VIS
Credit Rating Company Limited

RATING REPORT

Analysts:
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APPLICABLE METHODOLOGY(IES):
VIS Entity Rating Criteria Methodology – Industrial Corporates:
https://docs.vis.com.pk/docs/CorporateMethodology.pdf
Rating the Issue:
https://docs.vis.com.pk/docs/Rating-the-Issue-Aug-2023.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

Chairman & Chief Executive: Farrukh Amin

RATING DETAILS

RATINGS CATEGORY	FINAL RATING	PRELIMINARY RATING
	Long-term	Long-term
SUKUK	AAA	AAA(Plim)
RATING OUTLOOK/ WATCH	Stable	Stable
RATING ACTION	Final	Preliminary
RATING DATE	July 23, 2025	December 26, 2024

RATING RATIONALE

Sunridge Food Private Limited (SFPL) has issued a Rs. 2 billion Sukuk to finance capital expenditures, including expanding wheat storage capacity, installing renewable energy solutions, and enhancing production infrastructure through equipment upgrades and facility improvements. The Sukuk, with a five-year tenor and a two-year grace period, will also support the Company's working capital needs. The instrument is priced at 6M Kibor + 0.70%.

The rating of the proposed Sukuk is supported by its security structure and compliances i.e. (a) the Sukuk principal amount of Rs 2.0 billion is guaranteed by Infrazamin Pakistan Limited (IZP). (b)Through a Trustee exclusive lien on (i) Finance Payment Account: For the initial two years, the Company will deposit upcoming (I+G) installments in six (06) equal tranches prior to the 10th of each month, and the last installment is to be deposited at least twenty (20) days prior to the payment date. During the last three years, the Company will deposit upcoming (P+I+G) installments in six (06) equal tranches prior to the 10th of each month, and the last installment is to be deposited at least twenty (20) days prior to the payment date. (ii) Finance Service Reserve Account: The Company from its own sources will deposit two (2) (I+G) semi-annual installments in a Bank/AMC account, which will be under the lien of the Trustee, and this will be a revolving obligation, (c) Hypothecation charge over all present and future fixed and current assets of the Borrower for the value of PKR 1,000 million, and (d) Compliance with Private Infrastructure Development Group (PIDG's) Disclosure Policy and Procedures, Anti-corruption and Integrity Policy and Procedures, and Environmental and Social Policies and Procedures.

InfraZamin Pakistan Limited (IZP) is a for-profit credit enhancement guarantee Company rated 'AAA' by PACRA and backed by equity capital from InfraCo Asia Investments (60%) and Karandaaz Pakistan (40%). The primary objective of the IZP is to issue credit enhancement guarantees for promoting private infrastructure projects This initiative reflects a strategic collaboration under the umbrella of the Private Infrastructure Development Group (PIDG), which is supported by six governments—the UK, the Netherlands, Switzerland, Australia, Sweden, and Germany—alongside the International Finance Corporation (IFC).

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, declining reservoir levels are expected to reduce crop acreage and suppress yields further, with these pressures likely to be reflected in FY26's agricultural output, with imports likely to bridge the supply gap in the market.

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 and SR-3: Rice and flour mill located in Sheikhupura. The Company has geographical footprints in Punjab, KPK, 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

The Company has issued a Sukuk of Rs. 2.0 billion for working capital requirements (35%) and BMR activities (65%) to aid future growth in the categories of Renewables, Storage, Equipment replacement & installation, and improvement and upgradation.

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

With the cash flows channeling into working capital support for newly established associated companies, payable buildup has been noted. The working capital support expected from the Sukuk proceeds is expected to ease this pressure. 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, resulting in balance sheet mismatch, reflective in deteriorating current ratio (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	Instrument Rating-Sukuk

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
RATING TYPE: SUKUK				
23/July/2025	AAA		Stable	Final
26/December/2024	AAA (plim)		Stable	Preliminary

Instrument Structure

Type: Sukuk
Purpose: The purpose is to finance capital expenditures and working capital requirements.
Amount: Rs. 2.0 billion
Tenor: 5 years inclusive of 2 years grace-period
Pricing: 6M Kibor + 0.70%
Trustee: Pak Brunei Investment Company Limited
Advisor and Arranger: AKD Securities
Shariah Advisor: Al-Hilal Shariah Advisors (Pvt.) Ltd
Transaction Legal Counsel: Haidermota & Co.
Security:

- InfraZamin Pakistan Limited (IFZPL) is the guarantor with 100% principal amount guarantee i.e., amount of Rs 2.0 billion.
- Through a trustee, (i)exclusive lien on Finance Payment Account ('FPA'). For the initial two years, the Company will deposit upcoming (I) installments in six (06) equal tranches prior to the 10th of each month, and the last installment is to be deposited at least twenty (20) days prior to the payment date. During the last three years, the Company will deposit upcoming (P+I) installments in six (06) equal tranches prior to the 10th of each month, and the last installment is to be deposited at least twenty (20) days prior to the payment date. (ii) Exclusive lien on Finance Service Reserve Account ('FSRA'). The Company from its own sources will deposit two (2) (I) semi-annual installments in a Bank/AMC account, which will be under the lien of the Trustee, and this will be a revolving obligation.
- Hypothecation charge over all present and future fixed and current assets of the Borrower for the value of PKR 1,000 million.
- **Compliances:** Compliance is required with Private Infrastructure Development Group (PIDG's) Disclosure Policy and Procedures, Anti-corruption and Integrity Policy and Procedures, and Environmental and Social Policies and Procedures.
- **Non-Payment Event:** The Company and its Sponsors are unable to fund the FPA Account within the stipulated timelines and FSRA is exhausted or insufficient to meet FPA requirement.

	▪ In case a non-payment event is triggered, and the FSRA and FPA are not replenished by SFL or Unity Foods Limited, a minimum of 30 days prior to the next payment date, trustee will notify the sukuk-holders and intimate IZP to proceed to pay the principal instalments in line with the amortization schedule over a 12-month 'cure period'. This cure period would commence from the date on which the FSRA is utilized in the event of any non-payment (principal and/or profit). ▪ If no cure is found after the cure period, Trustee can call a meeting of the sukuk-holders and vote for an acceleration on the guarantee to the extent of the principal amount up to the Maximum Guaranteed Amount only, provided that 70% of sukuk holders are in agreement with the exercise of acceleration. Until this agreement is reached, IZP will continue to pay the Sukuk holder the principal instalments as per the amortization schedule on the due date of each instalment. ▪ In case, no cure or agreement is achieved after lapse of 12-month period cure period, IZP may also at any time after the cure period accelerate the principal payment up to the Maximum Guaranteed Amount.
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

Name	Designation	Date
Rizwan Ahmed	Chief Operating Officer	November,14 2024
Mohmmad Usman	Chief Financial Officer	
Mohammad Hassan	Senior Manager Investments (UFL)	
Nidal Ahmed	SVP Investment (IFZ)	November 7, 2024
Umme Emaan Siddiqui	Manager Business Execution (IFZ)	
Mohammad Hassan	Senior Manager Investments (UFL)	