RATING REPORT

Olympia Oils (Pvt.) Limited

REPORT DATE:
March 26, 2025

RATING ANALYSTS:
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RATING DETAILS				
	Current Rating		Previous Rating	
Rating Category	**Long-term**	**Short-term**	**Long-term**	**Short-term**
Entity Rating	A-	A2	A-	A2
Rating Date	March 26, 2025		December 06, 2023	
Outlook/Rating Watch	Stable		Stable	
Rating Action	Reaffirmed		Reaffirmed	

COMPANY INFORMATION	
Incorporated in 2003	**Board Chairman/CEO:** Mr. Nasir Monnoo
Private Limited Company	**External Auditors:** Aslam Malik & Co. Chartered Accountants
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 – Industrial Corporates
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.

Profile of Board 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

Company Profile

Olympia Oils (Pvt.) Limited ('OOL' or the 'Company') 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.

Group Profile

The Olympia Group is family-owned, with the Monnoo family holding ownership and also serving as directors. OOL is part of the Olympia Group, which provides significant advantages through its vertical integration and access to key resources. The Olympia Group is a diversified conglomerate with operations spanning across multiple industries, including synthetic yarn, carpets, textile (spinning), chemicals (soda ash and sodium bicarbonate), detergents, solvent extraction & edible oil refining, poultry feeds manufacturing, poultry processing, day-old chicks & poultry farms, and fruit & agriculture farms.

This integration allows OOL to benefit from easy access to soda ash and other resources supplementary for its production process. Additionally, the presence of poultry-related companies within the group ensures a stable supply chain and a reliable customer base. The family has also provided essential financing to OOL during times of need, further showcasing their commitment and support. This strong sponsor backing enhances OOL's financial stability and operational resilience.

Auditor's Report

The FY24 financial statements were audited by Aslam Malik & Co. Chartered Accountants, which is a QCR rated firm and not categorized on the SBP's Panel of Auditors. The auditor issued an unmodified and unqualified opinion on the financial statements.

Operational Performance

Capacity Analysis	FY21	FY22	FY23	FY24
Seed Crushing Capacity (MT)	180,000	180,000	180,000	180,000
Seed Crushing (MT)	129,009	91,005	41,496	30,046
Capacity Utilization	***72%***	***51%***	***23%***	***17%***

The Company has experienced a consistent decline in capacity utilization over the past three fiscal years, with a significant drop to 17% in FY24. This downward trend is primarily attributed to the government-imposed ban on the import of GMO soybeans, which took effect in the beginning of FY23. Since soybean is the primary ingredient in production, the ban severely disrupted the supply chain leading to a decline in raw material purchases from FY22 to FY23, followed by a sharp drop in FY24. This, in turn, led to lower capacity utilization and reduced sales.

Nonetheless, the lifting of the ban in October 2024 and the upcoming import of GMO soybeans is expected to help restore some stability in the Company's operations and lead to improvements in capacity utilization going forward.

Raw Material (PKR millions)	FY22	FY23	FY24
Raw Material Consumed (Mn)	**11,758**	**8,350**	**5,983**
Raw Material Purchased (Mn)	**11,355**	**9,739**	**4,114**
• *Soya Bean*	*10,502*	*5,698*	*341*
• *Rape Seed*	-	*956*	*3,395*
• *RBD Palm Oil*	*84*	*239*	*91*
• *RDB Palm Olien*	*600*	*587*	*286*
• *Canola Oi*	*65*	*75*	-
• *Soy Bean Oil*	*93*	*160*	-
• *Cotton Seed Oil*	*13*	-	-

Industry Update

The edible oil industry in Pakistan is a highly competitive sector, driven by essential consumer demand and a reliance on imports. Due to its staple nature, consumption remains steady throughout the year, even during economic downturns. However, external factors such as global trade dependencies and weather conditions introduce periodic instability, particularly for palm and soybean oils. The industry faces intense competition, with local companies competing against cheaper imported oils, especially palm oil. While barriers to entry are low, regulatory compliance and economies of scale favor established players.

Capital intensity is low, as most businesses focus on importing, processing, and packaging rather than large-scale production. Technological advancements are gradually improving efficiency, but high costs and limited access hinder widespread adoption. Regulatory policies, including tariffs and food safety standards, significantly impact pricing and profitability, while abrupt policy shifts can disrupt market stability.. Energy costs show moderate sensitivity because the majority of the initial cultivation and processing of raw materials takes place overseas. This helps offset the energy costs incurred from refining, packaging, and transportation activities domestically.

Overall, the industry remains resilient, supported by population growth and rising food consumption. While competitive pressures and regulatory challenges persist, steady demand and gradual technological improvements contribute to long-term growth and operational stability in Pakistan's edible oil sector.

<u>Key Rating Drivers</u>

Revenue contraction and margin pressure during the review period

Income Statement (PKR Millions)	FY22A	FY23A	FY24A
Net Sales	**13,761.30**	**9,767.88**	**5,990.15**
Gross Margin	7.02%	10.06%	8.75%
Operating Margin	5.55%	8.86%	7.13%
Net Margin	2.63%	4.53%	0.05%

The Company's financial performance has significantly weakened in FY24, as manifested in a 38.7% year-on-year (YoY) decline in net sales. This decline was primarily driven by the GMO seed ban, which caused operational challenges, including prolonged stockholding at ports. This resulted in a deterioration in product quality, forcing the Company to sell at lower prices and also leading to a volumetric decrease in both local and non-existence of export sales. As a result, gross margins narrowed to 8.75% (FY23: 10.06%) in FY24. While efforts were made to shift towards canola-based products, this transition only partially offset the volume loss from soybean sales.

Product-wise Breakup	FY22		FY23		FY24	
	M.T	**% of sales**	**M.T**	**% of sales**	**M.T**	**% of sales**
Dirt Oil	793	0.3%	373	0.2%	322	0.3%
Soybean Hulls	1,372	0.3%	617	0.2%	28	0.02%
Soybean Meal (Local)	67,510	49%	31,067	55%	4,444	14%
Soybean Meal (Export)	2,134	2%	206	0.3%	-	
Soybean Oil (Refined in bulk)	15,278	32%	6,267	24%	20	0.1%
Canola Meal	199	0.4%	53	0.1%	11,304	28%
Packaged Sale		16%		20%		21%
Canola Oil	-		-	0%	6,732	33%
Canola Oil Refined	-		-		653	3%
Net Sales (PKR Million)	**13,774**		**9,780**		**6,023**	

Despite some growth in canola oil and meal, demand remained limited due to their lower protein content compared to soybeans, particularly affecting sales to the poultry sector. Although the focus on the feed industry supported client retention, concentration risk remains high, with the top five clients accounting for 43.3% (FY23: 37.5%) of total sales in FY24.

Top 5 Clients Concentration	FY23	FY24
United Industries Limited	10.0%	13.9%
Seasons Edible Oil Limited	-	9.3%
Lahore Feeds Limited	4.3%	6.8%
Asia Poultry Feeds (Pvt) Ltd	-	6.7%
Punjab Feeds Limited	-	6.6%
National Feeds Ltd.	10.6%	-
Hi-Tech Feeds (Pvt) Ltd	6.7%	-
Islamabad Feeds (Pvt) Ltd	5.9%	-
Total	**37.5%**	**43.3%**

Administrative expenses increased during FY24 due to inflationary pressures, while distribution costs declined inline with reduced sales activities. The impact of operating expenses was partially offset by an increase in other income from profits on long-term investments. As a result, the operating margin was recorded at 8.2% (FY23: 8.9%). However, during FY24, finance costs more than doubled due to high average policy rate, further weighing on profitability, leading to a decline in net margins to 0.05% (FY23: 4.53%).

During the first seven months of FY25, the Company's net margin returned to previous levels on the back of higher gross margin and reduced finance cost, with the top line expected to close around the FY24 level by the end of financial year. Going forward, the Company's ability to grow sales following the lifting of the GMO ban, while also enhancing client diversification, will remain important for its ratings.

Declining profitability led to constrained funds from operations.

In FY24, the Company experienced constrained cashflow coverages, evidenced by a negative Funds from Operations (FFO), primarily driven by reduced operating profitability and a significant increase in finance costs. This deterioration also negatively impacted the Debt-Service-Coverage-Ratio (DSCR), which declined to 0.55x (FY23: 2.85x).

While the sponsor loan has provided temporary relief by easing immediate liquidity pressures, the Company's ability to manage debt servicing obligations effectively remains critical from the ratings perspective. During 7MFY25, an increase in profitability and a decline in finance costs have improved the DSCR to above 1x.

Furthermore, the reduction in operations during the year led to a lower working capital requirement. The Company's short-term debt amounted to PKR 2.3b at the end of FY24 (FY23: PKR 2.7b). Although short-term debt coverage declined, it remained at 1.13x.

Capital Structure

As of Jun'24, the Company's equity base rose to Rs. 2,815.0 mn (Jun'23: Rs. 2,287.5 mn), owing to profit retention and director financing in the form of a long-term loan. The debt profile remained skewed towards short-term borrowings, largely to support working capital requirements. Long-term debt, driven by scheduled repayments, decreased to Rs. 25.9 mn (Jun'23: Rs. 38.0 mn). Consequently, the gearing and leverage ratios improved to 0.82x (FY23: 1.18x) and 1.04x (FY23: 1.53x), respectively.

Olympia Oils (Pvt.) Limited — Appendix I

FINANCIAL SUMMARY (PKR Millions)					
BALANCE SHEET	**FY21**	**FY22**	**FY23**	**FY24**	**7MFY25**
Property, plant and equipment	650.46	741.31	734.48	736.56	727.71
Long term deposits	159.93	269.93	480.80	523.03	563.03
Long term investment	168.00	168.68	166.59	167.20	167.20
Stock-in-trade	1,951.04	1,232.52	2,768.90	1,998.09	2,155.61
Trade debts	1,045.57	1,280.21	393.71	489.32	930.04
Advances, deposits and other reveivables	508.07	537.36	728.77	1,173.97	1,229.31
Cash & Bank Balances	351.22	161.49	557.30	794.53	60.70
Total Assets	4,914.76	4,544.65	6,031.19	5,970.38	5,984.32
Creditors	177.61	204.25	99.14	72.06	NA
Long-term Debt (incl. current portion and lease liability)	2.29	49.91	37.96	25.93	20.17
Short-term Debt	2,532.29	1,720.71	2,661.18	2,281.92	2,300.11
Total Debt	2,534.58	1,770.62	2,699.14	2,307.85	2,320.28
Total Liabilities	3,228.69	2,460.10	3,506.81	2,918.42	2,869.96
Share Capital	359.09	359.09	359.09	359.09	359.09
Share deposit money	66.90	66.90	66.90	66.90	66.90
Long-term loans from director – unsecured	289.51	289.51	289.51	811.51	771.51
Accumulated Profit	771.0	1,131.45	1,573.36	1,578.32	1,680.73
Equity (excl. Revaluation Surplus)	1,486.50	1,847.63	2,287.45	2,815.02	2,877.42
INCOME STATEMENT	**FY21**	**FY22**	**FY23**	**FY24**	**7MFY25**
Net Sales	12,533.24	13,761.30	9,767.88	5,990.15	3,079.59
Gross Profit	824.03	966.14	983.03	523.86	322.62
Operating Profit	636.05	763.93	865.98	491.43	301.50
Finance Costs	123.01	230.18	240.07	413.54	160.60
Profit Before Tax	513.04	533.75	625.63	77.90	140.90
Profit After Tax	326.75	362.56	442.24	3.02	102.41
RATIO ANALYSIS	**FY21**	**FY22**	**FY23**	**FY24**	**7MFY25**
Gross Margin (%)	6.57%	7.02%	10.06%	8.75%	10.48%
Net Margin (%)	2.61%	2.63%	4.53%	0.05%	3.33%
Funds from Operation (FFO)	240.79	224.93	517.63	-40.86	NA
FFO to Total Debt* (%)	9.50%	12.70%	19.18%	-1.77%	NA
FFO to Long Term Debt* (%)	10514.8%	450.7%	1363.6%	-157.6%	NA
Gearing (x)	1.71	0.96	1.18	0.82	0.81
Leverage (x)	2.17	1.33	1.53	1.04	1.00
Debt Servicing Coverage Ratio* (x)	2.91	1.86	2.85	0.55	NA
Current Ratio	1.24	1.42	1.34	1.61	1.62
(Stock in trade + trade debts) / STD (x)	1.22	1.55	1.24	1.13	1.34
Return on Average Assets* (%)	7.08%	7.67%	8.36%	0.05%	2.9%
Return on Average Equity* (%)	25.98%	21.75%	21.39%	0.12%	6.2%

**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
		Rating Type: Entity		
26/03/2025	A-	A2	Stable	Reaffirmed
06/12/2023	A-	A2	Stable	Reaffirmed
02/11/2022	A-	A2	Stable	Reaffirmed
11/12/2021	A-	A2	Stable	Upgrade
17/09/2020	BBB+	A2	Stable	Reaffirmed
31/05/2019	BBB+	A2	Stable	Reaffirmed
12/04/2018	BBB+	A2	Stable	Initial

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

S.No.	Name	Designation	Date
1.	Mr. Sajid Iqbal	CFO	10th Feb, 25