RATING REPORT

Olympia Oils (Pvt.) Limited (OOL)

REPORT DATE:
April 16, 2018

RATING ANALYSTS:
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RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	BBB+	A-2		
Rating Date	*April 12, 2018*		*NA*	
Rating Outlook	Initial			
Outlook Date	*April 12, 2018*			

COMPANY INFORMATION

Incorporated in 2003	External auditors: Hameed Khan & Co. Chartered Accountants
Private Limited Company	Chairman of the Board/CEO: Mr. Nasir Monnoo
Key Shareholders (with stake 5% or more):	
M. Shakil Monnoo – 19.3%	
M. Humayun Monnoo – 17.3%	
M. Khursheed Monnoo – 16.3%	
M. Nasir Monnoo – 15.8%	
M. Munnir Monnoo – 13.0%	
M. Omer Monnoo – 11.7%	

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria: Industrial Corporates (May 2016)
http://jcrvis.com.pk/docs/Corporate-Methodology-201605.pdf

Olympia Oils (Pvt.) Limited

OVERVIEW OF THE INSTITUTION

Olympia Oil (Pvt.) Limited (OOL) was established in 2003 and started commercial production in 2005. The company is involved in manufacturing of edible oil and oil-meal.

Profile of the Chairman/CEO

Mr. Nasir Monnoo has over 30 years of experience in related industries. He has also served as the director of Olympia Textile Mills Limited.

Financial Snapshot

Total Equity: end-HY18:Rs. 886m; end-FY17: Rs. 821; end-FY16: Rs. 727m; end-FY15: Rs.679m

Assets: end-HY18: Rs 2.9b; end-FY17: Rs. 3.2b; end-FY16: Rs 2.1b; end-FY15: Rs. 2.2b

Profit After Tax: HY18: Rs. 64m; FY17: Rs., 95m; FY16: Rs. 57m; FY15**: Rs.** (25m)

RATING RATIONALE

Olympia Oil (Pvt.) Limited (OOL) is the flagship company of a diversified industrial conglomerate "Monnoo Group" having business interests in textile, carpets, chemicals, synthetics, and poultry. The ratings draw strength from moderate business risk profile; the company follows a business to business model hence avoids mainstream competition with the major players of the branded oil market including Dalda, Seasons, Sufi and Kashmir. The ratings incorporate vertical integration with group owned feed mills. Moreover, the ratings draw comfort from minimal reliance on long-term borrowings and adequate debt service coverage. However, the ratings remained constrained on account of depressed margins, high leverage, slow progression towards value-added segment and weak corporate governance framework.

Key Rating Drivers:

Business and Industry Risk Factors: Demand driven price risk is largely curtailed on account of company being involved in bulk sale of edible oil to institutional clients while having limited presence in the highly competitive banded oil market. Similarly, the price risk in the oil-meal segment, by product of oil extraction, is contained owing to high demand for the product in the local market. Moreover, utilization of economies of scope under vertical integration coupled with the shift from canola seed to soybean seed on account of higher protein content and better tax regime for the product have created a sustainable market for OOL in the oil-meal segment. In addition, inventory risk is mitigated by dovetailing procurement orders with precise sale forecasts. The company mitigates exchange rate risk taking exposure in futures contracts and avoiding commodity trading. Further, as per the global commodity statistics the price fluctuation of soybean seed has remained manageable.

Profitability & Liquidity: Sale revenues exhibited exponential growth of 60% during FY17on the back of quantum increase in bulk sales of oil meal. However, the positive momentum in revenues during FY17 did not fully translate into the bottom line on account of decline in margins which was in turn an outcome of increase in input prices. In rupee denomination, bulk sales comprised over four-fifths of the total revenue. The major revenue driver was soybean oil and soya based oil-meal. The concentration among top-10 customers remained on the higher side. In line with enhanced earning profile, FFO was reported higher translating into improved debt service coverage ratio of 2.7x (end-FY16: 1.5x) at end-FY17. Going forward, the company's efforts of new market development with branding of retail products under the label "Areej" is likely to have a favorable impact on margins and profitability.

Capitalization Structure: Total equity of the company increased on account of internal capital generation. The company's debt matrix primarily comprises short-term borrowings. Moreover, OOL does not plan to raise long term financing in the foreseeable future. For working capital requirements, the company mobilizes short term borrowings which amounted higher at Rs. 1.5b (end-FY17: Rs. 1.4b; end-FY16: Rs. 864m) by end-HY18. As a result, the leverage and gearing indicators remained high. Given the business model with no equity injection planned by the sponsors in the foreseeable future, the leverage indicators are likely to remain at current levels or may increase. Despite positive impetus in earnings, pressure on equity is unlikely to be alleviated owing to sizeable growth in short-term borrowings.

Corporate Governance: Senior management team of the company comprises experienced resources having relevant experience in the industry. However, in terms of minuting of Board meetings, formulation of Board level committees and segregation of Chairman and CEO positions the corporate governance framework exhibits room for improvement.

Olympia Oils (Pvt.) Limited Appendix I

FINANCIAL SUMMARY *(amounts in PKR millions)*				
BALANCE SHEET	**Dec 31, 2017**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**
Non-Current Assets	576	584	585	568
Stock-in-Trade	787	573	524	848
Trade Debts	894	787	386	195
Cash & Bank Balances	193	173	100	110
Other Assets	470	1,082	524	476
Total Assets	2,920	3,199	2,119	2,197
Trade and Other Payables	424	899	455	501
Short Term Borrowings	1,533	1,382	864	926
Long-Term Borrowings *(Inc. current matur)*	3	4	3	32
Other liabilities	74	93	71	59
Tier-1 Equity	846	781	686	639
Total Equity	886	821	727	679
INCOME STATEMENT	**Dec 31, 2017**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**
Net Sales	3,087	5,549	3,462	1,738
Gross Profit	181	296	223	90
Operating Profit	140	222	170	56
Profit After Tax	64	95	57	(25)
FFO	151	132	87	24
RATIO ANALYSIS	**Dec 31, 2017**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**
Gross Margin (%)	5.9	5.3	6.5	5.2
Net Working Capital	329	259	157	126
FFO to Long-Term Debt	54.7	32.3	28.8	0.75
FFO to Total Debt (%)	0.10	0.10	0.10	0.03
Debt Servicing Coverage Ratio (x)	-	2.68	1.53	1.10
ROAA (%)	0.04	0.04	0.03	-
ROAE (%)	0.16	0.18	0.13	-
Gearing (x)	1.82	1.77	1.26	1.49
Debt Leverage (x)	2.41	3.04	2.03	2.38

**Other assets of FY17 include LC in transit amounting Rs. 668m*

ISSUE/ISSUER RATING SCALE & DEFINITIONS Appendix II

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.jcrvis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES	Appendix III
Name of Rated Entity	Olympia Oil (Pvt.) Limited
Sector	Consumer Goods
Type of Relationship	Solicited
Purpose of Rating	Entity Rating

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
12/04/2018	BBB+	A-2	Stable	Initial

Instrument Structure	N/A
Statement by the Rating Team	JCR-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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