RATING REPORT

Olympia Oils (Pvt.) Limited

REPORT DATE:
December 6, 2023

RATING NALYST:
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RATING DETAILS				
Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A-	A-2	A-	A-2
Rating Date	*Dec 6, 2023*		*Oct 11, 2022*	
Rating Outlook	Reaffirmed		Reaffirmed	
Rating Action	*Stable*		*Stable*	

COMPANY INFORMATION	
Incorporated in 2003	**External auditors:** Aslam Malik & Co. Chartered Accountants
Private Limited Company	**Chairman of the Board/CEO:** Mr. Nasir Monnoo
Key Shareholders (with stake 5% or more):	
M. Humayun Monnoo – 30.3%	
M. Shakeel Monnoo – 19.3%	
M. Khursheed Monnoo – 16.3%	
M. Nasir Monnoo – 15.8%	
M. Omer Monnoo – 11.7%	

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria Methodology –Corporates (May 2023)
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale:
https://docs.vis.com.pk/docs/VISRatingScales.pdf

Olympia Oils (Pvt.) Limited

OVERVIEW OF THE INSTITUTION

Olympia Oil (Pvt.) Limited was established in 2003 as Private Limited Company and started commercial production in 2005. The company is involved in the production and sales 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.

RATING RATIONALE

Olympia Oils (Pvt.) Limited (OOL) is primarily engaged in the production and sales of edible oil and oil meal using solvent extraction process. OOL is the flagship company of "Monnoo Group" having diversified business interests in textile, poultry, carpets, chemicals & synthetics. The ratings draw strength from moderate business risk profile based on around 90% bulk sales to institutional clients

Edible oil market is highly competitive on account of highly fragmented structure with no dominant player and low barriers to entry resulting in limited pricing power and thin profitability margins. The edible oil industry in Pakistan faces challenges such as price volatility in the global market, supply chain disruptions and compliance with food safety regulations. Being heavily import reliant, the industry remains exposed to volatility in exchange rates in addition to fluctuations in commodity prices. While demand for edible oil is inelastic being a staple food, consumer preferences tend to shift between different tiers or brands/unbranded segment, resulting in competitive pressures in the industry.

Key Rating Drives:

Business volumes impacted by Government ban on import of GMO seeds

In Sept 2022, the Government imposed a ban on import of GMO seeds and therefore about 11,000 metric tons of GMO seeds imported by the Company were held by the Government at Karachi Port. A court case for the release was filed and after a lapse of 1 year in October 2023, the Sindh High Court issued an order for the release of these seeds.

As a result of these developments, capacity utilization was impacted and recorded lower at 23%. The Company has made a Rs. 556m provision for damages against inventory of ~Rs. 2bn held at the port. Due to the ban, the Company has shifted its product mix to Canola seeds. The shift in product line impacted sales. Furthermore, amid inflationary pressures and higher currency volatility, volumes remained subdued.

	FY21	*FY22*	*FY23*
Seed Crushing Capacity (MT)	180,000	180,000	180,000
Seed Crushing (MT)	129,009	91,005	41,496
Capacity Utilization	72%	51%	23%

Significant Margin Improvement Despite the Decrease in Topline Revenue

The quantity of soybean oil and meal sold decreased by 15% and 26%, respectively in FY23, primarily due to stock stuck at port as well as inflationary pressures affecting demand. The company experienced a significant decline in the quantity of soybean meal exported to Afghanistan and Tajikistan during the same fiscal year. Consequently, revenues declined by 29%. However, The average prices of edible oil and soybean meal increased by approximately 31% and 73%, respectively, compared to the previous year, which allowed the Company to record higher margins. From 7.0% in FY22 to 10.1% in FY23. Operating margins also improved to 8% in FY23 (FY22: 5%) on account of contained operating expenses and higher other income generated primarily from interest income on cash deposits held against Bank guarantees issued in favor of Excise and Taxation Officer, Karachi).

Taking into account taxation, the company recorded a net profit of Rs. 441.6m in FY23, compared to Rs. 362.6m in FY22, resulting in an increase in net margin from 2.6% in FY22 to 4.5% in FY23.

	FY21			FY22			FY23		
Product-wise Breakup of Sales	**QTY (M.T)**	**Value (m. Rs.)**	**Avg. rate**	**QTY (M.T)**	**Value (m. Rs.)**	**Avg. rate**	**QTY (M.T)**	**Value (m. Rs.)**	**Avg. rate**
Dirt Oil	964	28.1	29,149	793	36.7	46,292	373	19.4	52,137
Soybean Hulls	328	8.2	25,000	1,372	42.1	30,654	617	24.3	39,498
Soybean Meal (Local)	90,843	7,478.4	82,322	67,510	6,783.5	100,480	31,067	5,402	173,904
Soybean Meal (Export)	600	54.8	91,284	2,134	220.3	103,257	206	28.2	137,228
Soybean Oil (Refined in bulk)	17,974	3,099.3	172,439	15,278	4,403.1	288,194	6,267	2,367	377,697
Others	471	91.2	193,654	199	53.5	269,231	53	9.1	172,250
Packaged Sale		1,777.1			2,234.5			1,929	
Net Sales		**12,537**			**13,774**			**9,779**	

Deterioration in Liquidity profile

With the improvement in profitability, Funds from Operations (FFO) surged to Rs. 1.1b in FY23, up from Rs. 225m in FY22. Resultantly, coverages improved with FFO to total debt and FFO to Long term debt improving to 39.6% (FY22: 12.7%) and 2166% (FY22: 450%) respectively. DSCR also remains comfortable at 5.13x.

Liquidity however remains under pressure with funds tied in inventory stuck at port at year end resulting in higher working capital cycle. While stocks have been released, it may take some time before damage is accessed and remaining inventory is processed and sold. As per management, the provision of Rs. 550m for damaged stock made as of June 30, 2023 should provide adequate cushion against actual loss. Current ratio also depicts deterioration to 1.3x (adjusted for raw material in transit 0.9x), while short term borrowing coverage from stocks and book debts declining to 1.2x.

Despite the augmentation in equity, leverage indicators deteriorated on account of elevated levels of short-term borrowings:

The company's debt composition primarily consisted of short-term borrowings, with long-term borrowing remaining nominal. Short-term borrowings increased to Rs. 2.6b by the end of FY23 to support higher inventory levels. Core equity strengthened to Rs. 2.3b (FY22: Rs. 1.8b), driven by retained profits. However, despite increase in equity base, both debt leverage and gearing ratios deteriorated to 1.5x (FY22: 1.3x)) and 1.2x (FY22: 1.0x) respectively, on the back of higher borrowings.

Olympia Oils (Pvt.) Limited

Appendix I

FINANCIAL SUMMARY (PKR Millions)				
BALANCE SHEET	**FY20A**	**FY21A**	**FY22A**	**FY23A**
Property, plant and equipment	673.6	650.5	741.3	745.3
Stock-in-trade	1,938.7	1,951.0	1,232.5	2,768.9
Trade debts	1,086.1	1,045.6	1,280.2	393.7
Cash & Bank Balances	228.0	351.2	161.5	557.3
Total Assets	4,316.3	4,914.8	4,544.7	6,042.1
Trade and Other Payables	427.1	416.7	432.6	467.5
Long-term Debt (incl. current portion and lease liability)	2.4	2.3	49.9	49.6
Short-term Debt	2,452.7	2,532.3	1,720.7	2,661.2
Total Debt	2,455.1	2,534.6	1,770.6	2,710.7
Total Liabilities	3,087.5	3,228.7	2,460.1	3,518.3
Share Capital	359.1	359.1	359.1	359.1
Equity (excl. Revaluation Surplus)	1,029.3	1,486.5	1,847.6	2,286.8
INCOME STATEMENT	**FY20A**	**FY21A**	**FY22A**	**FY23A**
Net Sales	7,775.4	12,533.2	13,761.3	9,767.9
Gross Profit	578.3	824.0	966.1	982.3
Operating Profit	411.7	613.1	751.1	770.7
Finance Costs	174.3	123.0	230.2	240.3
Profit Before Tax	249.0	514.7	533.8	625.3
Profit After Tax	120.6	326.7	362.6	441.6
RATIO ANALYSIS	**FY20A**	**FY21A**	**FY22A**	**FY23A**
Gross Margin (%)	7.4%	6.6%	7.0%	10.1%
Net Margin (%)	1.6%	2.6%	2.6%	4.5%
Funds from Operation (FFO)	209.8	240.8	224.9	1,073.7
FFO to Total Debt* (%)	8.5%	9.5%	12.7%	39.6%
FFO to Long Term Debt* (%)	8825.6%	10512.5%	450.7%	2166.4%
Gearing (x)	2.4	1.7	1.0	1.2
Leverage (x)	3.0	2.2	1.3	1.5
Debt Servicing Coverage Ratio* (x)	2.2	2.9	1.9	5.1
Current Ratio	1.2	1.2	1.4	1.3
(Stock in trade + trade debts) / STD (x)	1.2	1.2	1.5	1.2
Return on Average Assets* (%)	5.6%	7.1%	7.7%	8.3%
Return on Average Equity* (%)	19.6%	22.4%	19.2%	19.2%

**Annualized, if required*

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Olympia Oils (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
06/12/2023	A-	A-2	Stable	Reaffirmed
02/11/2022	A-	A-2	Stable	Reaffirmed
11/12/2021	A-	A-2	Stable	Upgrade
09/17/2020	BBB+	A-2	Stable	Reaffirmed
05/31/2019	BBB+	A-2	Stable	Reaffirmed
04/12/2018	BBB+	A-2	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.
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Due Diligence Meetings Conducted

Name	Designation	Date
Mr.Sajid Iqbal	CFO	Nov 14, 2023