

## MADINA OIL REFINERY LIMITED

**Chairman & Chief Executive: Mr. Mian Muhammad Rasheed & Mrs. Arooj Fatima**

### 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		Upgrade	
RATING DATE	June 24, 2025		April 09, 2024	

### RATING RATIONALE

The assigned ratings reflect relatively higher business risk related to the edible oil sector due to its dependence on imported raw material, timely pass-through of costs to consumers, and the dominance of major players, which makes pricing control challenging for smaller entities. The Company's sales primarily comprise ghee, cooking oil, canola oil, and by-products such as meal and soap. In FY24, the Company's topline remained on the lower side due to a decline in both volumetric sales and pricing, coupled with a conservative procurement strategy to mitigate the risk of untimely purchases amid high international palm oil price volatility and potential inventory losses. The improvement in gross and net margins also noted on back of inventory gain and exchange gain respectively. The Company's debt profile remained comfortable, consisting solely of short-term borrowings utilized primarily to meet working capital requirements. Coverages remained sound supported by adequate cash flows and also further equity injection by the sponsors. Given low coverage of short-term debt through trade receivables and inventory, the liquidity profile remained somewhat stressed. Madina Oil Refinery Limited (MORL) is a family-owned business and the corporate governance framework has room for improvement.

### COMPANY PROFILE

Madina Oil Refinery Limited ("MORL" or the "Company") was incorporated in Pakistan on February 17, 2020 as a private limited company under the Companies Act, 2017 and later on converted into public unlisted company on January 29, 2021. The registered office of the Company is situated in the province of Sindh, while the

#### Analysts:

Zainab Imran

[Zainab.imran@vis.com.pk](mailto:Zainab.imran@vis.com.pk)

Shaheryar Khan Mangan

[Shaheryar@vis.com.pk](mailto:Shaheryar@vis.com.pk)

#### APPLICABLE METHODOLOGY(IES): VIS Entity Rating Criteria Methodology – Industrial Corporates

<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

#### Rating Scale:

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

RS. MILLION	FY23	FY24	1HFY25
Net Sales	7,659	5,235	2,464
PAT	534	370	191
Paid up call	250	250	250
Equity (incl. surplus on PEE)	1,431	1,948	2,139
Total Debt	3,512	1,165	2,114
Debt Leverage	2.81	0.75	1.09
Gearing	2.46	0.60	0.99
FFO	637	510	370
FFO/Total Debt (%)	18.12	43.80	35.03
NP Margin (%)	6.98	7.07	7.76

head office and the factory are located in Faisalabad. The principal activity of the Company is manufacturing and sale of banaspati ghee, cooking oil, and by products. MORL also has associated concern namely "Madina Sugar Mills Ltd" in which it holds 12.62% stake. The auditor of Company has changed in FY24 to Kreston Hyder Bhimji & Co (A-Rated on SBP Panel of auditors) from Zaheer Babar & Co.

The majority of the Company's shareholding is held within the family, with Mrs. Arooj Fatima owning 50%, followed by Mr. Hassan Ahmed with 25%, and Mr. Muhammad Rasheed holding 15%.

## INDUSTRY PROFILE & BUSINESS RISK

VIS classifies Edible Oil Industry as 'High' business risk, given its heavy reliance on imported raw material, fragmented market, low value addition & switching cost and thin sector margins

Pakistan's edible oil industry is heavily reliant on imported palm oil, with approximately 90% of the country's edible oil requirements met through imports, while only around 10% is fulfilled by local production. This dependency has positioned Pakistan as the third-largest global importer of palm oil. Due to this significant reliance on imports, fluctuations in global pricing and supply chains have a direct impact on Pakistan's edible oil market. Indonesia and Malaysia, being major exporters of palm oil, play a pivotal role in meeting Pakistan's import needs.

Despite the upward trend in international palm oil prices, a notable increase in the imports of palm oil and canola oil was observed during 9MFY25, with soyabean oil and palm oil imports rising by 116.37% and 23.42% respectively, compared to the same period last year, according to data from the Pakistan Bureau of Statistics

Pakistan spent \$2.572 billion on importing palm oil, meeting the local demand for edible oil, compared to \$2.084 billion spent during the same period last year. Over 2.489 million tons of palm oil were imported, marking an increase of 23.24% compared to 2.263 million tons imported in FY24.

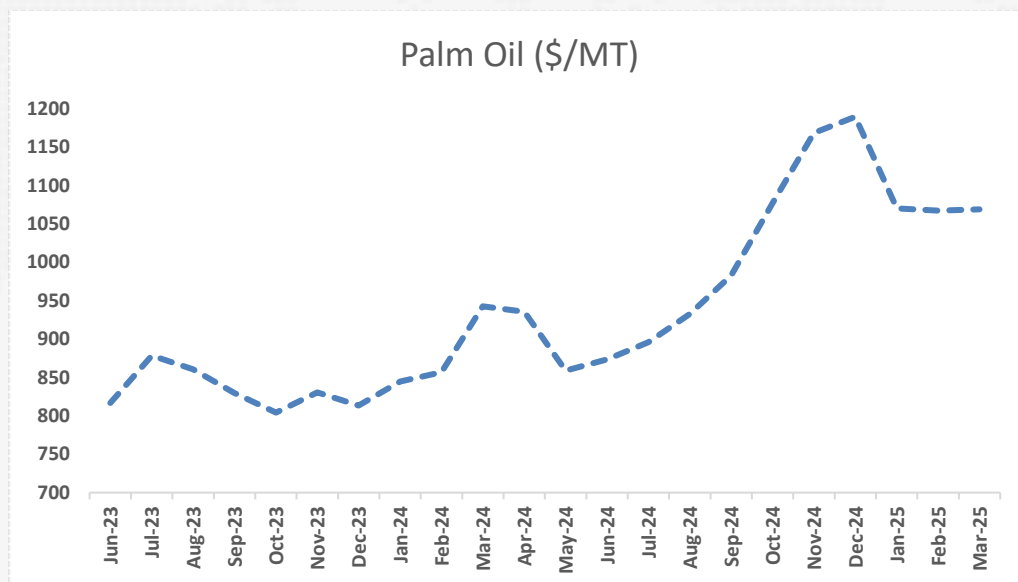


Figure 1: World Bank Commodity Pricing data

## Product Profile & Capacity

The Company is selling its products under the name of “Zaavi” and “Khushroz” specifically in the category of cooking oil, ghee and canola oil, MORL is also selling meal that is obtained as a by-product of canola oil.

The total capacity of the ghee and cooking oil plant stands at 150 MT per day, while the solvent plant's seed crushing capacity is 200 MT per day. During FY24, a decline in capacity utilization was observed across all facilities: ghee and cooking oil decreased by ~15%, canola oil by ~8%, and meal by ~11%. However, in 1HFY25, a ~10% recovery in the capacity utilization of the ghee and oil refinery was noted, reaching ~40% (FY24: 30%, FY23: 45%). Meanwhile, the solvent plant remained non-operational, resulting in no production of canola oil & its by-product, meal. This trend is primarily owing to the Company's conservative approach in maintaining limited stock due to price volatility and subdued market demand, particularly impacted by the FATA market due to the tax exemptions.

Capacity Utilization	FY22	FY23	FY24	1HFY25
<b>Ghee &amp; Oil Refinery Plant</b>				
Ghee & Cooking Oil	76%	45%	30%	40%
<b>Solvent Plant</b>				
Canola Oil Production	-	27%	19%	-
Meal Production	-	36%	25%	-

## FINANCIAL RISK

The overall margins increased in FY24; gross margins improved on back of inventory gains while the slight improvement in net margins was primarily attributable to enhanced gross profit however the improvement in net margins were not reflected high growth as compared to gross due to input tax disallowed expenses that is recorded at Rs. 210m in operating expenses while in FY23 it is null and incorporated at cost of sales already. The capitalization profile remained sound on back of no long-term debt and lower short-term borrowing primarily due to low imports as per Company's strategy to avoid losses along with equity expansion on the back of profit retention and further equity injection from the sponsors. The debt coverage remained sound while balance sheet mismatch also noted coupled with weak short-term debt coverage. Going forward, improvement in liquidity indicators will remain important while maintaining other financial indicators.

### Capital Structure

By end-FY24, the Company's capitalization profile improved with gearing and leverage ratios decreasing to 0.60x and 0.75x (FY23: 2.46x and 2.81x), respectively. Total debt comprised entirely of short-term borrowings, which declined significantly from Rs. 3.5b to Rs. 1.1b by end-FY24. Lower business activity during FY24 led to a ~31% decline in imported product purchases (FY24: 14,905 MT; FY23: 21,476 MT), alleviating debt pressures. Capitalization metrics were also supported by improved profitability and enhanced equity base, driven by directors' equity injection, which increased from Rs. 146m at endY23 to Rs. 294m at end-FY24.

At end-1HFY25, gearing and leverage were reported at 0.99x and 1.09x, respectively, driven by higher short-term borrowings to meet working capital requirements.

### Profitability

In FY24, the net sales revenue was reported at Rs. 5.2b (FY23: Rs. 7.6b). The sales mix comprises of ghee, cooking oil, canola oil and its byproducts soap and meal. The major portion of sales emanated from sale of ghee (~39%) followed by meal (~35%), cooking oil (~20%) and canola oil (6%). In terms of value, the main major contribution emanated from Ghee (~48%) and cooking oil (~25%). During FY24, drop in sales was primarily due to lower volumetric sales and average sale price. The bottom line was also reported lower at Rs. 370m (FY23: 534m) in FY24.

	FY23	FY24	1HFY25	FY23	FY24	1HFY25
Products	Volumes in MT			Average Sale Price MT (In Rs. Thousand)		
Ghee	13,950	7,316	7,140	361	339	342
Oil	4,599	3,848	52	352	341	369
Canola Oil	5,561	6,590	-	351	275	-

Meal	5,561	6,590	-	116	170	-
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Gross margins improved to 16.82% in FY24 (FY23: 12.41%) primarily due to inventory gains. Given higher other expenses, an outcome of one-off tax adjustment, the increase in net margins was diluted to 7.07% (FY23: 6.98%).

In 1HFY25, decline in gross margins was witnessed primarily due to the absence of sales from the canola oil and meal segment, in line with the Company's strategic shift. Gross margins were recorded at 12.23%, while net margins remained steady at 7.76%.

### Debt Coverage & Liquidity

Debt coverage ratio (DSCR) remained sound at 3.37x in FY24 (FY23: 2.95x). Moreover, FFO to total debt improved to 0.44x (FY23: 0.18x). In 1HFY25, DSCR recorded at 3.14x, remained at comfortable levels.

While the current ratio stood at a minimum threshold of 1.0x (FY23: 0.86x); however, coverage of short-term debt through inventory and trade debts remained limited at 0.49x. By end-1HFY25, the liquidity profile weakened, with the current ratio recorded at 1.57x—primarily due to an increase in short-term investments and trade receivables however the adjusted current ratio stood at 1.01x, excluding short-term investments that will remain classified as long-term investments in “Madina Sugar” going forward. Trade debt increased to Rs. 1.49b (FY24: Rs. 511m) by end-1HFY25. Timely realization of trade receivables will remain critical to mitigating liquidity risk.

Going forward, the Company plans to undertake a capital expenditure of Rs. 200m to Rs. 250m for the construction of a warehouse, which will be funded through internal cash flow generation. Maintaining adequate liquidity and avoiding any balance sheet mismatches will remain important for the maintenance of Company's liquidity profile

Financial Summary				
Balance Sheet (PKR Millions)	FY22A	FY23A	FY24A	1HFY25M
Property, plant and equipment	191.19	861.68	804.89	937.60
Right-of-use Assets	404.12	0.00	0.00	0.00
Long-term Investments	0.00	1,179.74	1,221.99	0.00
Stock-in-trade	1,916.96	1,114.65	22.42	31.21
Trade debts	108.25	1,179.30	511.02	1,493.18
Short-term Investments	0.00	0.00	0.00	1,243.08
Cash & Bank Balances	242.18	262.16	57.37	11.95
Other Assets	805.56	847.92	782.49	744.44
Total Assets	3,668.26	5,445.45	3,400.18	4,461.46
Creditors	115.59	217.81	6.40	8.59
Long-term Debt (incl. current portion)	0.00	0.00	0.00	0.00
Short-Term Borrowings	2,582.38	3,512.45	1,164.97	2,114.49
Total Debt	2,582.38	3,512.45	1,164.97	2,114.49
Other Liabilities	73.94	284.70	281.10	199.41
Total Liabilities	2,771.91	4,014.96	1,452.47	2,322.49
Paid up Capital	250.00	250.00	250.00	250.00
Revenue Reserve	500.15	1,034.32	1,403.51	1,594.78
Other Equity (excl. Revaluation Surplus)	146.18	146.18	294.18	294.18
Sponsor Loan	0.00	146.18	294.18	294.18
Equity (excl. Revaluation Surplus)	896.33	1,430.50	1,947.69	2,138.96

Income Statement (PKR Millions)	FY22A	FY23A	FY24A	1HFY25M
Net Sales	7,621.19	7,658.71	5,235.31	2,464.43
Gross Profit	576.89	950.10	880.76	301.29
Operating Profit	495.78	863.08	620.56	280.83
Finance Costs	198.84	274.16	245.68	89.55
Profit Before Tax	296.94	588.92	374.88	191.28
Profit After Tax	298.29	534.29	370.26	191.28

Ratio Analysis	FY22A	FY23A	FY24A	1HFY25M
Gross Margin (%)	7.57	12.41	16.82	12.23
Operating Margin (%)	6.51	11.27	11.85	11.40
Net Margin (%)	3.91	6.98	7.07	7.76
Funds from Operation (FFO) (PKR Millions)	169.23	636.57	510.29	191.28
FFO to Total Debt* (%)	6.55	18.12	43.80	18.09
FFO to Long Term Debt* (%)				
Gearing (x)	2.88	2.46	0.60	0.99
Leverage (x)	3.09	2.81	0.75	1.09
Debt Servicing Coverage Ratio* (x)	1.62	2.95	3.37	3.14
Current Ratio (x)	1.11	0.86	1.00	1.57
Adjusted Current Ratio (x)*	1.11	0.86	1.00	1.01
(Stock in trade + trade debts) / STD (x)	0.80	0.67	0.49	0.74
Return on Average Assets* (%)	11.73	11.72	8.37	9.73
Return on Average Equity* (%)	43.36	45.92	21.92	18.72
Cash Conversion Cycle (days)	68	104	97	75

A - Actual Accounts

M - Management Accounts

\*Annualized, if required

\*Current assets excluded short-term investments due to its long-term investment nature

\*DSCR in 1HFY25 calculated using EBITDA due to absence of CFs



REGULATORY DISCLOSURES					Annexure II
<b>Name of Rated Entity</b>	Madina Oil Refinery Limited				
<b>Sector</b>	Consumer Goods				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Entity Ratings				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	RATING TYPE: ENTITY				
	24-June-25	BBB	A2	Stable	Reaffirmed
	09-April-24	BBB	A2	Stable	Upgraded
	20-Feb-23	BBB-	A2	Stable	Initial
<b>Instrument Structure</b>	N/A				
<b>Statement by the Rating Team</b>	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.				
<b>Probability of Default</b>	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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<b>Due Diligence Meetings Conducted</b>	<b>S.No</b>	<b>Name</b>	<b>Designation</b>	<b>Date</b>	
	1	Mr. Naseem	Chief Financial Officer	April 24, 2025	
	2	Mr. Sayam Khan	Manager Tax and Finance	April 24, 2025	