MATCO FOODS LIMITED (MFL)

Analysts:
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RATING DETAILS	
RATINGS CATEGORY	Preliminary Sukuk Rating
SHORT TERM SUKUK- 2	A1 (plim)
RATING ACTION	Preliminary
RATING DATE	November 5, 2026

Shareholding (5% or More)	Other Information
Ghori Family – 61%	Incorporated in 1990
General Public – 20%	Public Limited Company (Listed)
International Finance Corporation- 15%	Chief Executive: Mr. Khalid Sarfraz Ghori
	External Auditor: Grant Thornton Anjum Rahman

Applicable Rating Methodology

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

Rating Scale

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

Rating Rationale

The Company plans to issue a short-term, rated, secured, privately placed sukuk (STS-2) of up to Rs. 1.0 billion for a tenor of six (06) months for financing short term working capital requirements related to the procurement of paddy. Profit will be payable at the time of redemption of short term sukuk on the outstanding principal amount. Such profit payment will fall six months from issue date. The principal is to be redeemed as bullet payment (six months) after the issue date. The proposed instrument will be secured against a ranking charge over company's current assets with a 25% margin. The issuer shall maintain a dedicated Debt Payment Account (DPA) under lien wherein 10% of the issue size will be placed under lien in shape of cash or government Islamic instruments), while 25% of the remaining scheduled payment shall be funded at least 30 days prior to the profit payment date, and an additional 65% shall be funded at least 7 working days prior to the profit payment date. Previously Matco had issued a STS (STS-1) on a relatively similar structure, (only upfront was previously 15%) for PKR 2.5b in February 2026 which was settled duly on maturity in August 2026.

The assigned ratings reflect Matco Foods Limited's (MFL) sound market position in Pakistan's rice export sector, governance strength supported by experienced sponsors and International Finance Corporation (IFC), Historically, earnings were diversified across rice exports, corn starch, and 'Falak' branded foods, which supported margins and resilience during rice market volatility. However, the carve-out of corn starch and 'Falak' businesses has concentrated MFL's operations in rice exports, resulting in increased sensitivity to commodity price and export demand fluctuations. Financial risk is marked by high leverage and gearing, which constrain profitability. In FY26, revenue of the rice segment declined due to lower export sales of basmati rice, however gross margin improved indicating improved margin realization and a favourable product mix. The debt service coverage remained stable supported by a higher FFO and

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the liquidity remained adequate. Assigned ratings are underpinned on planned deleveraging through the proposed divestment of the Barentz stake alongside negotiations for the sale of three fixed assets, including godowns and a small unit at Sadhoke.

Company Profile

Proposed Sukuk

The Company plans to issue a short-term, rated, secured, privately placed sukuk (STS-2) of up to Rs. 1.0 billion for a tenor of six (06) months for financing short term working capital requirements related to the procurement of paddy. Profit will be payable at the time of redemption of short term sukuk on the outstanding principal amount. Such profit payment will fall six months from issue date. The principal is to be redeemed as bullet payment (six months) after the issue date. The proposed instrument will be secured against a ranking charge over company's current assets with a 25% margin. The issuer shall maintain a dedicated Debt Payment Account (DPA) under lien wherein 10% of the issue size will be placed under lien in shape of cash or government Islamic instruments), while 25% of the remaining scheduled payment shall be funded at least 30 days prior to the profit payment date, and an additional 65% shall be funded at least 7 working days prior to the profit payment date. Previously Matco had issued an STS (STS-1) on a relatively similar structure, (only upfront was previously 15%) for PKR 2.5b in February 2026 which was settled duly on maturity in August 2026.

Matco Foods also has a 49% ownership in Barentz Pakistan Private Limited which is engaged in the business of processing and export of rice, glucose, protein and flour, manufacturing, general trading, exports/imports and other related activities.

During FY2026, Matco Foods Limited implemented a corporate restructuring and business carve-out effective July 1, 2025, under which its Corn Starch and Consumer Foods (Falak Masala) businesses were transferred to two wholly owned subsidiaries, Matco Corn Products (Private) Limited (MCPPL) and Falak Foods Limited (FFL), respectively

Management and Governance

OWNERSHIP/SPONSOR/CHAIRMAN/CEO PROFILE

The Company's shareholding structure is predominantly family-owned, with the Ghouri family collectively holding a majority stake. Key shareholdings include Mr. Javaid Ali Ghouri (19.62%), Mr. Khalid Sarfraz Ghouri (19.63%), and Ms. Sadaf Tariq (20%). Notably, the International Finance Corporation (IFC) holds a significant 15% equity stake, reflecting strong institutional participation and providing an added layer of governance discipline and credibility. The remaining shares are held by the general public and other shareholders.

Mr. Khalid Sarfraz Ghori, the Company's Chief Executive Officer, is a graduate of the University of Karachi (1981) and completed his articleship with the Institute of Chartered Accountants of Pakistan (ICAP), Karachi. He has over three decades of experience in rice processing, with deep expertise in agri-product quality assessment and a hands-on approach to procurement and production. Succession and management depth are

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supported by the active involvement of his son, Mr. Faizan Ghori, in day-to-day management, alongside broader participation of sponsor family members in the Company's operations and oversight.

BOD's & COMMITTEE:

The Company's Board of Directors consists of nine members including the Chairman, the CEO, two Executive Directors, one Non-Executive Director, and four Independent Directors. The Board met with adequate frequency during the year. Matco Foods Limited has two board committees, the Audit Committee and the Human Resource and Remuneration Committee, both of which convened meetings as per reguatory requirements.

Business Risk

INDUSTRY

Pakistan's rice industry operated in a challenging external environment during FY2026, with national rice exports declining 31.7% in value to USD 2.29bn and 26.2% in volume to 4.29m MT. The contraction was largely attributable to India's re-entry into the non-Basmati market following the lifting of its export restrictions, resulting in heightened price competition across commercial rice varieties. However, Pakistan's Basmati segment demonstrated relatively better performance with export volumes declining only 1.7% to 794,638 MT while export value increased 1.5% to USD 843m

Against this challenging industry backdrop, Matco Foods maintained resilience in its core business, although Basmati export volumes declined 37.9% to 25,386 MT. Export revenue declined by a comparatively lower 31.4% to PKR 7.81bn, reflecting improved pricing and a focus on higher value markets. The business also benefited from continued growth in value-added and diversified segments. Plant-based protein exports increased with volumes and export revenue rising by 133.8% and 146.5%, respectively. The domestic branded rice business also continued to perform with volumes increasing 5.9% and revenue rising 18.5%, supported by Falak's established brand presence and pricing ability. Domestic glucose and dextrose sales also recorded strong value growth, while processing by-products generated higher revenues despite lower processed tonnage.

Looking ahead, industry conditions are expected to remain mixed. While competition in non-Basmati markets is likely to remain elevated, sustained demand for premium Basmati in Europe, the UK and Middle East provides a relatively favorable backdrop for quality-focused exporters. Lower domestic interest rates should also provide some relief to highly working-capital-intensive businesses. However, crop yields, commodity prices, exchange-rate movements and the lingering impact of adverse weather conditions remain key operating risks.

OPERATIONAL UPDATE:

During FY26, the actual production in the rice processing segment declined to 79,626 tons (FY25: 82,642) due to lower offtakes of Basmati and Non-Basmati Rice in the International market as India lifted its export restrictions. Consequently, the capacity utilization declined to 45% (FY25: 46%).

During FY26, the actual production in the rice glucose segment increased to 13,850 tons (FY25: 11,986 tons) as the segment performed well in the local market. Consequently, the capacity utilization improved to 42% (FY25: 36%).

	FY25	FY26
Rice Processing- Annual Plant Capacity (Tons)	178,500	178,500
Rice Processing- Actual Production (Tons)	82,642	79,626
Capacity Utilization	46%	45%
Rice Glucose- Annual Plant Capacity (Tons)	33,000	33,000
Rice Glucose- Actual Production (Tons)	11,986	13,850
Capacity Utilization	36%	42%

Financial Risk

CAPITAL STRUCTURE

The Company's leverage profile remained elevated, with gearing improving marginally to 2.78x from 2.82x in FY2025, while leverage remained largely unchanged at 3.65x.

The Company is pursuing various initiatives to strengthen its capital structure and improve financial flexibility. These include the proposed divestment of its Barentz stake, currently expected within CY2026, alongside negotiations for the sale of three fixed assets, including godowns and a small unit at Sadhoke. The combined proceeds from these transactions are expected to be approximately PKR 2.5bn and could support meaningful deleveraging. The stabilization in leverage indicators and recovery in operating cash flow generation provide support to the financial risk profile, while the planned asset monetization offer prospects for further balance sheet strengthening, subject to timely execution.

PROFITABILITY

Financial performance remained under pressure in FY2026, with net sales declining by 19.3% to PKR 16.5bn from PKR 20.4bn in FY2025, primarily reflecting lower export sales of basmati rice and corn starch, alongside reduced by-product revenues. Total sales volume declined by 14.9% to 127,054 MT, while the contraction in sales value was relatively lower at 10.6% on a gross sales basis, supported by improved realized pricing across selected product categories. Export sales declined by 27.0% to PKR 10.7bn, whereas local sales remained comparatively stable at PKR 6.6bn, with growth in locally sold corn starch, maltodextrin, dextrose monohydrate and rice glucose partially offsetting the decline in export-oriented products. Notably, rice protein exports more than doubled, reflecting growing demand for plant-based proteins.

Despite lower revenue, gross margin improved to 14.9% in FY2026 from 13.1% in FY2025, indicating improved margin realization and a more favorable product mix. However, gross profit declined by 8.2% to PKR 2.46bn due to the contraction in the revenue base. Operating profit decreased by 17.6% to PKR 1.31bn, as higher administrative expenses, which increased to PKR 746m from PKR 646m, partially offset the benefit of improved gross margins. Nevertheless, the operating margin edged up to 8.0% from 7.8%, reflecting some resilience in underlying operating profitability. Overall, the performance reflects improved margin management amid subdued sales, although sustained recovery remains contingent on export demand, stabilization of basmati and corn starch shipments, and effective control of administrative costs.

DEBT COVERAGE & LIQUIDITY

Funds from Operations (FFO) increased to PKR 391m from PKR 180m in the preceding year, supporting an improvement in FFO to total debt to 2.46% from 1.18%. FFO to long-term debt also strengthened to 51.35%, while debt servicing coverage remained stable at 1.02x. Liquidity remained adequate with a current ratio of 1.04x

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Financial Summary

Balance Sheet (PKR Millions)	FY22A	FY23A	FY24A	FY25A	FY26A
Property, plant and equipment	6,569.62	7,741.82	11,419.86	10,983.12	7,695.73
Long-term Investments	62.74	65.31	55.58	55.68	2,290.53
Stock-in-trade	7,662.05	9,574.43	11,613.57	13,668.05	16,129.04
Trade debts	1,818.34	2,194.18	2,334.77	1,957.42	1,654.93
Short-term Investments	4.25	4.22	1.20	1.20	376.20
Cash & Bank Balances	303.57	359.00	357.42	353.44	543.90
Other Assets	660.15	864.41	1,517.05	2,943.54	2,107.06
Total Assets	17,080.72	21,046.90	27,539.09	29,962.45	31,028.62
Creditors	539.06	1,658.59	2,228.58	2,687.46	3,735.60
Long-term Debt (incl. current portion)	1,960.08	2,296.79	2,045.08	1,855.40	761.01
Short-Term Borrowings	6,979.64	8,416.68	11,123.99	13,330.53	15,137.66
Total Debt	8,939.72	10,713.47	13,169.07	15,185.93	15,898.67
Other Liabilities	543.60	1,190.70	2,153.80	1,686.16	1,243.55
Total Liabilities	10,022.38	13,562.76	17,551.45	19,559.55	20,877.82
Paid up Capital	1,224.01	1,224.01	1,224.01	1,224.01	1,224.01
Revenue Reserve	2,723.39	3,171.67	2,888.86	3,474.86	3,815.96
Other Equity (excl. Revaluation Surplus)	680.47	680.47	680.47	680.47	680.47
Equity (excl. Revaluation Surplus)	4,627.87	5,076.15	4,793.34	5,379.34	5,720.44

Income Statement (PKR Millions)	FY22A	FY23A	FY24A	FY25A	FY26A
Net Sales	12,375.93	19,985.41	27,695.67	26,654.38	16,478.18
Gross Profit	1,319.83	2,453.26	3,171.02	3,346.33	2,459.88
Operating Profit	919.03	1,946.16	2,175.56	2,344.31	1,914.55
Finance Costs	387.87	1,182.36	2,243.88	1,854.11	1,515.03
Profit Before Tax	531.16	763.80	-68.32	490.20	399.52
Profit After Tax	422.43	555.61	-262.47	413.90	260.44

Ratio Analysis	FY22A	FY23A	FY24A	FY25A	FY26A
Gross Margin (%)	10.66%	12.28%	11.45%	12.55%	14.93%
Operating Margin (%)	7.43%	9.74%	7.86%	8.80%	11.62%
Net Margin (%)	3.41%	2.78%	-0.95%	1.55%	1.58%
Funds from Operation (FFO) (PKR Millions)	589.66	803.70	284.67	179.72	390.77
FFO to Total Debt* (%)	6.60%	7.50%	2.16%	1.18%	2.46%
FFO to Long Term Debt* (%)	30.08%	34.99%	13.92%	9.69%	51.35%
Gearing (x)	1.93	2.11	2.75	2.82	2.78
Leverage (x)	2.17	2.67	3.66	3.64	3.65
Debt Servicing Coverage Ratio* (x)	1.57	1.14	0.89	1.02	1.02
Current Ratio (x)	1.27	1.15	1.06	1.07	1.04
(Stock in trade + trade debts) / STD (x)	1.37	1.41	1.28	1.20	1.19
Return on Average Assets* (%)	2.73%	2.91%	-1.08%	1.44%	0.85%
Return on Average Equity* (%)	9.58%	11.45%	-5.32%	8.14%	4.69%
Cash Conversion Cycle (days)	270.54	193.19	158.59	188.85	344.31

*FY26 numbers represent only the rice segment as the Corn Starch segment and the consumer foods segment were carved into wholly owned subsidiaries- Matco Corn Products Private Limited and Falak Foods Limited
A- Audited Accounts

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REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Matco Foods Limited
Sector	Food
Type of Relationship	Solicited
Purpose of Rating	Sukuk Ratings
Rating History	**Rating Type: Short Term Sukuk-2**

Rating Date	Ratings	Rating Action
05-11-2026	A1 (plim)	Preliminary

Instrument Structure	The Company plans to issue a short-term, rated, secured, privately placed sukuk (STS-2) of up to Rs. 1.0 billion for a tenor of six (06) months for financing short term working capital requirements related to the procurement of paddy. Profit will be payable at the time of redemption of short term sukuk on the outstanding principal amount. Such profit payment will fall six months from issue date. The principal is to be redeemed as bullet payment (six months) after the issue date. The proposed instrument will be secured against a ranking charge over company's current assets with a 25% margin. The issuer shall maintain a dedicated Debt Payment Account (DPA) under lien wherein 10% of the issue size will be placed under lien in shape of cash or government Islamic instruments), while 25% of the remaining scheduled payment shall be funded at least 30 days prior to the profit payment date, and an additional 65% shall be funded at least 7 working days prior to the profit payment date. Previously Matco had issued a STS (STS-1) on a relatively similar structure, (only upfront was previously 15%) for PKR 2.5b in February 2026 which was settled duly on maturity in August 2026.
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. Amir Farooqui	Chief Financial Officer (CFO)	12/02/2025

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