertaken measures to mitigate these risks through optimization of the sales mix and investment in solar power to enhance energy cost efficiencies.

The rating upgrade reflects the recovery in the Company's business volumes and improvement in operating profitability, with net sales increasing by 33.5% in FY26 and gross margins improving on the back of a more favorable sales mix. Notably, operating margins remained broadly stable despite elevated freight and forwarding expenses amid higher fuel costs and geopolitical uncertainties. Although higher financial charges resulted in a marginal moderation in net margins, the overall improvement in earnings has strengthened the Company's capacity to service its debt obligations. The increase in working capital requirements, reflected in higher year-end inventory, receivables, and short-term borrowings, is largely viewed in the context of higher business volumes and temporary delays in goods transit. While this has exerted some pressure on capitalization indicators, the impact is partly mitigated by the Company's adequate debt servicing coverage and liquidity position, which remain favorable relative to industry peers.

Going forward, sustaining the improved operating performance, realizing anticipated cost efficiencies, strengthening cash flow generation, and gradually rationalizing working capital borrowings will be important to consolidating the

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Company's enhanced credit profile. The ratings remain underpinned on no material variations upon finalization of the audited FY26 financial statements.

Company Profile

BSP Foods (Private) Limited, formerly known as Bismillah Sehla Processing Plant (Private) Limited, was incorporated on February 25, 2011. The Company is primarily engaged in the processing and export of rice, including parboiled (Sella), white, and brown rice. Its processing facility is located in Bucheki, District Nankana Sahib, spanning approximately 144 kanals of land, comprising processing infrastructure, warehouses, and paddy storage facilities. The Company procures paddy and rice from across Pakistan and exports to various international markets, including the Middle East, Europe, and Southeast Asia. BSP holds several international food safety and quality certifications, including FSSC 22000, GMP, Halal, and BRCGS Food Safety certification.

Management and Governance

BSP is headed by Mr. Zulfiqar Ali, Chief Executive Officer, supported by two directors, Mr. Muhammad Rizwan and Mr. Irfan Noor, who are younger brothers of the CEO. The Company's management team comprises professionals overseeing finance, accounts, international sales, exports, and plant operations. During FY26, the Company strengthened its management structure through the induction of an Executive Director Finance and establishment of an outsourced internal audit function. All directors are expected to take directors' training courses, while the formation of dedicated Audit and Human Resource Committees remains in process. The FY25 financial statements were audited by Abdul Rahman & Co., Chartered Accountants who issued unqualified opinion. According to the management, Kreston Hyder Bhimji & Co., have been appointed as the new external auditor for FY26. Both are SBP Category A panel audit firms.

Plans are underway to expand the Board of Directors by inducting directors from both within and outside the rice sector. Succession planning is also in place, with the CEO’s son having joined the business in 2026.

Business Risk

INDUSTRY

Pakistan's rice industry remains exposed to fluctuations in raw material availability, international commodity prices, and freight charges. Increased competition from India following the relaxation of export restrictions has intensified pricing pressures in international markets, while geopolitical tensions and disruptions across key maritime routes continue to pose logistical challenges. Nevertheless, the essential nature of rice as a staple food supports underlying global demand.

During FY26, Pakistan's rice sector contributed approximately 2.2% to agricultural value addition and 0.5% to national GDP. According to the Pakistan Economic Survey 2025–26, rice production increased by 2.8% to approximately 9.99 million metric tons (MMT) (FY25: 9.72 MMT), despite a 3.6% decrease in cultivated area. The improvement was primarily attributable to a 6.6% increase in crop yield to 2,660 kg/hectare, supported by improved water availability across major rice-growing regions. Although monsoon-related flooding initially raised concerns over crop losses, the overall impact remained relatively contained. The contraction in cultivated area largely reflected farmers' shifting cultivation preferences amid prevailing rice prices and competing crop alternatives.

On the external front, Pakistan's rice exports moderated significantly during FY26, with approximately 4.28 MMT exported, generating around US$ 2.29b, compared with export receipts of approximately US$ 3.3b in FY25. The decline reflects intensified international competition, pricing pressures, and changing demand

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dynamics across major importing markets. India's continued presence in international markets has constrained Pakistan's pricing competitiveness, particularly in non-Basmati varieties. As per USDA's October 2026 estimates, Pakistan's indicative export price for 5% broken white rice stood at US$ 396/MT, compared to US$ 384/MT for India, highlighting the competitive pricing environment.

Looking ahead, the sector's export prospects remain susceptible to international pricing trends, crop availability, and geopolitical developments. USDA's October 2026 outlook revised Pakistan's calendar-year 2027 rice export forecast downward to 4.8 MMT from 5.0 MMT. Furthermore, continued volatility in maritime freight costs and shipping routes may constrain export competitiveness. Nevertheless, established demand across traditional importing markets and Pakistan's position as a major rice exporter continue to provide support to the industry's medium-term business prospects.

Operational Update

BSP operates an aggregate installed husking capacity of 60 MT/hour, rice processing capacity of 45 MT/hour, parboiling capacity of 25 MT/hour, and drying capacity of 70 MT/hour. The Company procures paddy and rice from across Pakistan, with paddy procurement primarily concentrated between October and March, while processed rice purchases continue throughout the year.

Particulars	FY25	FY26
Annual Rated Capacity (MT)	226,800	226,800
Paddy Processed (MT)	76,280	52,920
Capacity Utilization (%)	33.60%	23.30%

During FY26, capacity utilization declined due to higher procurement of processed rice for further processing and reprocessing, reducing reliance on in-house paddy husking. The shift in procurement strategy also reflects the Company's ability to source processed rice during the off-season, providing greater operational flexibility. Nevertheless, operations remain exposed to seasonal procurement patterns, raw material price fluctuations, and associated working capital requirements.

The Company's total power requirement stands at approximately 2 MW, against which 1 MW of solar capacity has been installed at end-FY26, supported by battery storage. An additional 0.5 MW of solar capacity is planned for installation in the near term, aimed at reducing dependence on conventional electricity sources and improving energy cost efficiency.

Going forward, the extent of operational improvement will remain contingent upon adequate raw material availability, procurement pricing, and sufficient working capital arrangements to support seasonal inventory buildup.

SALES & PROFITABILITY

During FY26, net sales increased by 33.5% to Rs. 16.51b (FY25: Rs. 12.37b), reversing the 18.1% decline recorded in FY25 (FY24: Rs. 15.1b). This was primarily driven by a significant increase in export orders from the Middle East, as exports revenue rebounded to Rs. 13.81b (FY25: Rs. 3.41b), accounting for 83.5% of total sales (FY25: 27.6%). Conversely, local rice sales declined sharply to Rs. 653.7m (FY25: Rs. 5.91b), while by-product sales decreased by 32.3% to Rs. 2.08b (FY25: Rs. 3.07b). The Company's key export markets include the Middle East and Europe.

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The changing sales composition is reflective of broader trends in Pakistan's rice export sector, where evolving international demand, procurement patterns and processing requirements influence exporters' product mix. In particular, heightened geopolitical tensions in the Middle East may potentially encourage further precautionary stockpiling by concerned buyers, supporting demand for rice exports. However, shipping constraints, elevated freight and insurance costs, and uncertainty surrounding regional trade routes may also affect shipment timing and export volumes.

Gross margin improved to 11.3% in FY26 (FY25: 9.4%; FY24: 10.3%), supported by a favorable sales mix. However, the operating margin remained largely stable at 6.8% (FY25: 7.0%; FY24: 5.9%), as the improvement in gross profit, along with a Rs. 95.7m gain on forward bookings and a Rs. 295.13m rebate on export sales under the government's Duty and Taxes Remission for Exports (DLTL) scheme for rice exporters, was offset by a substantial increase in freight and forwarding expenses amid elevated fuel costs and geopolitical tensions. Financial charges also increased to Rs. 575m (FY25: Rs. 449m) in FY26 due to higher average borrowings. Net margin decreased slightly to 2.0% in FY26 (FY25: 2.1%).

Going forward, management projects net sales increase amid sustained export demand in the Middle East while improvement in profitability is anticipated through increased utilization of in-house processing and projected operational efficiencies. However, profitability will remain sensitive to fluctuations in rice procurement prices, international selling prices, freight costs, and financing expenses.

Financial Risk

CAPITAL STRUCTURE

The Company has maintained a favorable capital structure relative to peers, despite an increase in gearing and leverage to 1.27x (FY25: 0.95x) and 1.89x (FY25: 1.10x), respectively, at end-FY26. The increase in leverage primarily reflects higher short-term borrowings, which rose to Rs. 4.29b at end-FY26 (FY25: Rs. 2.85b), driven by elevated working capital requirements amid higher business volume, and increased trade payables associated with paddy procurement.

As per management, the extended processing and reprocessing cycles of rice have contributed to higher short-term funding needs by end-FY26. As the Company is the only major rice exporter in the area, its operations involve substantial procurement and inventory holding requirements to support export orders. Long-term borrowings remain negligible, while the equity base strengthened to Rs. 3.47b in FY26 (FY25: Rs. 3.03b), supported by retained earnings.

To support higher business volumes and associated working capital requirements, while enhancing liquidity, the Company plans to raise funds through Sukuk-based financing during the ongoing quarter. While the proposed financing may exert some pressure on capitalization, the overall impact will depend on the effective deployment of proceeds toward income-generating activities and the extent to which the financing alleviates short-term liquidity pressures. Accordingly, the utilization of Sukuk proceeds and the Company's entry into the treasury market remain key rating considerations.

Going forward, the capitalization profile is projected to improve, supported by continued earnings retention and a gradual moderation in short-term borrowings.

DEBT COVERAGE & LIQUIDITY

The Company's funds from operations (FFO) increased to Rs. 479.3m in FY26 (FY25: Rs. 430.3m), supported by improved profitability. However, FFO to total debt declined to 10.9% (FY25: 15.0%), reflecting a proportionately

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higher increase in outstanding borrowings. Similarly, debt servicing coverage ratio (DSCR) moderated to 1.75x (FY25: 1.93x), primarily attributable to increased financing costs and higher debt obligations. Nevertheless, the Company has maintained stronger debt coverage ratios in the last three years compared to industry peers.

Net operating cash flow was negative in FY25 and FY26 as the Company's liquidity profile remained constrained by elevated working capital requirements, mainly in FY26. Stock-in-trade increased to Rs. 2.82b in FY26 (FY25: Rs. 1.89b), while trade receivables rose significantly to Rs. 4.38b (FY25: Rs. 1.84b), reflecting higher business volumes and a temporary build-up of receivables attributable to delays in goods transit. The ageing profile of trade receivables is as follows:

Ageing Bracket – FY26	% of Total Receivables
0–90 Days	99.81%
91–180 Days	0.19%
181–360 Days	0.00%
Above 360 Days	0.00%
Total	**100.00%**

The cash conversion cycle remained largely intact at 106 days (FY25: 101 days), indicating continued working capital absorption. Consequently, the current ratio decreased slightly to 1.18x (FY25: 1.25x) in FY26.

Debt servicing capacity is expected to benefit from improved internal cash generation and gradual reduction in borrowings. However, liquidity will remain dependent on timely realization of export receivables, efficient inventory management, and continued availability of banking facilities to support seasonal procurement requirements. Sustained improvement in cash flow generation and working capital management will remain important for ratings.

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Financial Summary			
Balance Sheet (PKR Millions)	**August 2024A**	**August 2025A**	**August 2026M**
Property, plant and equipment	1,801.50	3,326.80	3,446.60
Stock-in-trade	2,236.70	1,892.90	2,816.00
Trade debts	1,921.10	1,841.70	4,376.50
Cash & Bank Balances	131	34.8	32
Other Assets	316.2	378	365.9
Total Assets	6,406.50	7,474.10	11,036.90
Creditors	1,172.00	147.2	1,579.60
Long-term Debt (incl. current portion)	30.8	15.4	103.7
Short-Term Borrowings	1,976.00	2,852.70	4,290.40
Total Debt	2,006.80	2,868.10	4,394.10
Other Liabilities	466	318.1	591.7
Total Liabilities	3,644.80	3,333.30	6,565.40
Paid up Capital	200	200	200
Revenue Reserve	2,495.40	2,759.10	3,201.50
Other Equity (excl. Revaluation Surplus)	66.3	66.3	66.3
Equity (excl. Revaluation Surplus)	2,761.70	3,025.40	3,467.80
Income Statement (PKR Millions)	**August 2024A**	**August 2025A**	**August 2026M**
Net Sales	15,100.90	12,367.90	16,508.40
Gross Profit	1,551.90	1,158.90	1,871.10
Operating Profit	890.6	868.1	1,117.40
Finance Costs	589.2	449.4	575
Profit Before Tax	301.4	418.7	542.4
Profit After Tax	165	263.8	330.8
Ratio Analysis	**August 2024A**	**August 2025A**	**August 2026M**
Gross Margin (%)	10.28%	9.37%	11.33%
Operating Margin (%)	5.90%	7.02%	6.77%
Net Margin (%)	1.09%	2.13%	2.00%
Funds from Operation (FFO) (PKR Millions)	138.7	430.3	479.3
FFO to Total Debt* (%)	6.91%	15.00%	10.91%
FFO to Long Term Debt* (%)	450.42%	2794.22%	462.09%
Gearing (x)	0.73	0.95	1.27
Net Gearing (x)	0.68	0.94	1.26
Leverage (x)	1.32	1.1	1.89
Debt Servicing Coverage Ratio* (x)	1.19	1.93	1.75
Current Ratio (x)	1.28	1.25	1.18
(Stock in trade + trade debts) / STD (x)	2.12	1.33	1.69
Return on Average Assets* (%)	2.72%	3.80%	3.57%
Return on Average Equity* (%)	6.16%	9.12%	10.19%
Cash Conversion Cycle (days)	75	101	106

*Annualized, if required
A - Actual Accounts
M - Management Accounts

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REGULATORY DISCLOSURES — Appendix I

Name of Rated Entity	BSP Foods Private Limited
Sector	Rice Milling
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
RATING TYPE: ENTITY				
06-11-2026	**A-**	**A2**	**Stable**	**Upgrade**
22-08-2025	BBB+	A2	Stable	Update
13-09-2023	BBB+	A2	Stable	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.
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
Wasim Mushtaq	CFO	26-10-2026
Muhammad Shafique	Executive Director Finance	

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