VIS
Credit Rating Company Limited

RATING REPORT

MADINA (PVT.) LIMITED (MPL)

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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	BBB	A2	BBB	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	September 03, 2025		July 30, 2024	

Shareholding (5% or More)	Other Information
Mian Muhammad Hanif – 53.41%	Incorporated in 2020
Mian Muhammad Haider Amin – 28.52%	Private Limited Company
Mian Muhammad Hamza Amin– 13.28%	Chief Executive: Mian Muhammad Hamza Amin
	External Auditor: Zaheer Babar & Co. Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

Rating Scale

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

Rating Rationale

Assigned ratings reflect high business risk of the edible oil industry, due to its dependence on imported products, a lag in pass-through of costs to consumers, low entry barriers, and dominance of major players, making pricing control a challenge for smaller entities.

The ratings also incorporate the Company's financial risk profile, underpinned by adequate capitalization, stable profitability, and sound coverage indicators. The capital structure is considered adequate, with sizeable short-term borrowings to support working capital requirements and no long-term debt on the books. While topline performance in 9MFY25 improved on an annualized basis from FY24, it remained below FY23 levels. Gross margins have shown consistent improvement, whereas net margins, which declined in FY24 due to elevated financial charges, recovered in 9MFY25 amid interest rates easing. Enhanced profitability, lower financial charges, and tax refunds contributed to improved debt coverage metrics. Liquidity profile remains adequate, with comfort drawn from related party support in the form of cross corporate guarantees facilitating banking arrangements.

Company Profile

Madina Private Limited ('MPL' or 'the Company') was incorporated in January 2020 and become operational in February'21. MPL is involved in the manufacturing and sale of banaspati ghee, cooking oil, and allied products. The total installed capacity of the Company is 125,000 M.Ton with approximately 350 MT per day. To cater the energy requirements, the facility has K-Electric connection of 1MW alongside steam turbine generator of 3MW. Power requirement of the manufacturing units is met through a combination of grid-based power, diesel and gas generators. The Company has also installed solar power production panels during FY24 with total power generation 3MW. The factory and registered office of the Company is situated in Sindh, Karachi while the head office is located in Faisalabad.

Management and Governance

Shareholders/Owners/Sponsors

The Company is a part of Madinah Group, having business interests in various sectors including edible oil, sugar, ethanol, detergent, plastics, power generation, steel, and mass media. The group is owned by a family, which has over 50 years of business experience. The sponsors having rich experience in the edible oil industry as well, that leads to long-standing relationships with the distributors and an established procurement network. While group companies operate independently, support has been extended in terms of equity injection/directors' loan as and when required as well as in marketing and raw material procurement.

The shareholding of the Company is divided among family members, with the majority held by Mian Muhammad Hanif at 53.41%, followed by his two sons, Mian Muhammad Haider Amin at 28.52%, and Mian Muhammad Hamza Amin at 13.28%.

Corporate Governance

Company's corporate governance is reflective of a private limited company. The Board includes of four directors, all of whom are shareholders. The inclusion of independent directors, along with the establishment of board committees and an independent internal audit function, will enhance overall governance.

As of FY24, the Company's auditor is Zaheer Babar & Co. Chartered Accountants, which is not rated by the SBP but appears in the QCR list of Auditors. The auditor has given Unqualified opinion in financial statements of FY24.

Management, Internal Controls & IT

The Company's management team comprises key shareholders, ensuring alignment of strategic and operational objectives. Mr. Muhammad Hamza Amin, who serves as the Chief Executive Officer, is a foreign graduate. A functional organizational structure is in place. The internal policy framework is considered adequate for the current scale of operations.

From an IT standpoint, the Company maintains a dedicated in-house team led by Head of IT. A local customized software system is currently in use for operational and reporting needs. Additionally, the Company has procured SAP Business One (SAP B1) and is in the process of implementing it. The ERP integration is expected to be completed within the next six months. Management expects this transition to improve production planning, inventory control, and overall operational efficiency once fully operational.

Business Risk

INDUSTRY

The edible oil industry in Pakistan is a highly competitive sector, shaped by essential consumer demand and significant reliance on imports. Due to its staple nature, consumption remains steady throughout the year, even during economic downturns. However, external factors such as import dependencies and weather conditions introduce periodic instability, particularly for palm and soybean oils. 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.

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.

During FY25, imports of palm oil recorded a modest increase of ~7%, reaching 3.2 million metric tons (FY24: 3.0 million MT), while soybean oil imports saw a significant surge of ~164%, rising to 0.32 million MT (FY24: 0.12 million MT), according to data from the Pakistan Bureau of Statistics. In terms of value, Pakistan spent USD 3.39 billion on palm oil imports during FY25, compared to USD 2.78 billion in the same period last year—reflecting a ~22% increase. A major share of palm oil imports originates from Malaysia and Indonesia, which together account for over 75% of global palm oil production. However, the presence of aging trees, limited replantation initiatives, and Indonesia's increased biodiesel mandates are expected to constrain global supply. This is expected to drive palm oil prices upward, exerting pressure on Pakistan's import bill going forward. In addition, exchange rate volatility and weather unpredictability continue to pose risks to the industry.

OPERATIONAL UPDATE:

The Company's installed production capacity has remained unchanged at 125,000 MT since inception. Capacity utilization, which had dropped significantly in FY23 (28%) due to lower demand, witnessed a marginal improvement to 31% in FY24, driven by healthy demand. In 9MFY25, capacity utilization stood at 24.9%; however, the actual production reflects only the first nine months of the fiscal year and is therefore not directly comparable with full-year utilization rates.

Given its relatively recent establishment, MPL continues to operate at suboptimal capacity levels. However, the management remains focused on achieving organic growth without resorting to aggressive pricing discounts or extended credit terms, which could compromise their long-term positioning.

Capacity & Utilization					
In MT	**FY21**	**FY22**	**FY23**	**FY24**	**9MFY25**
Installed Capacity	125	125	125	125	125
Actual Production	19.8	57.5	35.6	38.5	31.1
Utilization	**16%**	**46%**	**28%**	**31%**	**24.9%**

Financial Risk

CAPITAL STRUCTURE

The Company's capitalization profile has shown a gradual improvement, with gearing decreasing to 1.13x as at March'25 (June'24: 1.49x, June'23: 1.13x), and leverage coming down to 1.25x as at March'25 (June'24: 1.92x, June'23: 2.34x). This improvement is attributed to reduction in short term borrowings. The Company has banking lines worth PKR 10b secured for funding LC payments for import of raw materials, with gradual decline in utilization (FY23:5.156 bn; FY24: 4.344 bn; 9MFY25: 4.059 bn). Overall, the capital structure of the Company stands at adequate levels.

PROFITABILITY:

During FY24, the Company's topline declined by ~16%, reaching PKR 15.7b (FY23: PKR 18.6b). This decrease was primarily driven by a sharp drop in average selling prices, particularly for ghee, despite an overall uptick in volumetric offtake during the year. However, in 9MFY25, revenue showed moderate recovery, largely attributable to continued growth in the cooking oil segment, along with an uptick in selling prices of key products and sustained volumetric growth.

The Company's sales mix has experienced a gradual shift. While ghee remains the flagship product, contributing ~58% to total sales revenue, its share has declined over time, primarily due to a reduction in selling prices from FY23 levels amid lower international palm oil prices. Similarly, the revenue contribution from meals has declined to ~11% of the topline, also due to a fall in selling prices. In contrast, the cooking oil segment has recorded robust volume growth, aligned with the management's strategic focus on expanding this line of business. As a result, cooking oil now accounted for ~30% of total revenue as of 9MFY25 (FY24: 20%, FY23: 3%).

Though overall selling prices declined in FY24, albeit remaining at favorable levels. As a result, gross margins improved to 9.18% in FY24 (FY23: 8.09%), with a further slight increase to 9.68% in 9MFY25, supported by an uptick in the selling prices of key products. Net margins declined slightly to 3.25% in FY24 (FY23: 3.40%) due to higher financial charges. Net margins subsequently rebounded to 5.43% in 9MFY25, on the back of monetary easing.

Going forward, international palm oil prices are expected to rise. This, along with strong sector competition, may exert pressure on the Company's profitability margins. However, given the inelastic nature of its products, wherein some cost pressures can be passed on to customers, providing some support to margin.

DEBT COVERAGE & LIQUIDITY:

Given the improved profitability along with lower financial charges as well as proceeds of tax refund, the Company's funds from operations (FFO) increased to PKR 1,281.3m (FY24: PKR 455m) in 9MFY25 enhancing debt servicing ratio (DSCR) to a comfortable of 5.80x as at March'25 (June'24: 1.77x, June'23: 1.72x). Going forward, the Company is expected to maintain DSCR at adequate levels as they will continue to restrain from taking long term loans and make use of internal cash resources for upgrading its IT infrastructure, while no major capex is planned in the near term.

The current ratio of the Company stands at 1.34x as at March'25 (June'24: 1.14x, June'23: 1.11x), while short term coverage is recorded at 1.01x as at March'25 (June'24: 0.82x, June'23: 0.62x). Outstanding sales tax refunds continue to weigh on liquidity, albeit some recovery was observed, which will continue to remain important. The Company reported a surge in the stock in trade as at March'25, which were reported at PKR 2,219.4m (June'24: PKR 226.8m, June'23: PKR 189.7m). However, the management has clarified that the ships arrived at the closing date, hence, higher inventory was reported as at March'25, which were sold subsequently. Working capital needs remain elevated due to ongoing LC-backed imports; however, related party support in the form of cross corporate guarantees for arrangement of banking lines continue to provide comfort.

Financial Summary — Appendix I

Balance Sheet (PKR Millions)	FY22A	FY23A	FY24A	9MFY25M
Property, plant and equipment	1,260.00	1,901.43	2,302.85	2,233.25
Right-of-use Assets	0.00	0.00	0.00	0.00
Intangible Assets	0.00	0.00	0.00	0.00
Long-term Investments	0.00	0.00	0.00	0.00
Stock-in-trade	261.10	189.69	226.77	2,219.41
Trade debts	1,408.90	2,978.99	3,263.09	1,714.62
Short-term Investments	0.00	0.00	0.00	0.00
Cash & Bank Balances	159.00	77.26	29.54	93.41
Other Assets	1,162.60	2,852.66	2,693.37	1,799.78
Total Assets	4,251.60	8,000.03	8,515.62	8,060.47
Creditors	170.20	31.59	41.27	25.36
Long-term Debt (incl. current portion)	0.00	0.00	0.00	0.00
Short-Term Borrowings	2,152.40	5,156.20	4,344.03	4,059.50
Total Debt	2,152.40	5,156.20	4,344.03	4,059.50
Other Liabilities	169.00	420.21	1,211.48	395.88
Total Liabilities	2,491.60	5,608.00	5,596.78	4,480.74
Paid up Capital	908.00	908.00	908.00	908.00
Revenue Reserve	852.00	1,484.04	1,990.55	2,651.43
Other Equity (excl. Revaluation Surplus)	0.00	0.00	20.30	20.30
Sponsor Loan	0.00	0.00	20.30	20.30
Equity (excl. Revaluation Surplus)	1,760.00	2,392.04	2,918.85	3,579.73

Income Statement (PKR Millions)	FY22A	FY23A	FY24A	9MFY25M
Net Sales	16,298.00	18,607.29	15,689.56	12,177.55
Gross Profit	1,196.00	1,505.65	1,440.59	1,178.22
Operating Profit	1,009.80	1,219.13	1,153.18	940.80
Finance Costs	423.90	592.34	613.42	279.93
Profit Before Tax	585.90	626.79	539.76	660.87
Profit After Tax	544.60	633.03	509.63	660.87

Ratio Analysis	FY22A	FY23A	FY24A	9MFY25M
Gross Margin (%)	7.34%	8.09%	9.18%	9.68%
Operating Margin (%)	6.20%	6.55%	7.35%	7.73%
Net Margin (%)	3.34%	3.40%	3.25%	5.43%
Funds from Operation (FFO) (PKR Millions)	334.48	584.22	455.29	1,281.28
FFO to Total Debt* (%)	15.54%	11.33%	10.48%	42.08%
FFO to Long Term Debt* (%)				
Gearing (x)	1.22	2.16	1.49	1.13
Leverage (x)	1.42	2.34	1.92	1.25
Debt Servicing Coverage Ratio* (x)	1.72	1.72	1.77	5.80
Current Ratio (x)	1.25	1.11	1.14	1.34
(Stock in trade + trade debts) / STD (x)	0.78	0.62	0.82	1.01
Return on Average Assets* (%)	14.21%	10.33%	6.17%	10.63%
Return on Average Equity* (%)	36.70%	30.49%	19.19%	27.12%
Cash Conversion Cycle (days)	41.41	45.69	77.01	85.56

**Annualized, if required*
A – Actual Accounts
M – Management Account

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Madina (Pvt.) Limited
Sector	Consumer Goods
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
September 03, 2025	BBB	A2	Stable	Reaffirmed
July 30, 2024	BBB	A2	Stable	Reaffirmed
June 23, 2023	BBB	A2	Stable	Reaffirmed
June 13, 2022	BBB	A2	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. M. Naeem Malik	Chief Financial Officer (CFO)	25th July 2025