VIS
Credit Rating Company Limited

RATING REPORT

MADINA OIL REFINERY LIMITED (MORL)

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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	August 18, 2026		June 24, 2025	

Shareholding (5% or More)	Other Information
Ms. Arooj Fatima ~ 50%	Incorporated in 2020
Mr. Mian Hassan Ahmad ~ 25%	Public Unlisted Company
Mr. Mian Muhammad Rasheed ~ 15%	Chief Executive: Mr. Mian Muhammad Rasheed
Mr. Muhammad Awais ~ 5%	External Auditor: Kreston Hyder Bhimji & 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 primarily due to cost volatility of raw materials which are mainly imported, 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. As a consequence, profitability margins vary significantly from year to year.

The capitalization profile of the Company remains adequate, and debt coverage metrics continue to remain healthy. However, the liquidity profile reflects a maturity mismatch, with short-term borrowings partly financing capital expenditure, which the management expects to resolve over the near term through internal cash generation. Inventory levels increased significantly during 9MFY26 as management accumulated raw materials in anticipation of higher international prices amid the Middle East conflict. Going forward, sustained growth in revenue and profitability (especially through efficiencies generated from the ongoing plant relocation from Faisalabad to Karachi), improvement in the liquidity and capitalization profiles, and maintenance of healthy debt coverage metrics will remain important for the ratings.

Company Profile

Madina Oil Refinery Limited ("MORL" or the "Company") was incorporated in Pakistan on February 17, 2020 as a private limited company 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 head office and the factory are located in Faisalabad. However, the company is currently in the process of shifting its manufacturing facility to Karachi. The principal activity of the Company is manufacturing and sale of banaspati ghee, cooking oil, and by products. MORL also has an associated concern namely "Madina Sugar Mills Ltd" in which it holds 12.62% stake.

Management and Governance

The Company is a part of Madinah Group of Industries, a family-owned business group with over 50 years of business experience and having business interests in various sectors including edible oil, ghee, sugar, ethanol, steel, manufacturing, power generation, education, and mass media. The Group comprises several industrial entities, including Madina (Pvt.) Limited (ML), owned by Mr. Muhammad Hanif Amin and family; Madina Sugar Mills Limited and Madina Oil Refinery Limited (MORL), owned by Mr. Mian Muhammad Rasheed and family; Faisalabad Oil Refinery (Pvt.) Limited (FORL), whose flagship brand is Kissan, with the Company reporting a topline of PKR 25bn during 9MFY25; and Madina Medical University, owned by Mr. Mian Muhammad Usman. Other group entities include Madina Steel Mill and Madina Distillery. The sponsors possess 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 Company's shareholding is predominantly concentrated within the sponsoring family, with Mrs. Arooj Fatima holding 50%, followed by Mr. Hassan Ahmed with 25%, and Mr. Muhammad Rasheed, the Chief Executive Officer (CEO), holding 15%.

From a governance perspective, the Company's corporate governance framework remains constrained by the small size of its Board of Directors, which comprises only three members, including the CEO. All Board members are shareholders of the Company, and there is no independent representation on the Board.

As of FY25, the Company's auditor is Kreston Hyder Bhimji & Co. Chartered Accountants, who appear in category A of SBP's list and is also QCR rated. The auditor has given Unqualified opinion in financial statements of FY25.

Business Risk

INDUSTRY

The edible oil industry in Pakistan is a highly competitive sector, shaped by 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, while the industry benefits from steady demand supported by population growth and rising food consumption, its business risk profile remains elevated. This is primarily due to high dependence on imported raw materials making it vulnerable to global commodity price fluctuations and exchange rate movements, and exposure to abrupt regulatory changes. These factors, coupled with intense competition reducing pricing power for smaller manufacturers, result in significant volatility in profit margins.

During FY25, palm oil imports increased by ~7% to 3.2 million MT (FY24: 3.0 million MT), while soybean oil imports rose to 0.32 million MT (FY24: 0.12 million MT), according to data from the Pakistan Bureau of Statistics. In value terms, palm oil imports amounted to USD 3.39 billion during FY25, compared to USD 2.78 billion in the preceding year, representing an increase of ~22%. The higher import volumes indicate sustained domestic consumption, given the essential nature of edible oil.

During FY26, palm oil imports reached 3.3 million MT, representing an increase of ~8% compared to the corresponding period last year. In value terms, imports amounted to USD 3.79 billion, reflecting a ~12% increase year-on-year, with the comparatively higher growth in value attributable to price movement. The continued rise in import volumes indicate stable domestic demand during the period. On the other hand, soybean oil imports declined sharply by around 70% to 0.98 million MT, reflecting lower demand for soybean oil and a shift towards other edible oils.

A significant share of palm oil imports originates from Malaysia and Indonesia, which together account for over 75% of global palm oil production. However, factors such as aging plantations, limited replantation activity, and Indonesia's biodiesel mandates may constrain global supply. Any upward movement in international prices, combined with sustained domestic demand, may increase pressure on the country's import bill. In addition, exchange rate volatility and evolving climatic conditions, which may adversely impact crop yields in key producing regions, continue to pose risks to the industry. Following the West Asia conflict the major supplier countries have also imposed certain restrictions to ensure that their domestic requirements are fulfilled before they export.

OPERATIONAL UPDATE

The Company's product portfolio in the cooking oil and ghee segment is marketed under the "Zaavi" and "Khushroz" brand names. While the Company continues to operate below its optimal capacity utilization level, production volumes have exhibited an increasing trend, reaching 15,427 MT during 9MFY26 and translating into capacity utilization of ~28%, higher than the preceding periods. According to management, production remained constrained during the period due to the Board's decision to relocate production facilities to Karachi from Faisalabad, with the relocation process currently underway. This decision to relocate is based on the desire to reduce bulk freight and storage costs of transporting raw materials to Faisalabad from Karachi. As a result, the solvent plant remained inactive in 9M 26, while FY27 is expected to see a decline in ghee production due to the transfer of that facility. Going forward, upon completion of the relocation, capacity utilization is expected to improve gradually post FY27. This is expected to be further supported by the essential and relatively inelastic demand for edible oil and ghee products, which should sustain production volumes.

Customer concentration risk is considered low, with the top ten customers accounting for only ~4% of the Company's sales, indicating a well-diversified customer base and limited reliance on any single customer.

In M. Ton	FY24	FY25	9MFY26
Oil Refinery – Vegetable Ghee & Cooking Oil			
Plant Installed capacity (M. Ton)	54,750	54,750	54,750
Actual Production (M. Ton)	10,601	12,016	15,427
Capacity Utilization (%)	**19.36%**	**21.95%**	**28.18%**

PROFITABILITY

The Company's topline declined during FY25, with gross revenue decreasing by ~13% to PKR 5,212.5m (FY24: PKR 5,976.7m). The decline was primarily attributable to a sharp reduction in cooking oil sales to PKR 22.5m (FY24: PKR 1,550.1m), while no sales were recorded from meal (FY24: PKR 1,120.0m) and canola oil (FY24: PKR 360.9m). Conversely, ghee sales increased by ~77% to PKR 5,186.1m (FY24: PKR 2,923.4m), accounting for approximately 99% of the Company's gross revenue in FY25 (FY24: ~49%) and becoming the primary contributor to the revenue base. According to management, the absence of canola oil sales during the year was attributable to the planned relocation of the production facility to Karachi. Upon completion of the relocation, the Company expects canola oil sales to resume, with bulk sales primarily targeting edible oil manufacturers.

The Company's profitability came under pressure during FY25, with gross margins contracting to 11.77% (FY24: 16.82%), reflecting higher input costs, the impact of which could only be passed on to customers with a lag. Nevertheless, operating margins improved marginally to 12.14% (FY24: 11.85%), supported by higher other income, primarily attributable to profit earned on loans extended to its subsidiary amounting to PKR 46.9m, compared to no such income in FY24. However, the contraction in gross margins weighed on the bottom line, with net margins declining to 4.72% (FY24: 7.07%).

During 9MFY26, the Company reported gross revenue of PKR 7,542.3m, exceeding the revenue reported in FY25, with ghee continuing to be the primary contributor to the revenue base, accounting for approximately 100% of gross sales. Gross margins recovered to 13.22%, supported by the gradual pass-through of higher input costs to customers, along with improved selling prices. Operating and net margins also improved to 12.54% and 5.55%, respectively. These movements are in line with the underlying cost volatility in the sector, which are incorporated in the rating profile. We will continue to monitor the efficiencies that the company generates through its plant shift to Karachi, as that will help mitigate the impact of raw material cost volatility.

Financial Risk

CAPITAL STRUCTURE

The Company's capitalization profile reflects an increase in gearing and leverage indicators, which stood at 1.79x and 1.87x, respectively, as at Mar'26 (Jun'25: 0.87x and 0.95x; Jun'24: 0.60x and 0.75x). The increase was primarily attributable to higher utilization of short-term borrowings to finance working capital requirements and capital expenditure. The Company's debt profile comprises entirely short-term borrowings, with no long-term debt on its books. At the same time, the Company's equity base continued to expand in line with profitability, increasing to PKR 2,435.7m as at Mar'26 (Jun'25: PKR 2,327.0m; Jun'24: PKR 1,947.7m). Going forward, the Company is in the process of relocating its entire production facility to Karachi and has projected additional capital expenditure of PKR 100m, which is expected to be funded through internally generated cash flows. Accordingly, capitalization indicators are expected to remain broadly at current levels.

DEBT COVERAGE & LIQUIDITY

The Company's current ratio declined to 0.98x as at Mar'26 (Jun'25: 1.13x; Jun'24: 1.00x) reflecting the fact that the company did not undertake any long-term borrowings to fund its capital expenditure of PKR 587m during this period. Similarly, although short-term debt coverage improved, it remained below 1x at 0.80x as at Mar'26 (Jun'25: 0.42x; Jun'24: 0.49x). The liquidity profile remains constrained by a balance sheet mismatch arising from the use of short-term borrowings to finance capital expenditure. In addition, stock-in-trade increased significantly during 9MFY26 as management accumulated raw materials in anticipation of higher prices amid the ongoing conflict in the Middle East. Management's raw material procurement strategy remains guided by prevailing market conditions and expectations regarding international raw material prices. However, management expects to gradually eliminate the maturity mismatch through internally generated cash flows.

On the other hand, while the Company’s debt service coverage ratio (DSCR) has declined, it remains healthy, with DSCR recorded at 2.02 as at Mar’26 (Jun’25: 2.38x, Jun’24: 3.37x). The increase in finance cost contributed to lower DSCR during 9MFY26. Going forward, improvement in liquidity profile and maintaining debt coverage metrics will remain important for the ratings.

FINANCIAL SUMMARY — Appendix I

Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	9MFY26M
Property, plant and equipment	861.68	804.89	833.55	1,305.27
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	1,179.74	1,221.99	1,262.10	0.00
Stock-in-trade	1,114.65	22.42	35.04	1,841.70
Trade debts	1,179.30	511.02	769.15	1,613.50
Short-term Investments	0.00	0.00	0.00	1,292.19
Cash & Bank Balances	262.16	57.37	54.72	42.69
Other Assets	847.92	782.49	1,575.26	894.42
Total Assets	5,445.45	3,400.18	4,529.82	6,989.77
Creditors	217.81	6.40	34.15	8.59
Long-term Debt (incl. current portion)	0.00	0.00	0.00	0.00
Short-Term Borrowings	3,512.45	1,164.97	2,013.31	4,367.57
Total Debt	3,512.45	1,164.97	2,013.31	4,367.57
Other Liabilities	284.70	281.10	155.40	177.95
Total Liabilities	4,014.96	1,452.47	2,202.86	4,554.11
Paid up Capital	250.00	250.00	250.00	250.00
Revenue Reserve	1,034.32	1,403.51	1,613.30	1,968.00
Other Equity (excl. Revaluation Surplus)	146.18	294.18	463.67	217.67
Sponsor Loan	146.18	294.18	463.67	217.67
Equity (excl. Revaluation Surplus)	1,430.50	1,947.69	2,326.97	2,435.67

Income Statement (PKR Millions)	FY23A	FY24A	FY25A	9MFY26M
Net Sales	7,658.71	5,235.31	4,417.24	6,396.52
Gross Profit	950.10	880.76	520.09	845.87
Operating Profit	863.08	620.56	536.18	801.99
Finance Costs	274.16	245.68	331.59	367.32
Profit Before Tax	588.92	374.88	204.59	434.67
Profit After Tax	534.29	370.26	208.65	354.71

Ratio Analysis	FY23A	FY24A	FY25A	9MFY26M
Gross Margin (%)	12.41%	16.82%	11.77%	13.22%
Operating Margin (%)	11.27%	11.85%	12.14%	12.54%
Net Margin (%)	6.98%	7.07%	4.72%	5.55%
Funds from Operation (FFO) (PKR Millions)	636.57	510.29	427.22	375.98
FFO to Total Debt* (%)	18.12%	43.80%	21.22%	11.48%
FFO to Long Term Debt* (%)				
Gearing (x)	2.46	0.60	0.87	1.79
Leverage (x)	2.81	0.75	0.95	1.87
Debt Servicing Coverage Ratio* (x)	2.95	3.37	2.38	2.02
Current Ratio (x)	0.86	1.00	1.13	1.26
(Stock in trade + trade debts) / STD (x)	0.67	0.49	0.42	0.80
Return on Average Assets* (%)	11.72%	8.37%	5.26%	8.21%
Return on Average Equity* (%)	45.92%	21.92%	9.76%	19.86%
Cash Conversion Cycle (days)	104.08	97.18	53.68	96.21

Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	Madina Oil Refinery Limited
Sector	Consumer Goods
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
Rating History	see table below

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
18- Aug-26	BBB	A2	Stable	Reaffirmed
24-June-25	BBB	A2	Stable	Reaffirmed
09-April-24	BBB	A2	Stable	Upgrade
20-Feb-23	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	see table below

Name	Designation	Date
Mr. Naeem Malik	Group Chief Financial Officer	July 21, 2026