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# FOOD PRODUCTS

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## Research Team

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Contents	Pg.	Contents	Pg.	Contents	Pg.
Introduction	1	Local   Demand	15	SWOT Analysis	29
Global   Overview	2	Supply   Biscuits	16	Outlook: Stable	30
Value Chain	3	Supply   Confectionery	17	Bibliography	31
Product Portfolio	4	Supply   Snacks & Chips	18		
Product Portfolio	5	Supply   Condiments	19		
Global   Exports	6	Business Risk   Raw Material	20		
Global   Imports	7	Business Risk   Confectionery & Snacks	23		
Production   Biscuits & Crackers	10	Business Risk   Condiments	24		
Production   Confectionery	11	Financial Risk   Borrowing Mix	25		
Production   Snacks & Chips	12	Financial Risk   Borrowing Mix	26		
Production   Condiments	13	Duty Structure	27		
Local   Snapshot	14	Ratings Chart	28		

# FOOD PRODUCTS

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## Introduction

*This Sector Study covers the Biscuits & Crackers, Confectionery Products, Snacks/Chips and Condiments segments. These segments are collectively referred to as the “Food Products” Sector.*

### **Biscuits & Crackers**

- Biscuit is a flour-based baked food product. It is defined as a small quick bread made from dough that has been rolled out and cut with a round cutter. Similarly, crackers are flat, dry crunchy biscuits, usually square-shaped, made from wheat flour and yeast.

### **Confectionery**

- Confectionery food items include confections which are rich in sugar and carbohydrates. They are classified into two broad yet overlapping categories; bakers' confections and sugar confections.
- Bakers' confectionery, also called flour confections, includes principally sweet pastries, cakes, and similar baked items.
- Sugar confectionery includes candies/sweets, candied nuts, chocolates, chewing gum, bubble gum, and other confections that are made primarily of sugar.

### **Snacks/Chips**

- The savory snack market is segmented as Crisps/Chips, Extruded Snacks, nuts & seeds, and popcorn.
- Given the rapid entry of new brands and growing urbanization, potato chips remain the consumer's favorite savory snack, especially among children and young adults.

### **Condiments**

- Condiments include sauces, spices, or any preparation that is added to food, during cooking or eating, to impart/enhance the flavor, or to complement the dish.
- Condiments can either be simple (e.g. salt) or compound (e.g. sauces).

# FOOD PRODUCTS

## Global | Overview

- Biscuits & Crackers:** In CY24, the global market size for biscuits was recorded at USD~128.7bln (CY23: USD~117.5bln) a YoY increase of ~9.5%. The market is anticipated to reach USD~187.0bln by CY33, with a CAGR of ~4.2% from CY25-33. Major players in this segment are Britannia Industries Limited, Kellogg Company, Mondelez International Inc., Nestlé S.A., and Parle Products Private Limited.
- Confectionery:** The estimated size of the world market for confectionery is projected to record at USD~198.2bln in CY24 (CY23: USD~192.2bln) a YoY increase of ~3.2%. Projections appear that the market will increase at a CAGR of ~2.9% from CY25-33, reaching a value of USD~266.0bln by CY33.
- Snacks/Chips:** The global potato chips market reached USD~35.5bln in CY23. The market value is expected to reach USD~44.2bln by CY28, exhibiting a CAGR of ~4.3% during CY22-28. PEPSICO is one of the renowned names in this segment with its leading brand 'Lays'.
- Condiments:** The global condiments market during CY24 clocked in at USD~262.3bln (CY23 : USD~244.3bln) a YoY increase of ~7.4%, The market is expected to grow to USD~402.2bln by CY33.

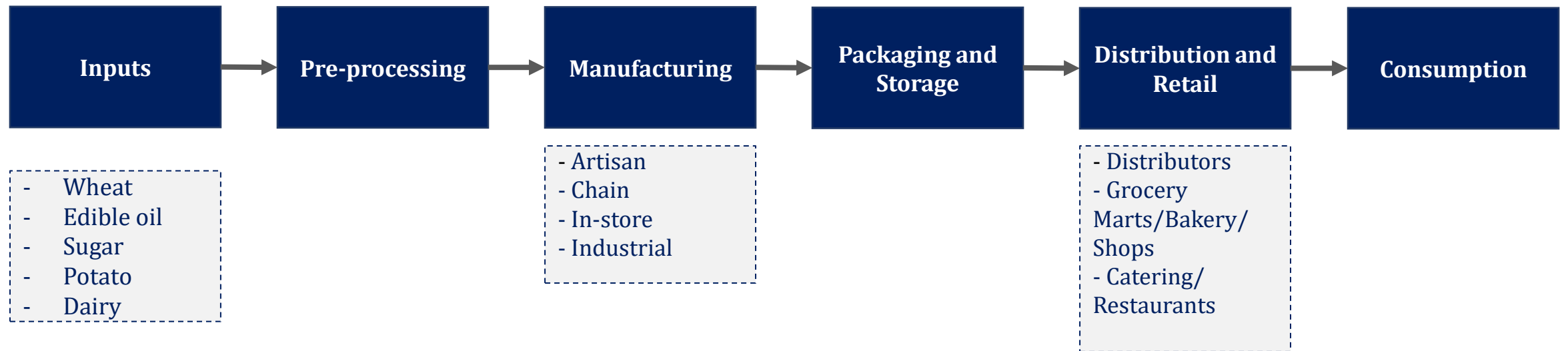


# FOOD PRODUCTS

## Value Chain

Food products' value chain is relatively simple and broadly classified into six components:

- **Inputs:** Raw materials are procured and adequate inventory levels are maintained.
- **Pre-processing:** Raw materials are prepared (cut/peeled/kneaded) for manufacturing.
- **Manufacturing:** Semi-processed raw materials are converted into finished goods.
- **Packaging and Storage:** Finished goods are packed and stored.
- **Distribution and Retail:** Dispatch of finished goods to distributors, restaurants/catering, retail outlets, and stores.
- **Consumption:** The product is consumed by the final user.



# FOOD PRODUCTS

## Product Portfolio

### Biscuits & Cracker



Plain Biscuits



Sweet and Hard



Digestive



Cream Biscuits



Cookies

### Confectionery



Hard boiled sweets



Caramels & Toffees



Gums and Jellies



Mints



Chocolates



Cakes

# FOOD PRODUCTS

## Product Portfolio

### Snacks



Crisps and Chips



Extruded Snacks



Nuts and Seeds



Popcorn

### Condiments



Spices



Pickles



Seasonings

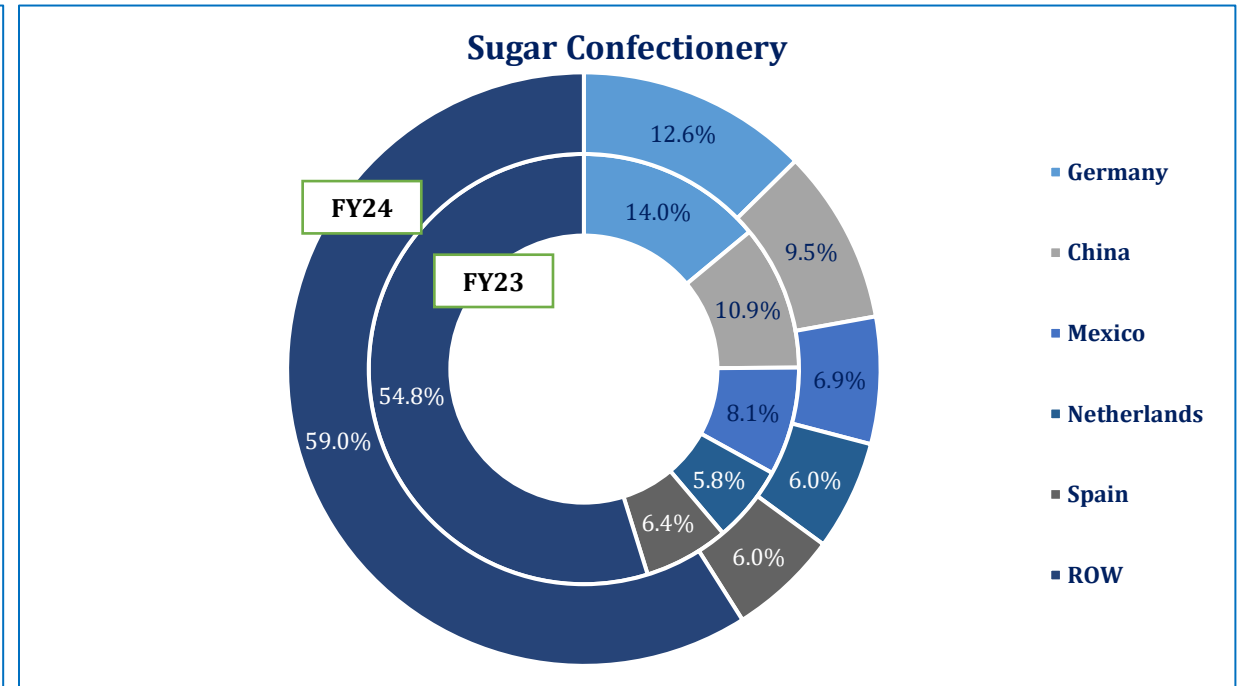
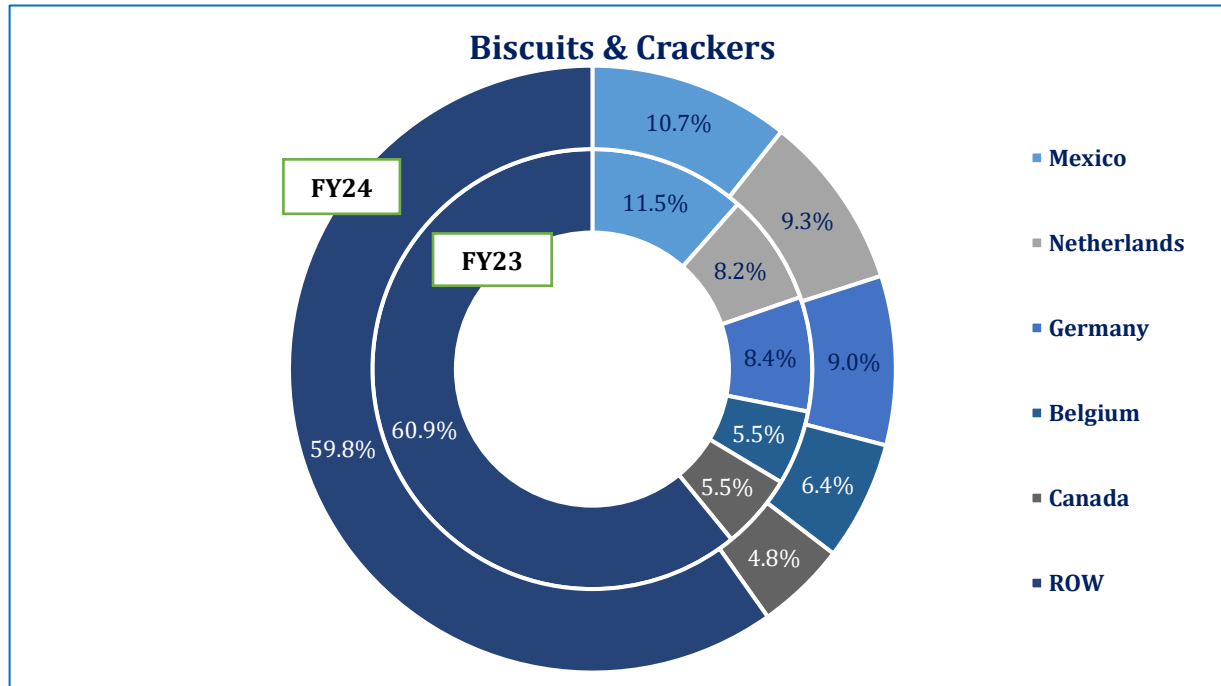


Sauces

# FOOD PRODUCTS

## Global | Exports

- During FY24 global export of Biscuits & Crackers clocked in at USD ~11.5bln (FY23: USD ~10.2bln) a YoY increase of ~13.3%. Mexico, Netherlands and Germany remained the top exporters of Biscuits & Crackers segment in FY24 with a global cumulative export share of ~29.0% (FY23:~ 28.1%).
- While sugar confectionery segment global exports clocked it at USD ~16.6bln during FY24(FY23: USD ~12.7bln) a YoY increase of ~30.4%. Germany, China and Mexico remained the top exporters of sugar confectionery with a global export share of ~29.0% in FY24 (FY23:~33.0).

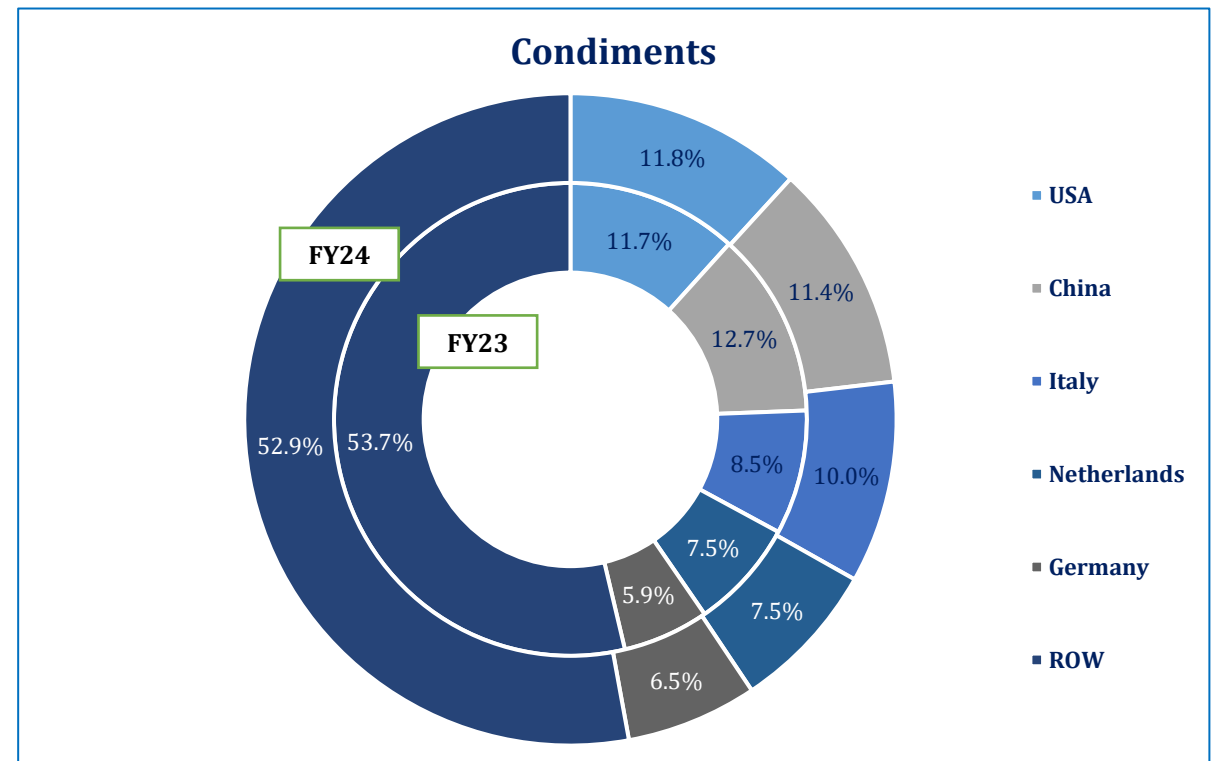
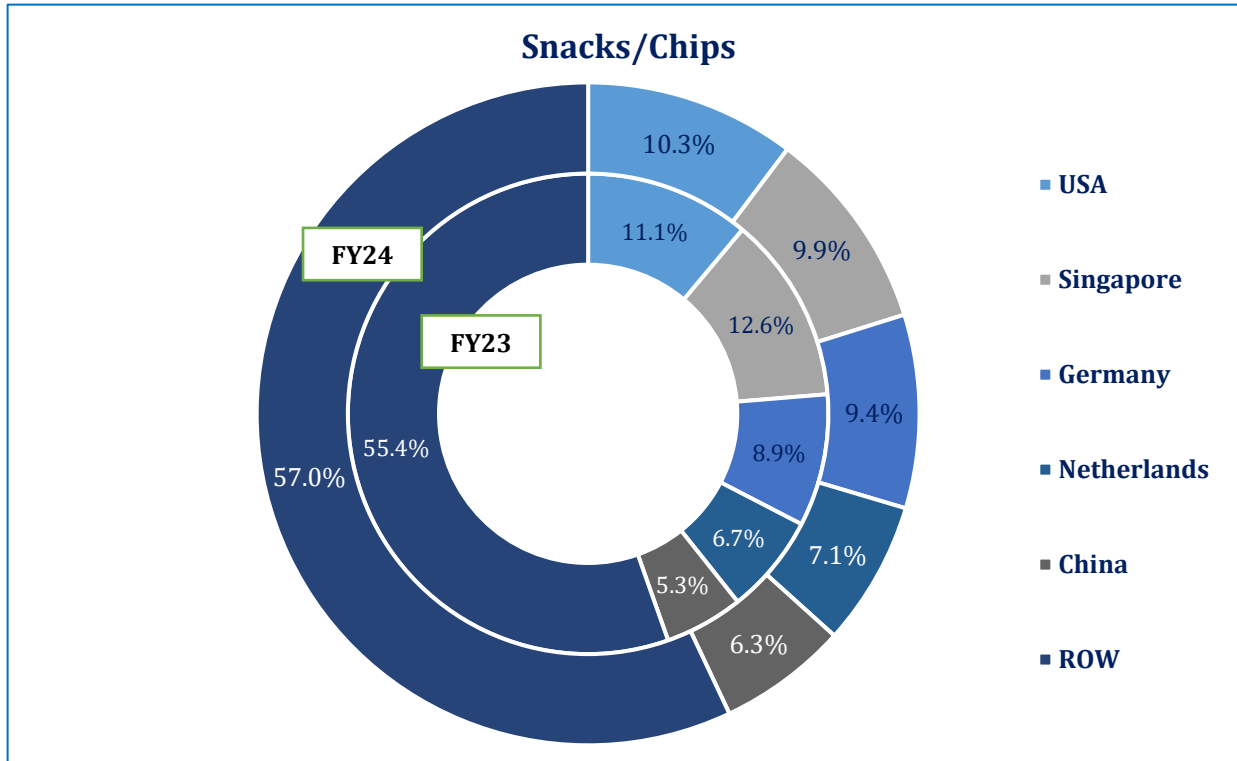




# FOOD PRODUCTS

## Global | Exports

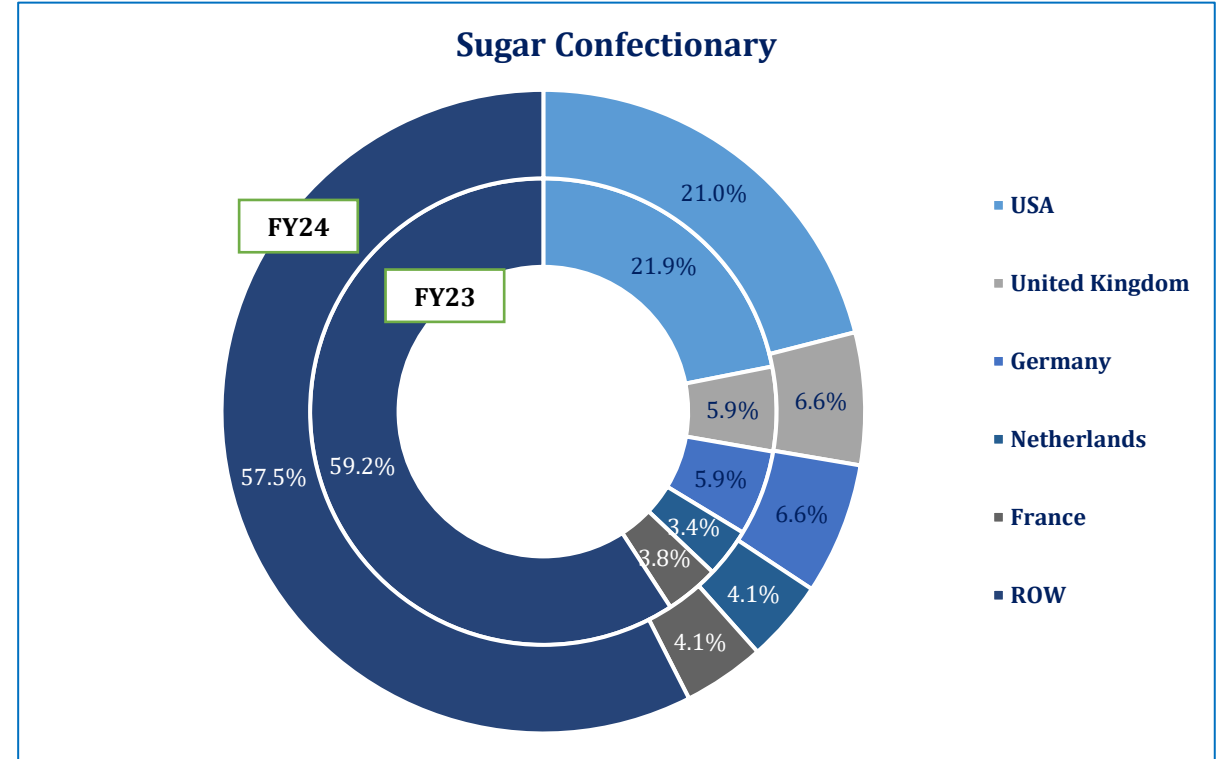
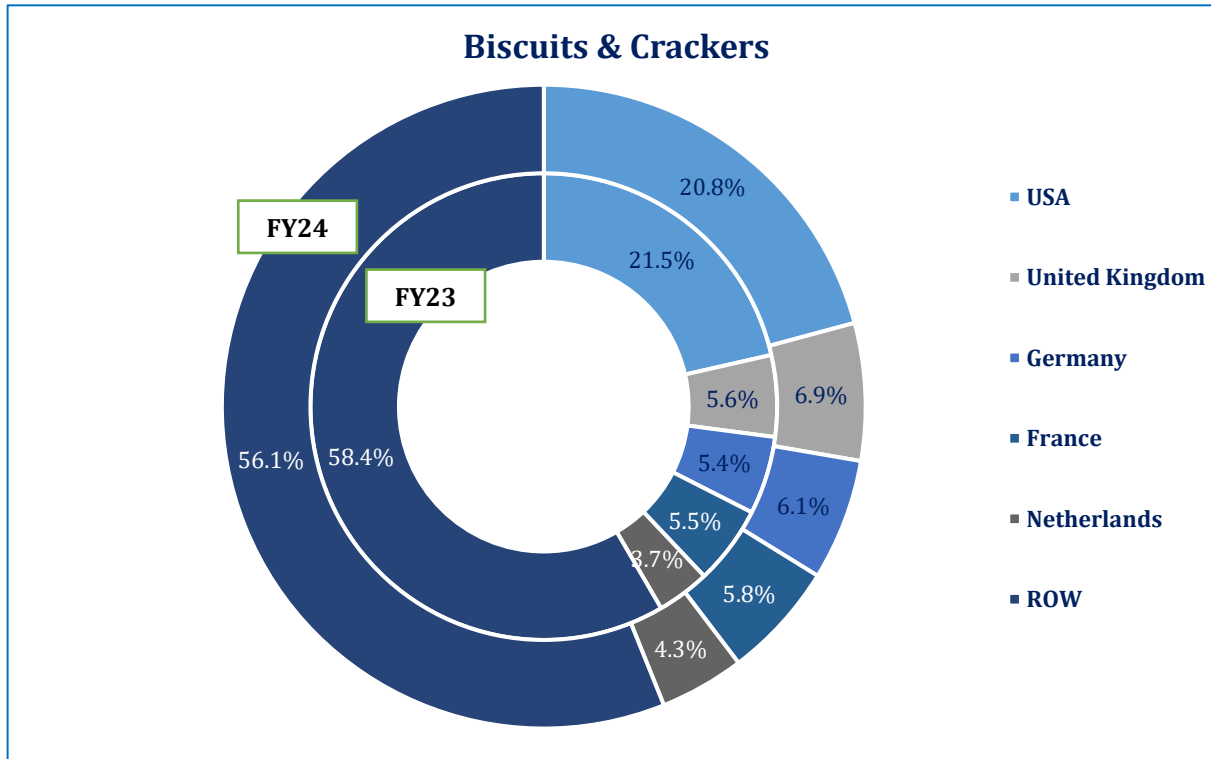
- During FY24, the global export of Snacks/Chips clocked in at USD~55.3bln (FY23: USD~54.1bln), a YoY decrease of ~2.3%. The USA, Singapore, and Germany remained the top Snacks/Chips segment exporters in FY24 with a global cumulative export share of ~29.6% (FY23:~ 32.6%).
- While condiments segment global exports clocked it at USD~19.0bln during FY24 (FY23: USD ~17.9bln) a YoY increase of ~5.7%. USA, China, and Italy remained the top exporters of condiments segments with a global export share of ~33.2% in FY24 (FY23:~32.9).



# FOOD PRODUCTS

## Global | Imports

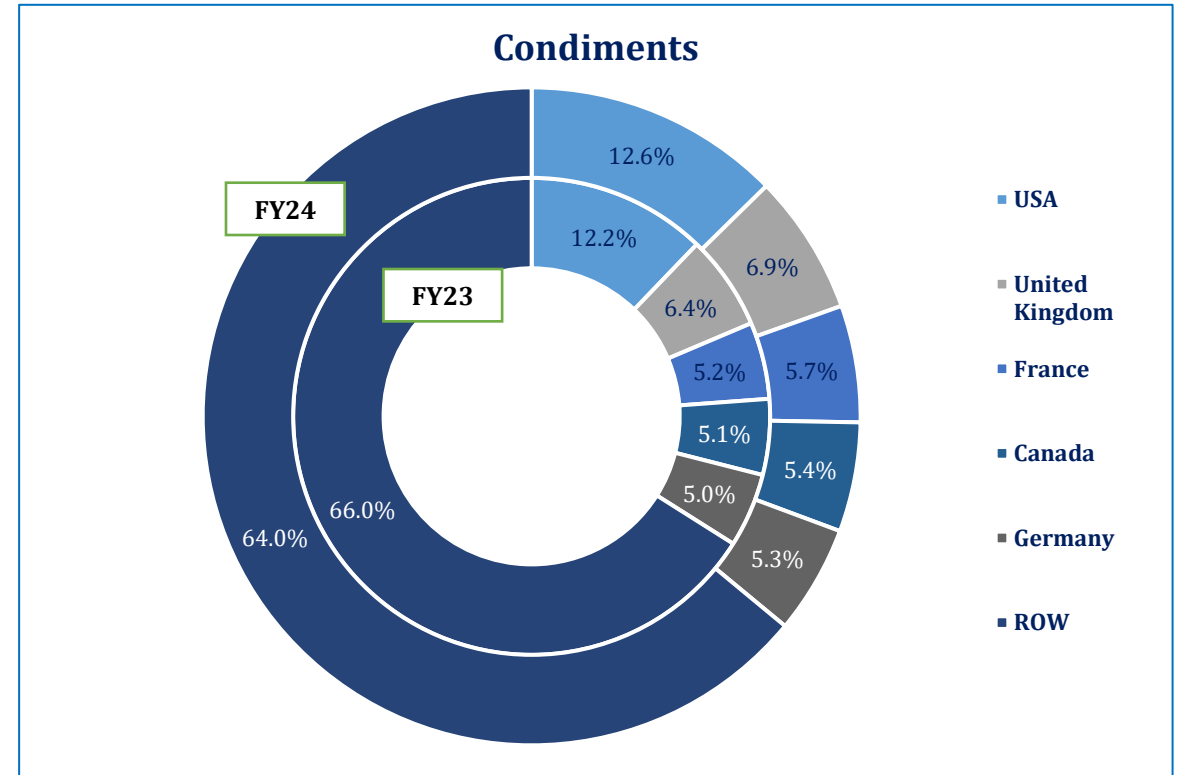
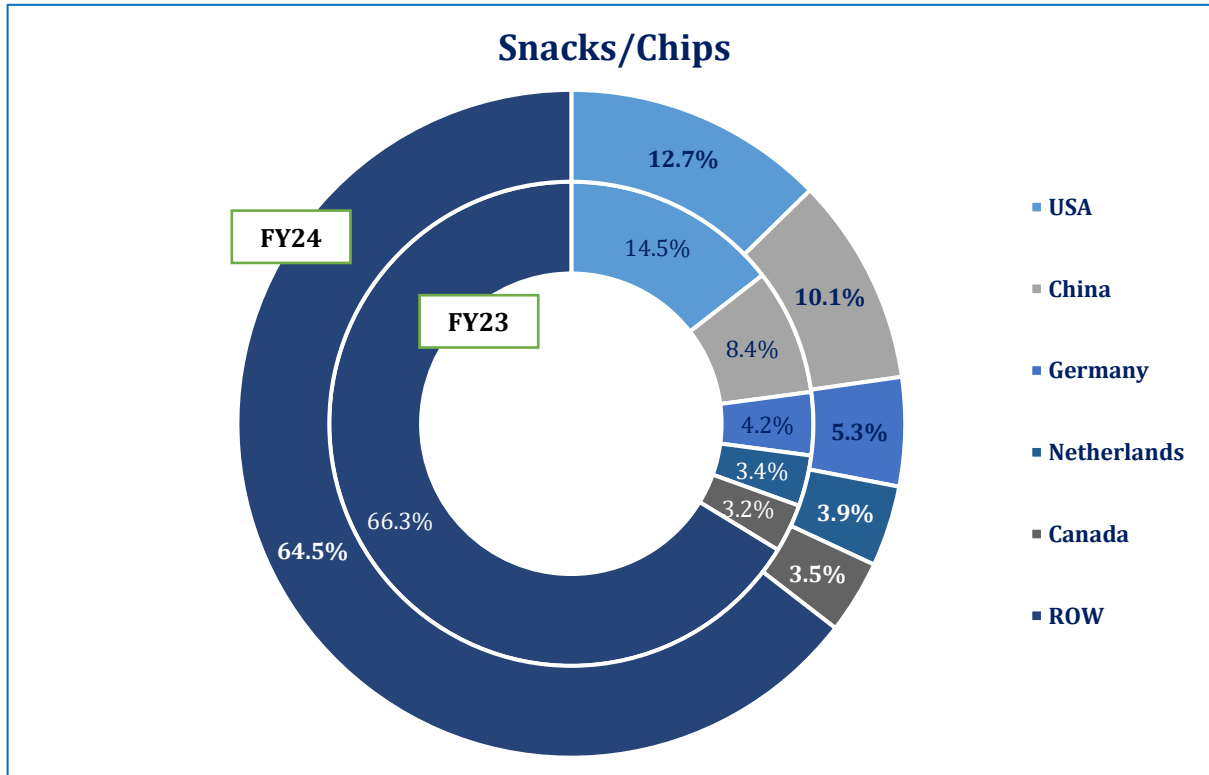
- During FY24, the USA, United Kingdom, and Germany remained the top importers of the Biscuits & Crackers segment with a global cumulative import share of ~33.8% (FY23:~ 32.5%).
- While the USA, United Kingdom, and Germany remained the top importers of Sugar Confectionery segments with a global import share of ~34.2% in FY24 (FY23:~33.7%).



# FOOD PRODUCTS

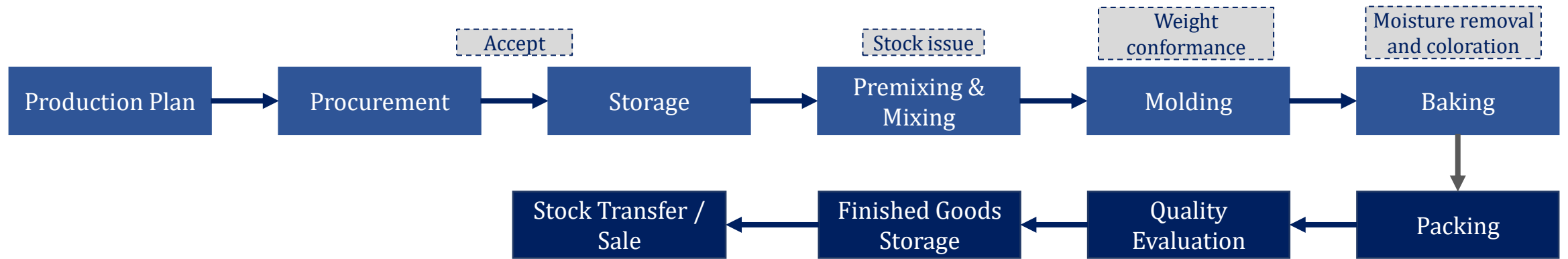
## Global | Imports

- During FY24, the USA, China, and Germany remained the top importers of the Snacks/Chips segment in FY24 with a global cumulative import share of ~28.1% (FY23: ~27.1%).
- Meanwhile, the USA, UK, and France remained the top importers of condiment segments with a global import share of ~25.2% in FY24 (FY23: ~23.8%).



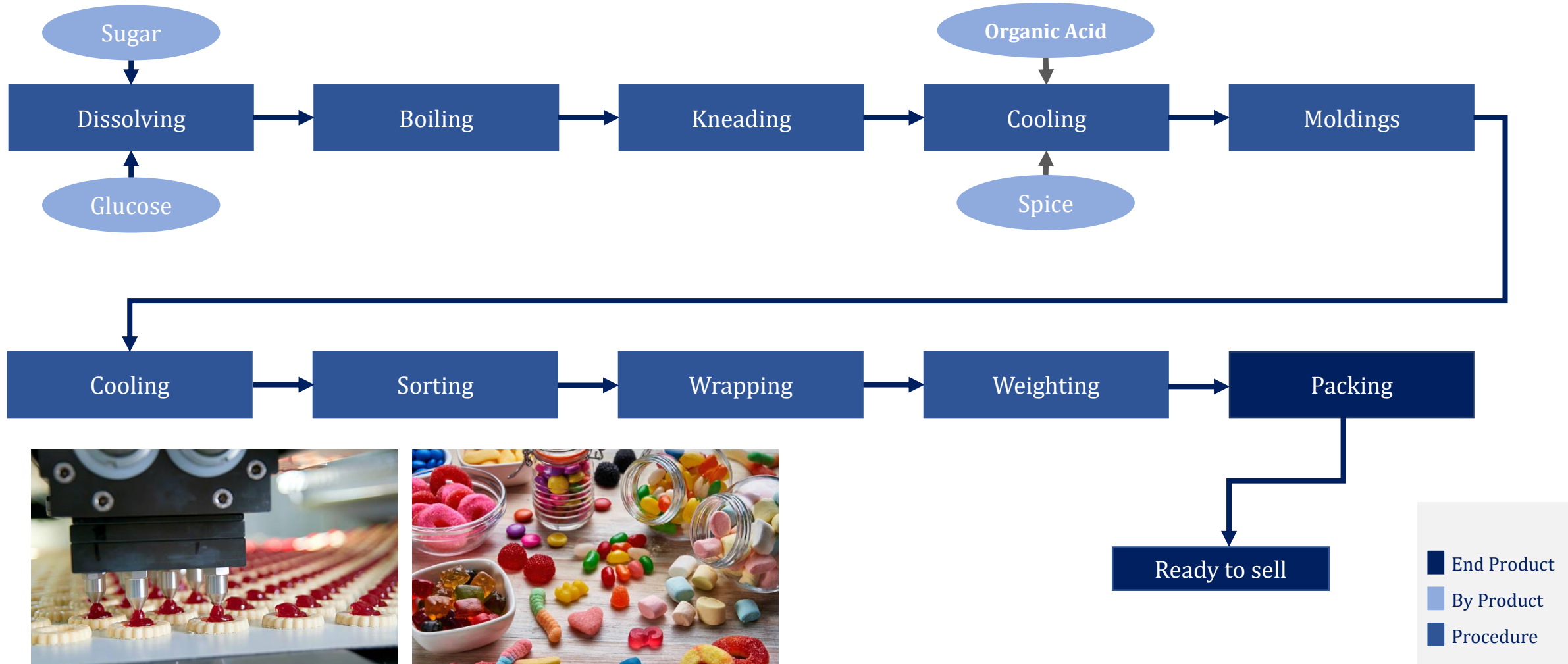
# FOOD PRODUCTS

## Production | Biscuits & Crackers



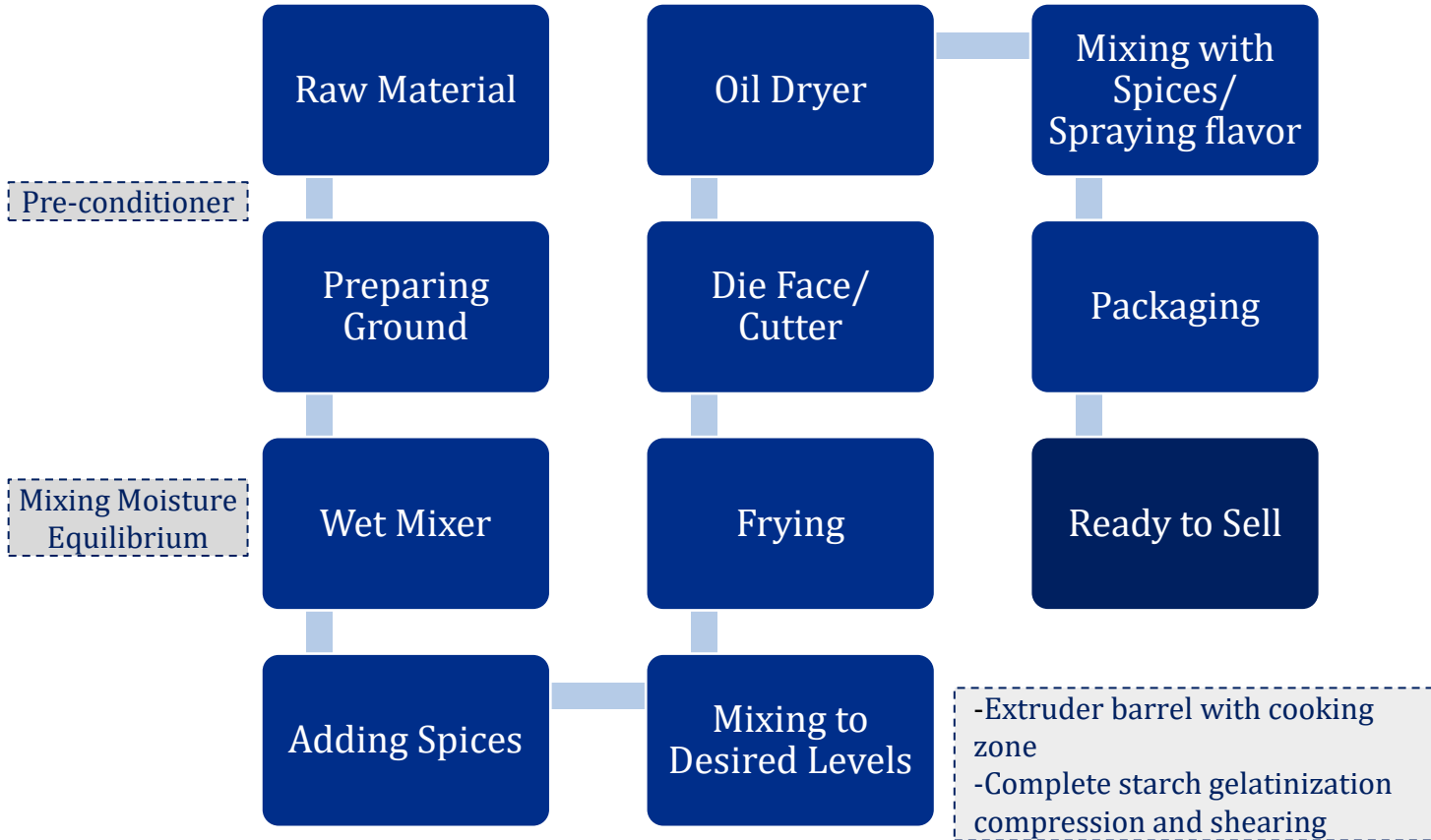
# FOOD PRODUCTS

## Production | Confectionery



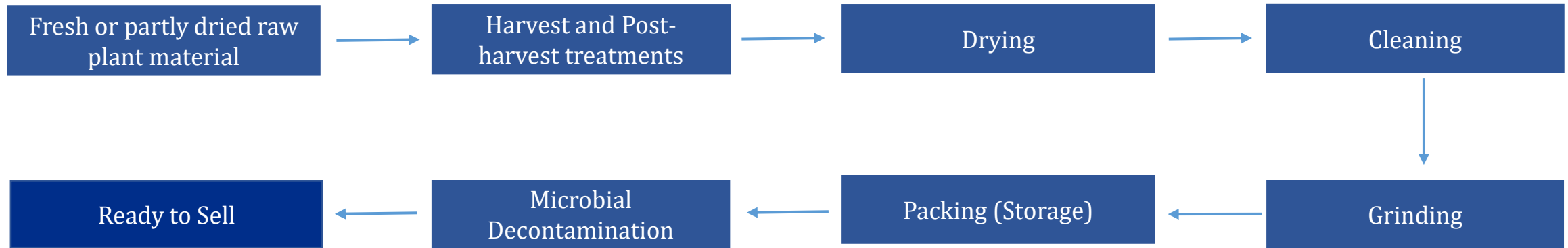
# FOOD PRODUCTS

## Production | Snacks & Chips



# FOOD PRODUCTS

## Production | Condiments



# FOOD PRODUCTS

## Local | Overview

From this part of the Sector Study, the analysis is broadly classified into two segments (wherever applicable): (i) Biscuits & Crackers, Snacks/Chips and Confectionery, and (ii) Condiments.

- The sector’s production, comprising the Biscuits & Crackers, Snacks/Chips, and Confectionery segments, was recorded at ~6.8mln MT in FY24 (FY23: ~6.7mln MT), increasing by ~1.4% YoY.
- During FY24, Pakistan remained the net exporter in the Biscuits & Cracker, Snacks/Chips, and Confectionery segments, as exports clocked in at USD~288.0mln (FY23: USD~316.6mln), while the imports were recorded at USD~76.8mln (FY23:~USD~64.6mln). However, in the Condiments segment, Pakistan remained the net importer with imports clocking in at USD~6.3mln (FY23: USD~4.7mln) and exports recording at USD~5.5mln in FY24 (FY23:USD~5.6mln).
- Local food product prices are highly dependent on their major raw material prices including Sugar, Wheat, Edible oil, and Potatoes (covered later), whereas flavors and some other components are imported.

Particulars	FY22	FY23	FY24
<b>Production (mln MT)</b>	7.9	6.7	6.8
<b>Production Growth (%)</b>	39.1%	-15.3%	1.3%
<b>Condiments Exports (mln USD)</b>	4.5	5.6	5.5
<b>Biscuits &amp; Confectionery Exports (mln USD)</b>	218.2	316.6	288.0
<b>Condiments Imports (mln USD)</b>	6.0	4.7	6.3
<b>Biscuits &amp; Confectionery Imports (mln USD)</b>	72.4	64.5	76.8

### Regulatory Bodies/ Associations

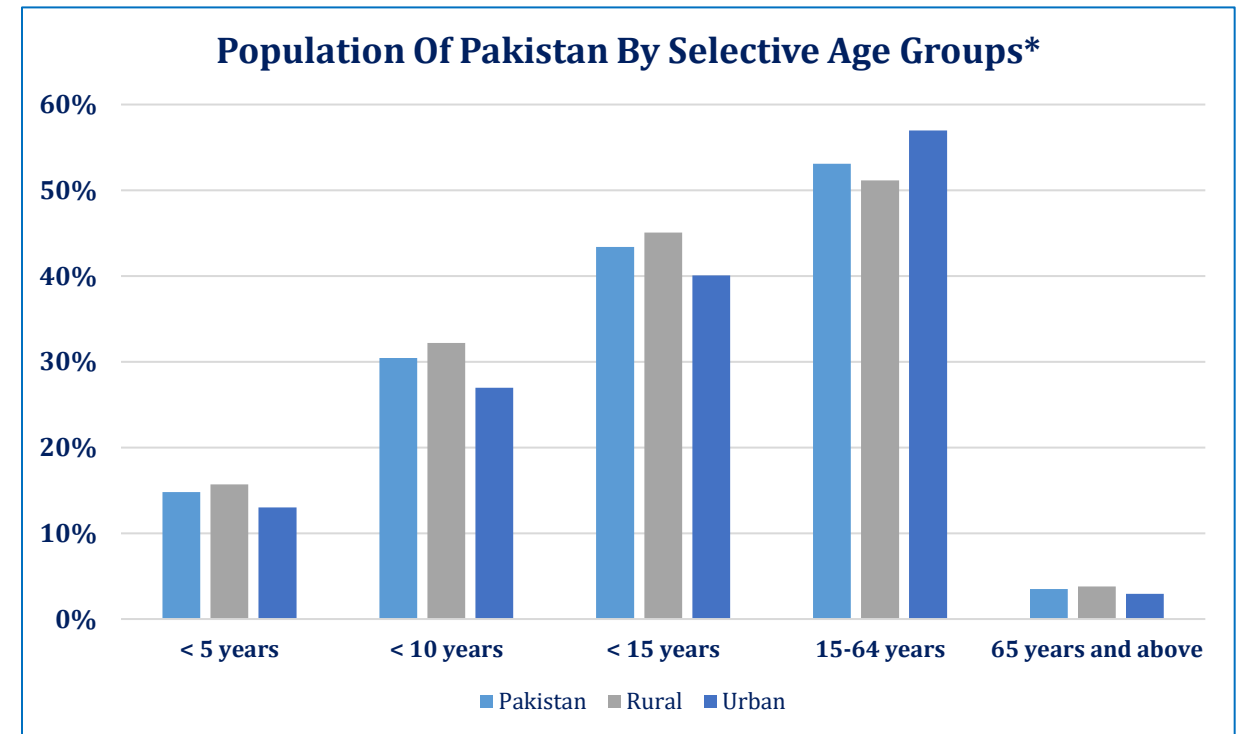
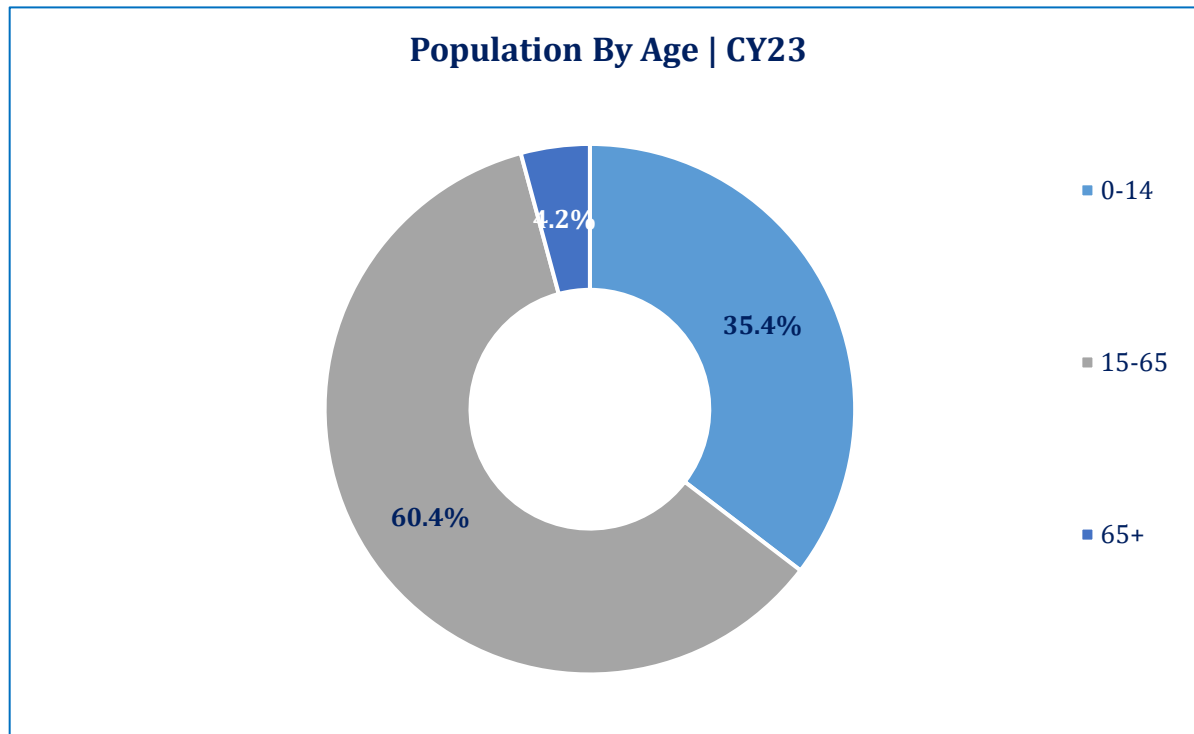
Provincial Food Authorities, Pakistan Biscuit & Confectionery Manufacturers Association and Pakistan Association of Food Industries , PSQCA



# FOOD PRODUCTS

## Local | Demand

- In terms of age demographics, children and young adults up to the age of 20 contribute ~65% to the demand for food products in the country. A high proportion of the young population, increasing disposable incomes, rising brand awareness, and introduction of various flavors contribute to the growth of the food products sector.
- The largest share of the food products segment is occupied by teenagers while the least is occupied by adults over 36 years age. Out of the total population, ~41% (aged under 15 & above 65 years) is considered to be a dependent population.



\*Data as per Pakistan Population Census of 2023.

# FOOD PRODUCTS

## Supply | Biscuits

- The term 'Biscuit' covers a large variety of sweet, savory, salted, filled, and coated biscuits. However, it is difficult to classify biscuits based on chemical composition and processing methodologies due to overlap.
- There is a high variation in local prices, owing to factors like product, brand, quantity, scale of operations, and packaging, among others.
- Raw materials are available locally, providing an opportunity to produce various quality products.

### Requirements for Biscuits (Percentage by Mass)

Sr. No	Characteristic	Requirements
1.	Moisture	5.0* (% by mass)
2.	Acid insoluble ash, (on dry basis)	0.05 (% by mass)
3.	Acidity of extracted fat (as oleic acid)	1.0 (% by mass)
4.	Lead (as Pb)	2.0(mg/Kg)
5.	Arsenic (as As)	1.1 (mg/Kg)
6.	Trans Fatty Acids	Not more than 2g per 100 g of total fat.

### Major Segment Players



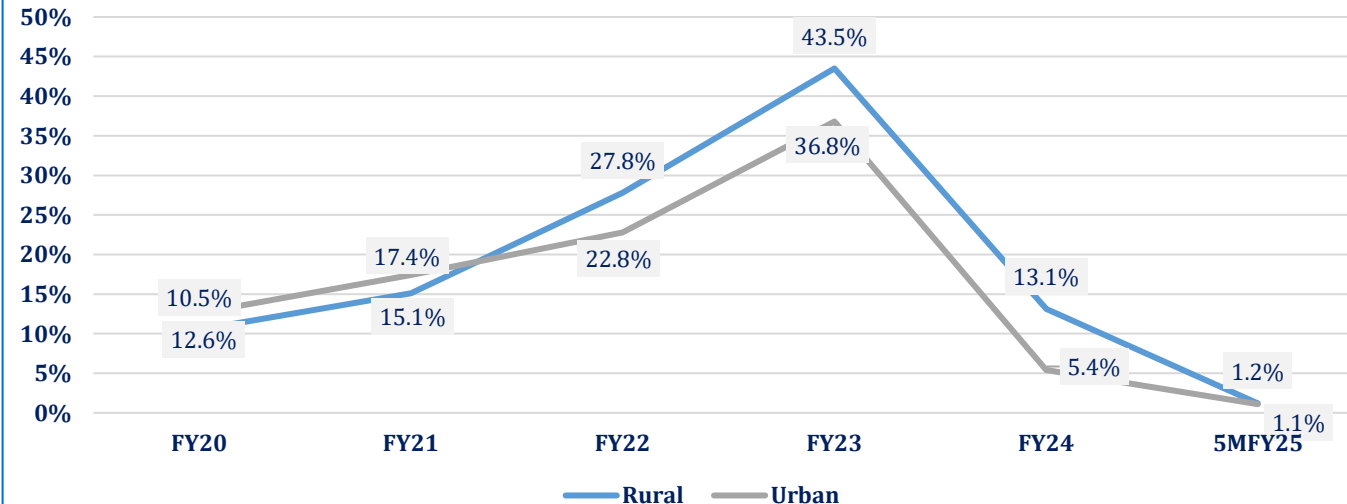
\*In case of filled biscuits, maximum of 7.0% by mass may be allowed and for cookies maximum of 6.0% by mass may be allowed. After testing for these requirements in laboratories, segment players are issued the respective PSQCA license for a period of one year.

# FOOD PRODUCTS

## Supply | Confectionery

- The segment comprises candies, toffees, gums & jellies. “Candyland”, with its flagship brands like Fanta and Cola, has a strong presence. A few international players also operate in the market. However, the majority of the share is occupied by the local organized and unorganized companies due to lower prices.
- Availability of varieties is expected to contribute to the growth of the Confectionery sector. Also, rising disposable incomes, urbanization, and changing lifestyles are the key factors to boosting the growth of the market. Pricing varies greatly from product to product on the basis of quantity, brand, quality, scale of operations, lifecycle stage, and other similar factors.

Bakery and Confectionery | CPI (YoY Change)



### Major Segment Players



# FOOD PRODUCTS

## Supply | Snacks & Chips

- In the snacks segment, the major share is dominated by the potato chips market, which mainly comprises organized branded players. Currently, a major portion of the potato chips market is led by branded chips, while remaining of the market share belongs to other unorganized and unbranded potato chips.
- PepsiCo holds a prominent share in the branded chips market, especially with its brands Lays, Kurkure, and Cheetos. Other popular brands include Kolson and triple-em.
- The demand for international quality snacks is growing, particularly among educated, middle and upper-income urban consumers due to changing lifestyles and changes in the taste of the consumers, the influence of foreign media, and increasing awareness.
- Children, teenagers, and young people are the target market of this product and given the changing eating habits of the target market, inclination is more towards having snacks.
- Sustained and continued expansion of the food industry abroad makes a strong case for exports in this segment. The potential exists for export in the Middle East, Gulf countries, and Central Asian States.

### Major Segment Players

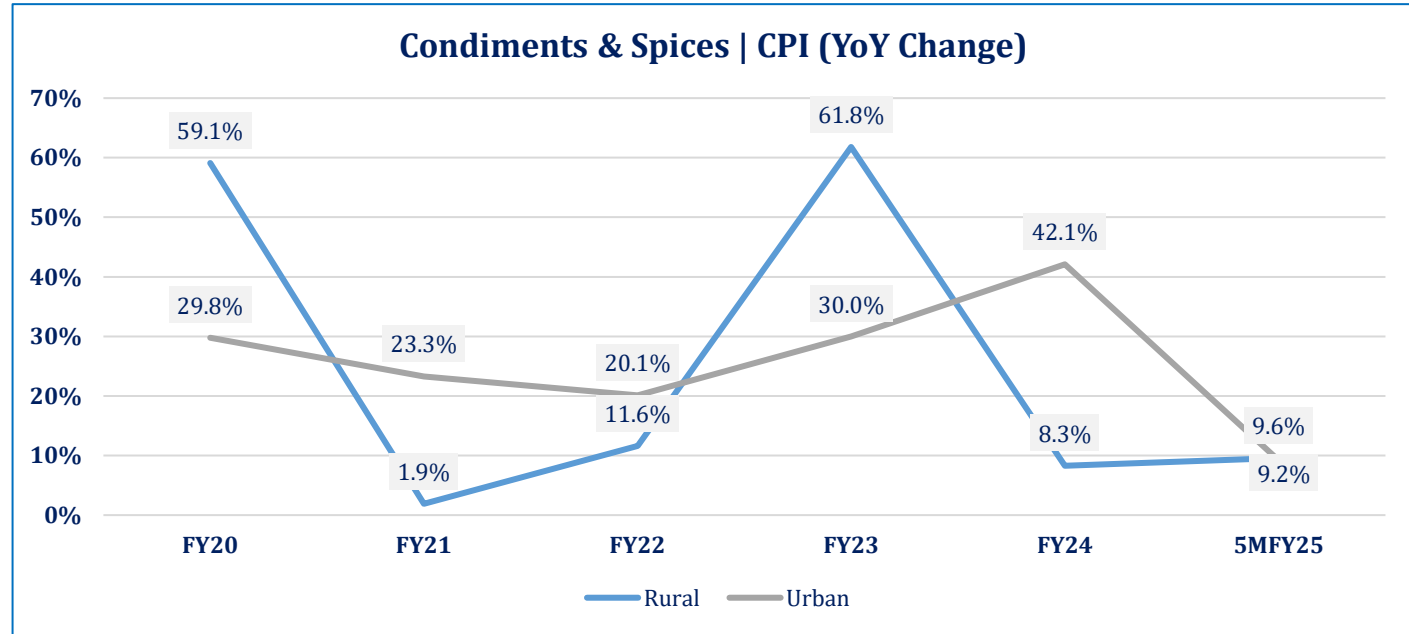


# FOOD PRODUCTS

## Supply | Condiments

- Condiments are substances used to add flavor, texture, or seasoning to food. They can be sauces, spreads, or seasonings that enhance the taste of dishes. Common examples of condiments include Ketchup, Mustard, Mayonnaise Salt, and pepper. National Foods and Shan Foods are the top players in this segment that enjoy brand loyalty from their customers. Condiments segment largely comprises of unorganized players, while the share of organized players is significantly low.
- The Condiments & Spices category in Urban and Rural inflation levels contributed ~9.6% and ~9.2%, respectively, as of 5MFY25.

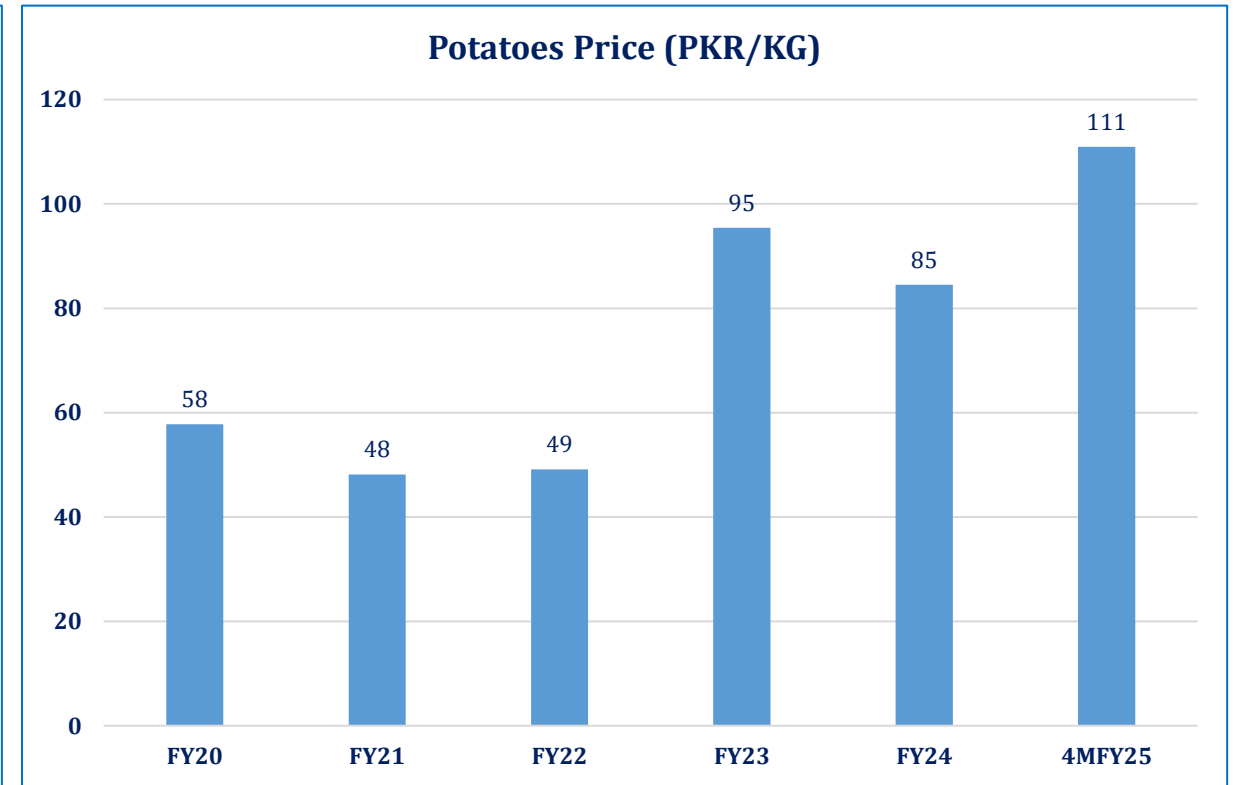
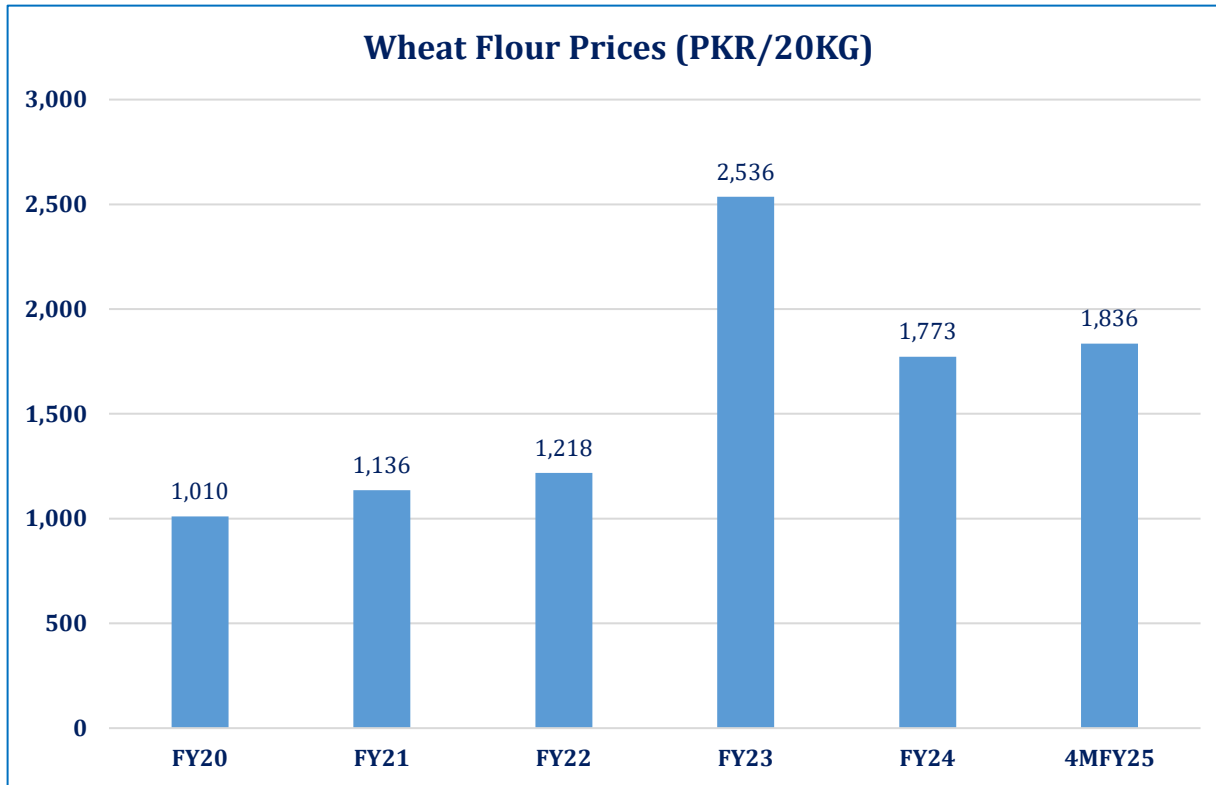
### Major Segment Players



# FOOD PRODUCTS

## Business Risk | Raw Materials

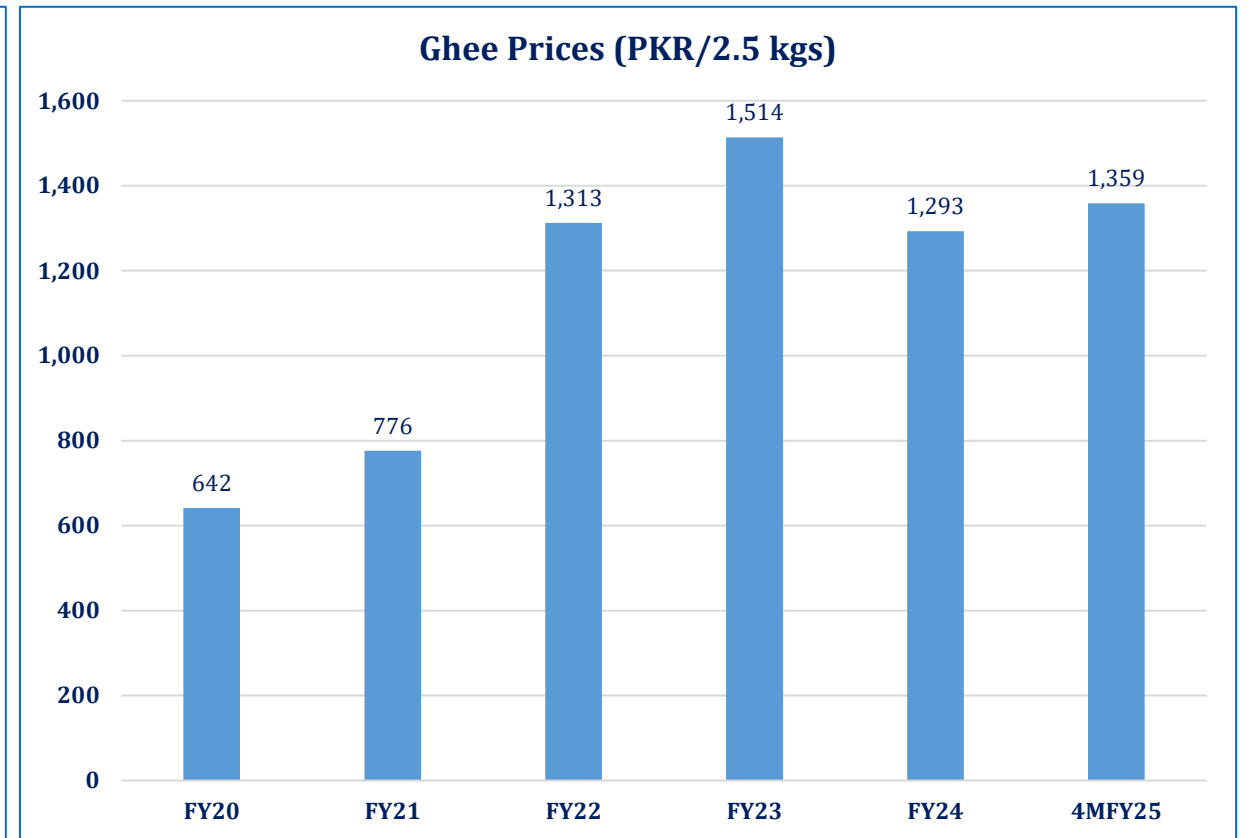
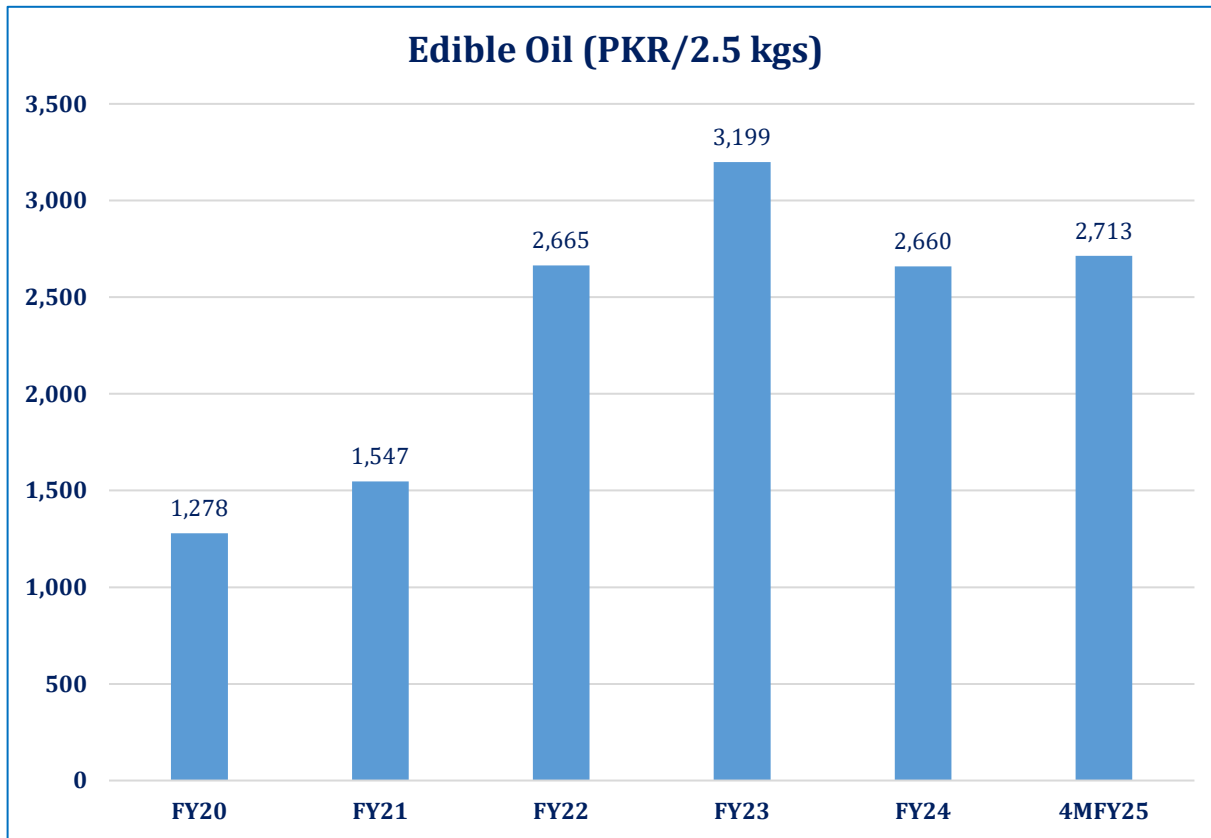
- Wheat flour serves as a major raw material in the Biscuits & Crackers and Confectionery segments of the sector. The average price of wheat flour decreased to PKR~1,773/20kgs during FY24 (FY23: PKR~2,536/20kgs).
- Potatoes serve as a major raw material in the Snacks segments of the Sector. The average price of potatoes decreased to PKR~85/kg during FY24 (FY23: PKR~95/kg) as during 4MFY25, the CPI for food items increased by ~0.04%.



# FOOD PRODUCTS

## Business Risk | Raw Materials

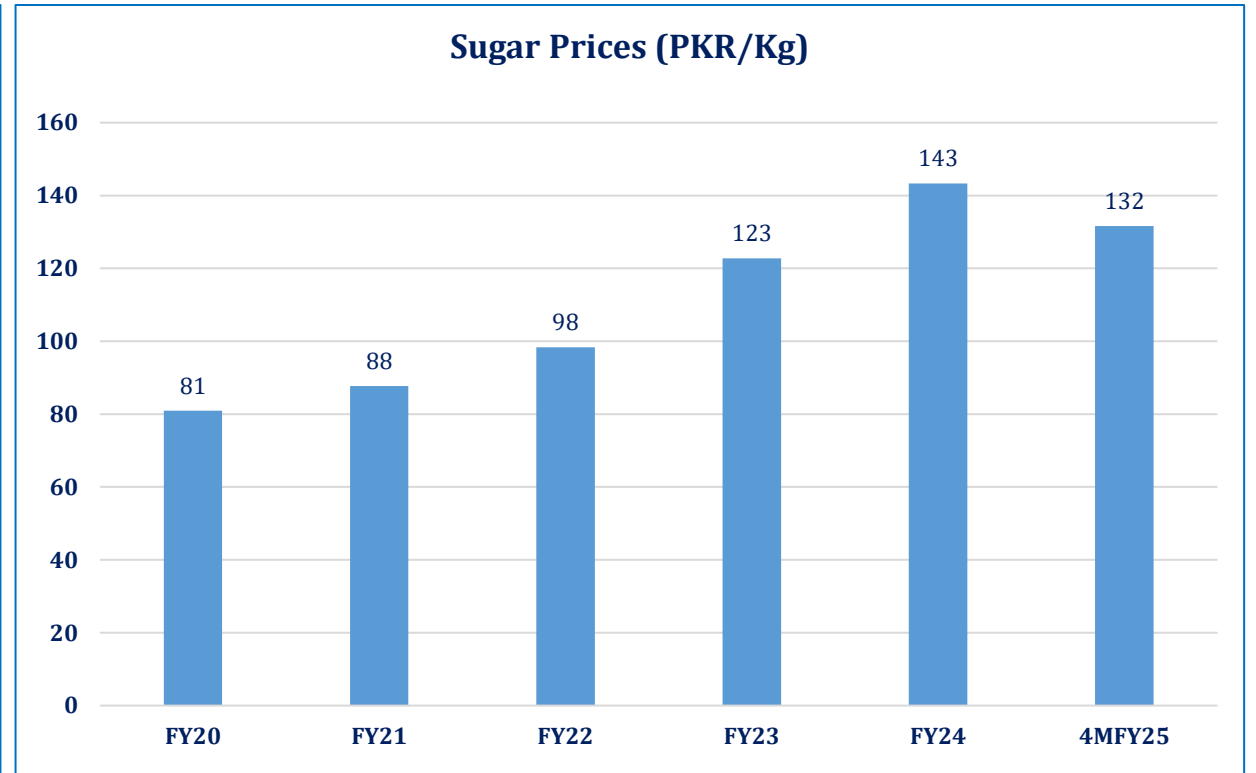
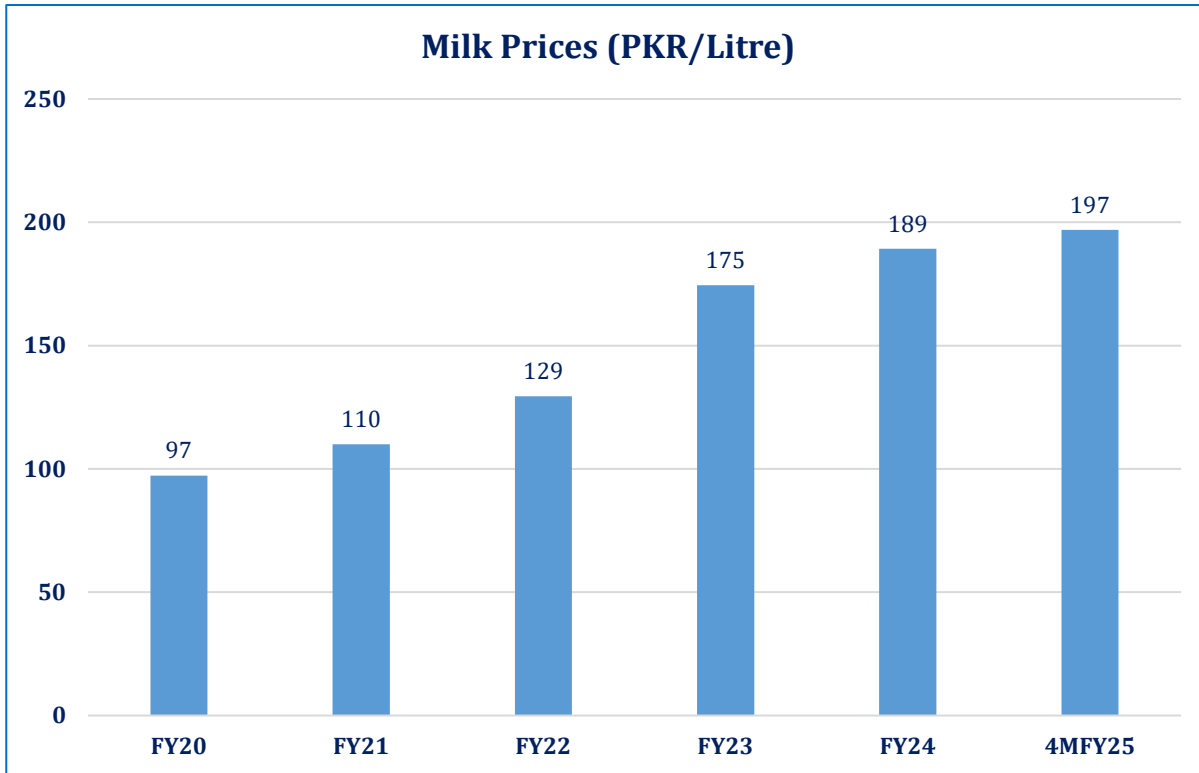
- Edible oil and ghee also serve as the major raw materials in the Biscuits & Crackers, Snacks/Chips, and Confectionery segments of the sector. The average price of edible oil decreased to PKR~2,669/2.5 kgs during FY24 (FY23: PKR~3,199/2.5 kgs) while during 4MFY25, the edible oil price increased to PKR~2,713/2.5 kgs as during 4MFY25, the CPI for food items increased by ~0.04%. Ghee Prices decreased to PKR~1,293/2.5 kgs, while during 4MFY25 Ghee prices increased to PKR ~1,359/2.5 kgs.



# FOOD PRODUCTS

## Business Risk | Raw Materials

- Pakistan’s dairy sector is constrained by several major issues; low productivity, seasonality in milk supply, a patchy distribution system, the absence of cold chains, unhygienic handling at farm and middleman levels leading to poor milk quality, and the industry’s inability to meet with international standards. The domestic prices for fresh milk averaged PKR~189/liter in FY24, increasing by ~8.0% YoY. In 4MFY25, these have further increased, averaging at PKR~197/liter.
- The average sugar price during FY24 increased to PKR~143/kg (FY23:PKR~123/Kg) , while during 4MFY25 sugar prices decreased to PKR~132/kg.

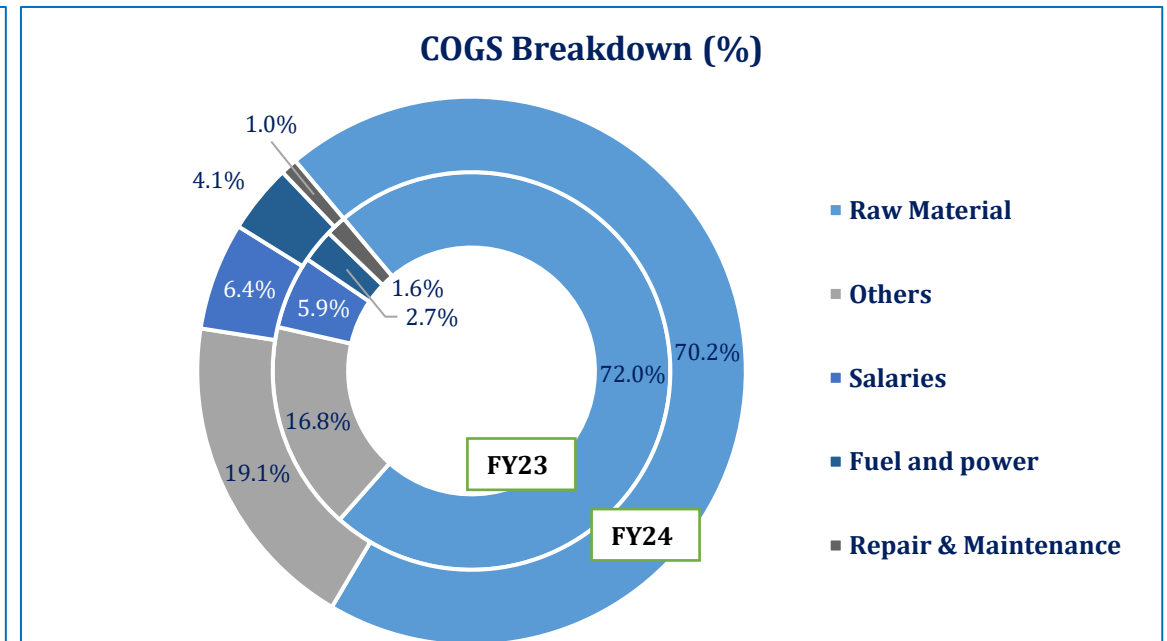
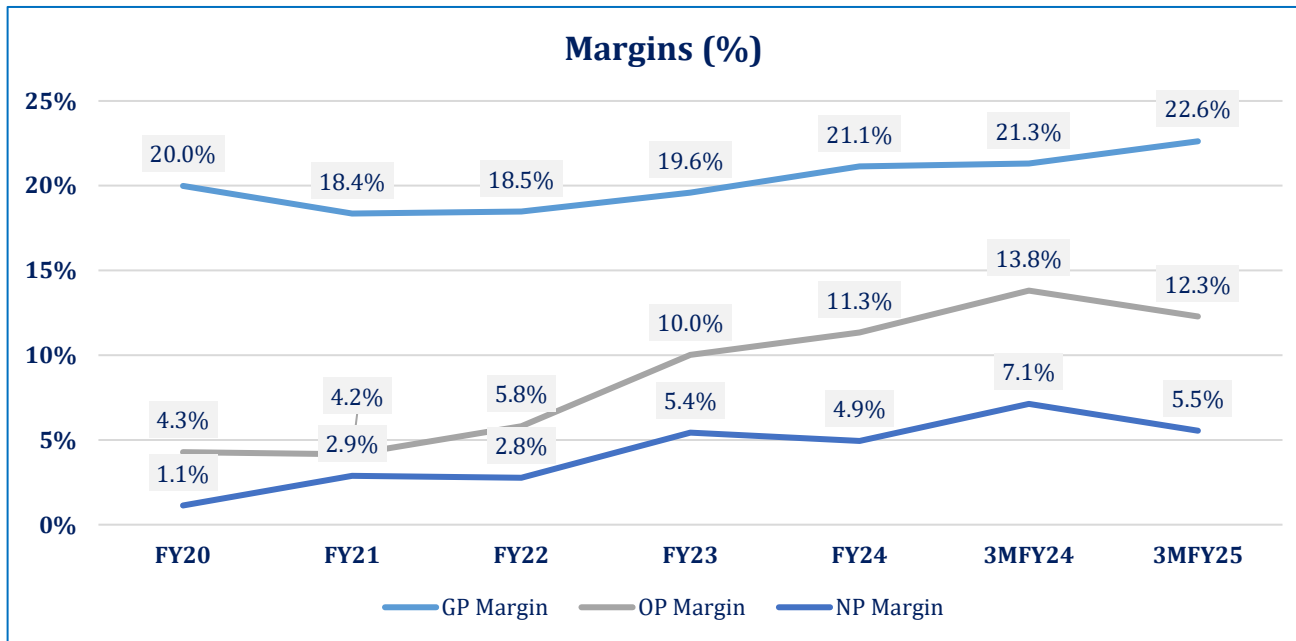




# FOOD PRODUCTS

## Business Risk | Biscuits, Snacks & Confectionery

- During FY24, the segment's revenue increased by ~21.5% YoY (FY23: ~48.2% YoY), resulting in gross profits increasing by ~31.1% YoY in FY24 (FY23: ~57.3%), while the cost of sales increased by ~19.2% YoY during FY24. Therefore, the average gross margins increased to ~21.1% during FY24 (FY23: ~19.6%). Meanwhile, during 3MFY25, the gross profits increased by ~12.8% YoY resulting in gross margins clocking in at ~22.6%.
- The segment's operating profit margins clocked in at ~21.1% YoY during FY24 (FY23: ~19.6%), while the net profit registered a ~10.8% YoY growth resulting in average net margins declining to ~4.9% in FY24 (FY23: ~5.4%). During FY24, the sector's finance costs rose by ~59.3%, while other incomes decreased by ~34.4% YoY. Meanwhile, during 3MFY25, the operating profits decreased by ~22.5% YoY while net profits decreased by ~32.3% YoY as other incomes decreased by ~45.1% during the same period.
- The segment relies heavily on raw materials as it comprised ~70.2% of the total cost of production during FY24 (FY23: ~72.0%).

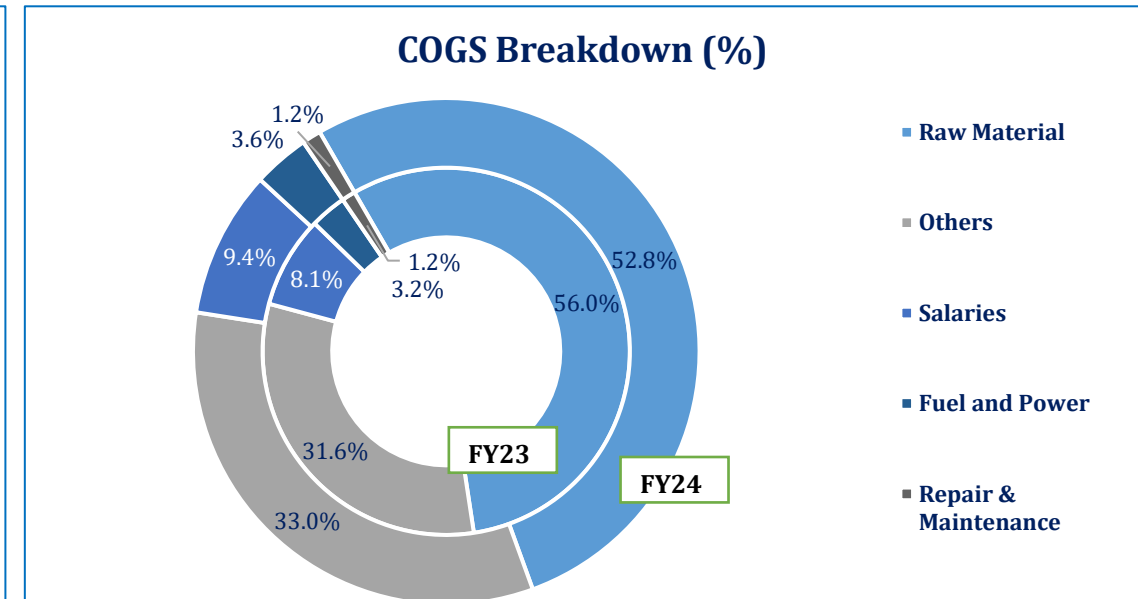
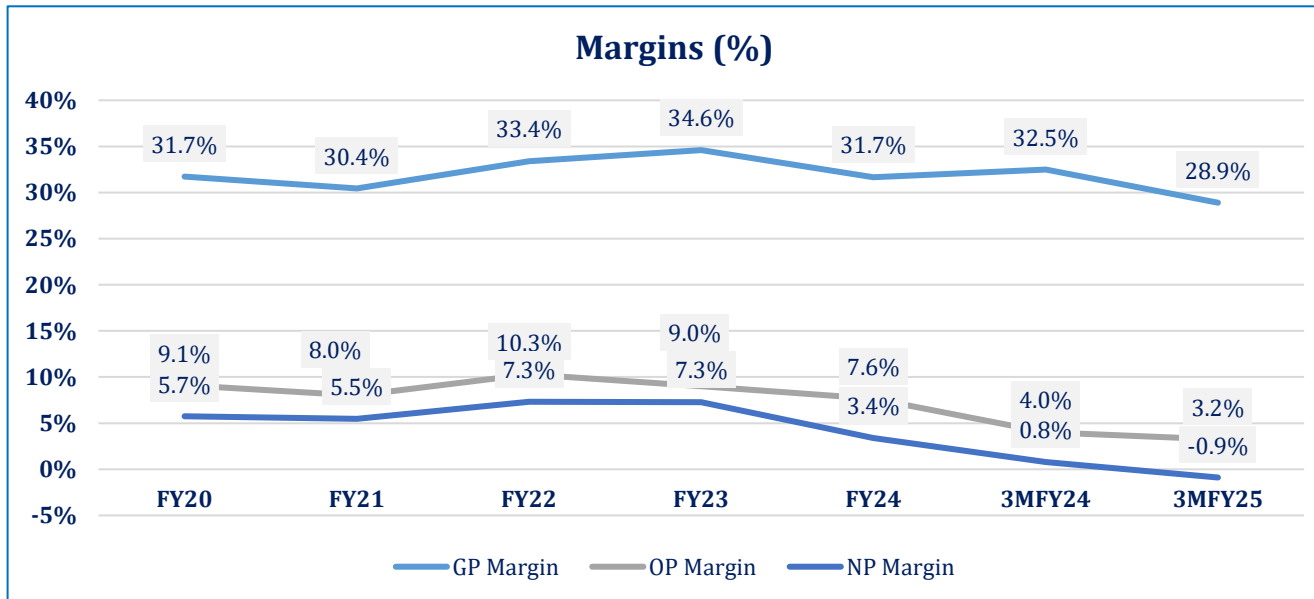


Note: Margins are reflective of 2 PACRA-rated clients in biscuits & crackers, confectionery and snacks/chips segments.

# FOOD PRODUCTS

## Business Risk | Condiments

- During FY24, the sector's gross revenue increased by ~26.3% YoY (FY23: ~10.3% YoY), while the cost of sales increased by ~31.9% YoY on account of elevated energy tariffs and inflationary pressure resulting in gross margins to decrease to ~31.7% YoY in FY24 (FY23: ~34.6%). Furthermore, during 3MFY25, the gross profits increased by ~26.4% YoY, while the cost of sales increased by ~33.1% resulting in gross margins dropping to ~28.9% (3MFY24: ~32.5%).
- The segment's operating profits clocked in at ~7.6% in FY24 (FY23: ~9.0%), while the net profit registered a ~41.1% YoY decline resulting in average net margins declining to ~3.4% in FY24 (FY23: ~7.3%). During the year, the sector's finance costs rose by ~152.3%, while other income decreased by ~63.9% YoY. During 3MFY25, operating profits increased by ~2.2% YoY, while net profits decreased by ~41.8% YoY as finance costs increased by ~107.9% during 3MFY25.
- The sector relies significantly on raw materials as it comprised ~52.8% of the total of production in FY24 (FY23 : ~56.0%).

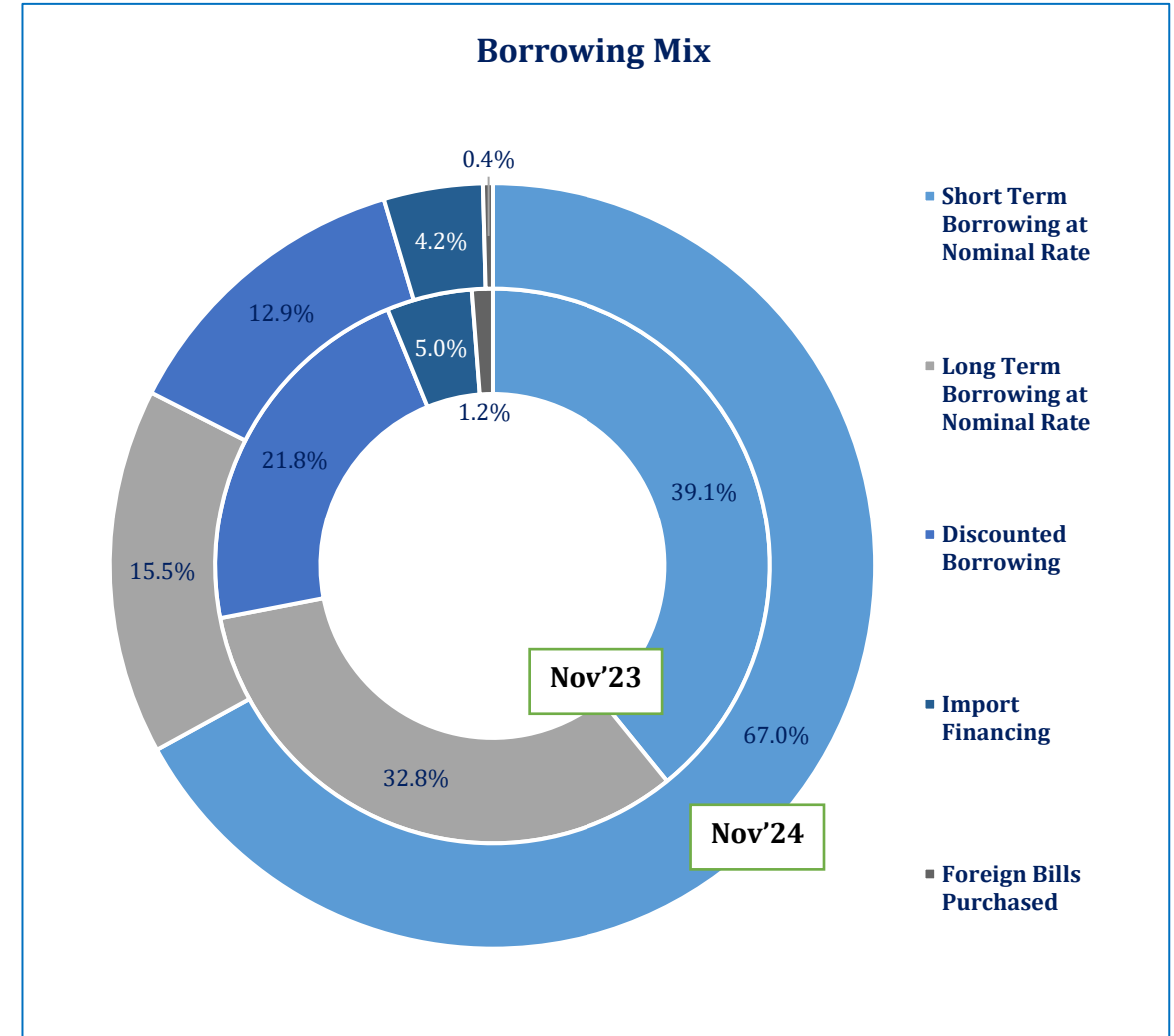


Note: Margins are reflective of 1 PACRA-rated client in the condiments segment.

# FOOD PRODUCTS

## Financial Risk | Borrowing Mix

- As of end-Nov'24, the sector's overall borrowings stood at PKR~274.3bln, up ~92.3% YoY (End-Nov'23: PKR~142.6bln).
- Short-term borrowings (STBs) at normal rates stood at PKR~183.8bln, up ~229.2% YoY, and held the largest share in the sector's borrowing mix at ~67.0% (SPLY: ~39.1%).
- Long-term borrowings (LTBs) at nominal rate stood at PKR~42.4bln, down ~9.3% YoY and held a share of ~15.5% in the overall borrowings (end-Nov'23: ~32.8%).
- Discounted borrowing (LTFF & EFS) stood at PKR~35.4bln (end-Nov'23: ~31.2bln), up ~13.6% YoY and held a share of ~12.9% in the overall borrowing mix.
- Meanwhile, import financing stood at PKR~11.5bln (end-Nov'23: PKR~7.1bln), up ~61.6% YoY, and held a ~4.2% share in the total borrowing mix as of end-Nov'24.



*Note: Data is reflective of the SBP classification of items as summarized on the next slide.*

# FOOD PRODUCTS

## Financial Risk | Borrowing Mix

Food Segments	Total Borrowing		YoY Change (%)	Short-term Borrowing			Long-term Borrowing		Foreign Bills Discounted
	Nov'23	Nov'24		Import Financing	EFS	Other Short-term	LTFF	Other Long-term	
Manufacture of Bakery products	70,104	140,686	100.6%	6,564	10,479	93,557	7,216	19,805	294
Manufacture of other food products n.e.c.,	40,686	70,893	-74.2%	4,888	7,791	37,967	3,232	10,739	851
Manufacture of Cocoa, Chocolate and Sugar Confectionery	16,489	35,879	117.6%	-	3,197	22,486	854	4,558	-
Manufacture of Starches and Starch Products	9,835	16,704	69.8%	14	2,297	13,076	85	616	-
Processing/blending of spices, tea, coffee etc.	5,334	9,972	86.9%	-	-	4,625	272	5,047	-
Manufacture of Macaroni, Noodles, Couscous and Similar Farinaceous Products	202	166	-17.8%	-	-	152	-	14	-
<b>Sector Total</b>	<b>142,651</b>	<b>274,300</b>	<b>92.3%</b>	<b>11,466</b>	<b>23,764</b>	<b>171,862</b>	<b>11,659</b>	<b>40,780</b>	<b>1,146</b>

# FOOD PRODUCTS

## Duty Structure

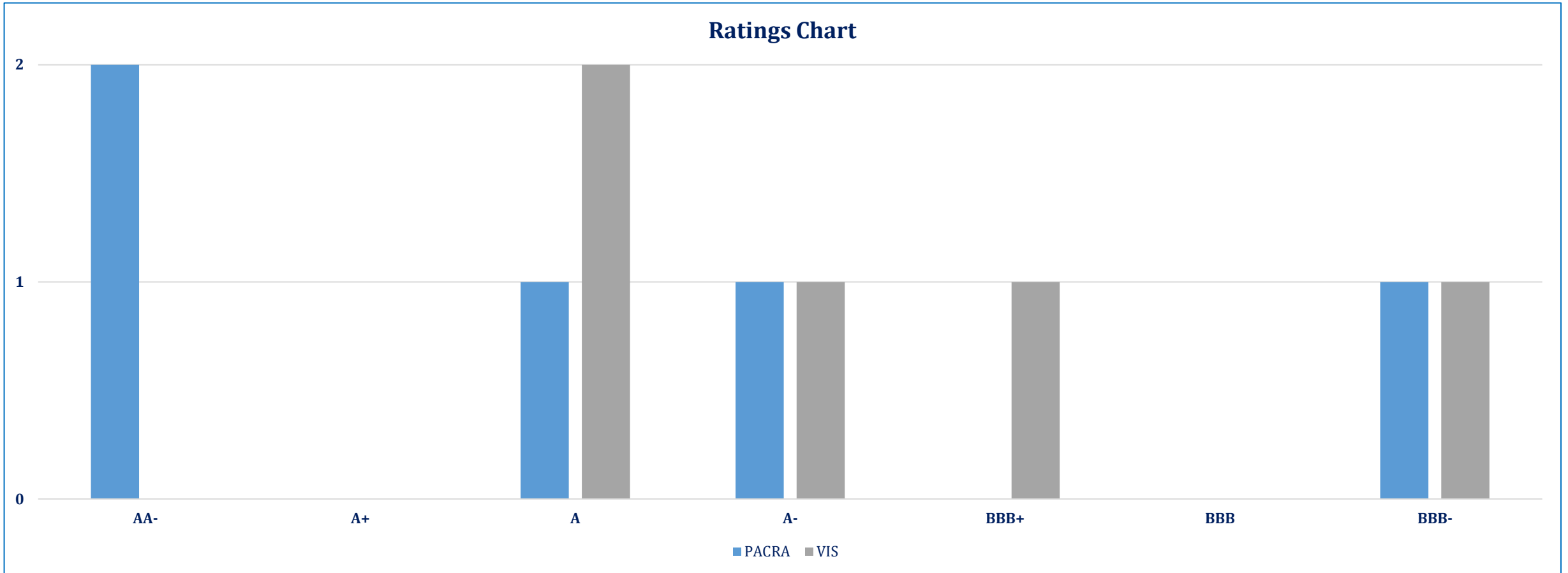
PCT Code	Description	Custom Duty		Additional Custom Duty		Regulatory Duty		Total	
		FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25
1905	Sweet biscuits; waffles and wafers, and others	20%	20%	6%	6%	20%	20%	46%	46%
1704	Sugar confectionery (including white chocolate), not containing cocoa	20%	20%	6%	6%	40%	40%	66%	66%
1801-1805	Cocoa, Cocoa powder, not containing added sugar or other sweetening matter	3%-11%	3-11%	2%	2%	0-10%	0-10%	3-23%	3-23%
1806	Chocolate and other food preparations containing cocoa	11%-20%	11%-20%	2-6%	2-6%	0-10%	0-10%	13-36%	13-36%
2103	Sauces and preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard.	20%	20%	6%	6%	50%	50%	56%	56%

*Note: 1905 includes (3100,3200,4000,9000); 1704 (1000, 9010, 9090); 1801 (000); 1802 (000); 1803 (1000, 2000); 1804 (000); 1805 (000); 1806 (1000, 2010, 2020, 3100, 3200, 9000); 2103 (1000, 2000, 3000, 9000).*

# FOOD PRODUCTS

## Rating Curve

- PACRA rates five entities i.e., in the Food Products sector, with a rating bandwidth of AA- to BBB-.



# FOOD PRODUCTS

## SWOT Analysis

- Continuous availability and ease of access to raw material
- Availability of low-cost skilled and unskilled labor
- Simple to operate plants
- Available unutilized capacity
- Government incentives and eased policies
- Products affordable to all income groups
- A wide range of target market

### Strengths

### Weaknesses

- Mushroom industries and counterfeit brands
- Little variation/value addition in product
- Highly saturated market
- Low utilization
- Low barriers to entry
- High raw material costs
- Low contribution margins
- High waste production levels

- Increased freight charges
- Currency fluctuations
- Climate change and shifting rain cycles
- Strong bargaining power of buyers
- Intense competition from regional players in the international market
- Growing concerns about healthy lifestyle
- Strong hold of established multinationals
- Low barriers to entry
- Regular infringement of Intellectual Property Rights laws

### Threats

### Opportunities

- Growing population and food consumption
- Untapped export market
- Increase in income per capita
- Evolving consumer taste palette
- Changes in eating habits, healthy eating, Gluten free market

# FOOD PRODUCTS

## Outlook: Stable

- In FY24, Pakistan's GDP (nominal) stood at PKR~105.7trn (FY23: PKR~83.9trn), increasing, in real terms, by ~2.4% YoY (FY23: ~-0.21% decline). Industrial activities in FY24 held ~21.9% share in the GDP while manufacturing activities made up ~62.9% of the value addition. In 1QFY25, Pakistan's GDP (nominal) stood at PKR~26.3trn (1QFY24: PKR~24.7trn), rising in nominal terms by ~6.5% YoY. Real GDP growth rate (~0.9%) for 1QFY25 signals an improvement in economic activity as compared to the SPLY. Also, during FY24, the national CPI decreased by ~57.2% YoY. Pakistan's food products sector (divided into biscuits, snacks, confectionery, and condiments segments, for this report) is a reflection of the living standards of people. The increase in revenue across these segments is reflective of a reduction in inflation and a consequent decrease in food product prices (CPI during Nov'24: ~4.1%). The sector remains highly competitive with an influx of new players, while marketing and distribution costs also remain high. The sector is a driven market where players' pricing power is limited. Prices are widely variable and dependent upon factors such as brand, quantity, quality, and the scale of operations.
- Most of the raw materials (Wheat, Sugar, Potatoes, Milk, and Edible Oil) are feasibly available at the local level. An increase in raw material prices has a direct impact on all industry players and is, therefore, directly passed on to the end consumers by both organized as well as unorganized segments. During FY24, sugar prices remained relatively stable, averaging PKR~143/Kg, an increase of ~13.9% YoY. Meanwhile, in 5MFY24, sugar prices have reduced ~7.6% YoY, averaging at PKR~132/Kg. Similarly, potato prices decreased to PKR~85/Kg in FY24, a YoY decrease of ~10.5%. In 5MFY24, these further spiked by ~30.5% YoY, averaging at PKR~111/Kg.
- During FY24, the segment gross revenue increased by ~21.5% YoY (FY23: ~48.2% YoY), resulting in gross profits increasing by ~31.1% YoY in FY24 (FY23: ~57.3%). Therefore, average gross margins increased to ~21.1% during FY24 (FY23: ~19.6%). During 3MFY25, gross profits increased by ~12.8% YoY resulting in gross margins clocking in at ~22.6%. Moreover, operating profit increased by ~37.6% YoY in FY24 (FY23: ~55.6%), while the net profit registered ~10.8% YoY growth resulting in average net margins declining to ~4.9% in FY24.
- Going forward, the Food Products sector is expected to grow, as macroeconomic indicators, particularly inflation and exchange rates, reflect a favorable outlook, and the demand for food products is increasing with the easing of prices. Also, growing concerns about obesity and other lifestyle-related diseases have urged consumers to pay close attention to nutritional labeling, leading manufacturers to introduce meals with value-added nutrients and claims, such as fewer preservatives, less fat, etc. The trend will discourage the unorganized sector and result in an increased market share of the organized players.



# FOOD PRODUCTS

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