# VIS
Credit Rating Company Limited

RATING REPORT

**Analysts:**
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**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 | FY22A | FY23A | FY24A |
|---|---|---|---|
| Net Sales | 2,530.74 | 6,229.99 | 7,029.19 |
| Profit Before Tax | 82.48 | 150.87 | 186.20 |
| Profit After Tax | 66.54 | 86.84 | 113.81 |
| Paid up Capital | 352.00 | 352.00 | 352.00 |
| Equity (excl. Revaluation Surplus) | 565.35 | 652.19 | 766.01 |
| Total Debt | 1,067.68 | 1,125.53 | 1,054.75 |
| Leverage (x) | 2.99 | 3.61 | 3.18 |
| Gearing (x) | 1.89 | 1.73 | 1.38 |
| Funds From Operations (FFO) | 302.93 | 362.86 | 454.28 |
| FFO/Total Debt (x) | 0.28 | 0.32 | 0.43 |
| Net Margin (%) | 2.63% | 1.39% | 1.62% |

**Annualized, if required*
A - Actual Accounts
M - Management Accounts

# ROOMI POULTRY LIMITED

**Chief Executive: Khawaja Muhammad Mohsin Masood**

## RATING DETAILS

| RATINGS CATEGORY | LATEST RATING | |
|---|---|---|
| | Long-term | Short-term |
| ENTITY | A- | A2 |
| RATING OUTLOOK/ WATCH | Stable | |
| RATING ACTION | Initial | |
| RATING DATE | July 21, 2025 | |

## RATING RATIONALE

The assigned ratings of A-/A2 with a Stable outlook reflect the Company's expansion plans in the poultry and feed industry, also supported by revenue growth across both segments. Demand-side stability in the poultry sector contributes to a low business risk profile; however, exposure to operational risks remains elevated due to feed price volatility, cost management pressures, and industry-specific biosecurity challenges.

The Company's strategic expansion into the feed segment has supported a gradual improvement in operating margins through increased vertical integration and scale efficiencies. These gains have been partially offset by higher interest expenses resulting from elevated borrowing costs, placing pressure on net profitability. The capital structure remains reliant on short-term borrowings for working capital needs. While gearing has remained within acceptable limits, overall leverage indicators continue to reflect elevated levels.

Capitalization is expected to improve on the back of projected profitability gains in 2025 and an equity injection from a Dutch investor providing support to assigned ratings. This is likely to support balance sheet strengthening and improved gearing and leverage metrics. Governance enhancements have also been noted, with the Company's transition from a private to a public unlisted entity and plans to pursue an Initial Public Offering (IPO) in the future. This transition is expected to enhance financial transparency and governance oversight.

Going forward, ratings will remain sensitive to the company's ability to maintain its capitalization profile, given the ambitious expansion plans with a focus on lowering the leverage.

# COMPANY PROFILE

Roomi Poultry Limited (RPL or the Company) is the parent company in Iqbal Group of Companies which is operated as an integrated poultry enterprise engaged in feed manufacturing, egg production, and egg trading. The Company also recently set up three subsidiaries, First Avilac Solution Pvt. Limited, is a wholly owned subsidiary which deals in trading of imported feed additives. Second FieldFusion Corp. Pvt Limited is also a wholly owned subsidiary which deals in the export of agri-based products. Third Poultry Links Pvt. Limited is a subsidiary with 65% equity interest which deals in Broiler Farming, breeder and broiler allied businesses. Headquartered in Kabirwala, Punjab, RPL is developing a diversified business structure to support operations across multiple verticals within the poultry value chain.

**Current Operations**

The Company's feed manufacturing business is supported by an in-house mill with an installed capacity of 1.2 million bags annually. An additional 20,000 bags per month are produced through rented facilities to supplement internal consumption and market supply. The egg production business comprises four control houses with a cumulative bird population of 400,000, producing approximately 360,000 eggs per day. The eggs are supplied to the international and local market, which sources additional volumes from more than 2,000-layer farms across Punjab. Seasonal fluctuations in supply and demand are managed through cold storage arrangements. Moreover, as per the management the Company is the only firm in Pakistan to export unfertilized "table" eggs in the country. RPL exports eggs to Hong Kong and the United Arab Emirates (UAE).

The Company also had a broiler segment, which it has now demerged to a separate entity named Poultry Links Private Limited. The Company began operations in May 2025.

RPL has developed a feed additives segment that operates under Avilac Solutions (Pvt.) Limited and involves the import-based trading of various poultry supplements including amino acids, antibiotics, enzymes, vitamins, and disinfectants. These products are sourced from international markets such as China, Malaysia, and Europe. Additionally, RPL has ventured into the export of agricultural products such as maize, rice, sesame seeds, and dry fruits, targeting markets in the Middle East, Far East, Europe, and the United States. This initiatives are still in their initial stages.

**Expansion Plans**

Several expansion projects have been planned by the Company. A feed mill extension project is scheduled for implementation in 2026, with a capacity of 40 tons per hour. This project is expected to add a monthly capacity of 375,000 bags and contribute an additional PKR 25 billion to turnover.

An egg liquid processing plant is also scheduled in the future, with a daily capacity of 1,000 boxes. The project has an expected payback period of 4.43 years and projected revenue contribution of PKR 6 billion in the first year of operation.

Future business investment opportunities have been identified in the areas of solvent extraction, chicken meat processing, and manure composting, though no timelines or capital commitments have been formally announced for these segments.

**Funding and Equity Strategy**

To support its expansion initiatives, the Company has received foreign equity investment from a Dutch firm, representing a 16% ownership stake. The investment was executed through the issuance of right shares priced at PKR 65 per share, including a share premium of PKR 55. The transaction is expected to generate an equity inflow of PKR 450 million. The Dutch company is already a business partner which assists RPL with its export business.

Further funding for expansion projects, including the feed mill and egg liquid facility, is expected to be obtained through bank borrowings amounting to PKR 1.45 billion spread over a 2-3 year period. Additionally, the Company has converted to a public limited entity and intends to proceed with an initial public offering (IPO) in future, subject to market conditions and regulatory approvals. These initiatives are expected to enhance capital structure flexibility and support long-term growth.

## GOVERNANCE

The shareholding structure of RPL remains concentrated. Previously, Masood Spinning Mills Limited held a majority stake of 55.40%, followed by Mr. Khawaja Muhammad Mohsin Masood with 43.60%. The remaining 1.00% is equally distributed between Mrs. Khadija and Mst. Ghousia, each holding 0.50%. However, as per recent developments the shareholding structure has changed with Mr. Mohsin holding ~84% of the Company's shares, while ~16% held by a foreign investor. The Company's board comprises four members.

RPL recently transitioned from a private limited company to an unlisted public limited company. In line with its plan to conduct an initial public offering (IPO) and seek listing on the Pakistan Stock Exchange in the future, enhancements in the governance framework are anticipated. These changes are expected to align the Company's governance practices with regulatory requirements applicable to listed entities.

Mr. Mohsin is also still affiliated with the Mahmood Group, through personal shareholding in group companies.

**Management Team**

The Company has a management team of seasoned professionals with extensive experience in the sector.

**Khawaja Muhammad Mohsin Masood – Chief Executive Officer**

Mr. Mohsin Khawaja currently serves as the Chief Executive Officer of Roomi Poultry Limited. He holds professional credentials including an FCCA, an MBA from Cardiff University, and a BSc (Hons) from Oxford Brookes University. With over 15 years of executive experience, his profile reflects leadership across agribusiness and textiles. He has overseen corporate governance reforms, attracted foreign investment, and held multiple board and chamber roles. He has also remained affiliated with national trade bodies and international business platforms.

## INDUSTRY PROFILE & BUSINESS RISK

The business risk profile of Pakistan's poultry sector is assessed as Medium to High, supported by sustained demand fundamentals but tempered by volatility in input costs, regulatory interventions, and fragmented market dynamics. The sector accounts for approximately 40% of national meat consumption and benefits from steady population growth and the essential dietary role of poultry meat and eggs. However, structural risks related to input cost variability and exposure to short-term shocks—including disease outbreaks, policy shifts, and weather disruptions—continue to weigh on sector stability.

Demand cyclicality is present but generally limited, as poultry remains a staple protein with inelastic demand. Temporary contractions have historically shown rapid recovery. Seasonal consumption shifts (e.g., during festivals) exist, but substitution risk is minimal, given poultry's affordability and efficient feed conversion.

Feed production is heavily reliant on imported soybean, exposing the sector to foreign exchange risk. However, this exposure is partially mitigated by the domestic availability of maize and other meals, which accounts for approximately 70%-80% of total feed composition.

The sector is characterized by high competition, with an estimated 15,000 broiler farms operating nationwide, ranging from small-scale operations to vertically integrated facilities. The resulting fragmentation restricts pricing power and contributes to limited margin flexibility, particularly in periods of input cost volatility.

Regulatory risk for the sector is assessed as moderate, given limited routine oversight; however, episodic interventions have highlighted underlying vulnerabilities. The 2022 ban on the import of genetically modified soybean resulted in acute input shortages and price escalations, which subsequently required judicial and government intervention for resolution. Although the ban was lifted, the episode reflected the sector's sensitivity to policy consistency, particularly concerning key raw materials.

In addition, taxation on feed inputs and the imposition of administratively determined price caps have historically constrained margin flexibility and, in certain instances, impacted production. Local pricing controls often diverge from prevailing market dynamics, and fear of enforcement has contributed to supply-side disruptions. These measures, while intended to ensure affordability for consumers, introduce regulatory unpredictability for producers. Overall, policy-related risks—ranging from import permissions to administered pricing—remain a persistent, though moderate, constraint on the sector's risk profile.

The sector faces elevated working capital requirements, with short-term borrowings accounting for approximately 70% of total sector debt. The increase in the policy rate to 22% during FY24 resulted in an estimated 31% reduction in sector-wide borrowing, with a more pronounced impact observed among smaller entities. Additionally, higher energy costs, particularly those associated with climate control systems and feed production, have exerted further pressure on operating margins.

## FINANCIAL RISK

**Capital Structure**

The Company maintains an elevated capitalization profile, primarily driven by a relatively low equity base. The Company's capital structure is primarily supported by short-term borrowings used to finance its working capital needs. Although gearing levels are currently within a reasonable range, overall leverage remains high, constrained by a small equity base. In 3QFY25, an increase in working capital needs led to higher short-term debt utilization, which has temporarily impacted capitalization metrics. Management expects this pressure to subside as inventory and trade debt cycles normalize by year-end.

Going forward, capitalization is projected to improve, supported by anticipated profitability gains in 2025 and the materialization of an equity infusion from a Dutch investor. Upon recognition in the financial statements, the equity base is expected to increase to approximately PKR 1.65 billion (FY24: PKR 0.8 billion), which is expected to contribute to a gradual improvement in gearing and leverage indicators.

**Profitability**

The Company has historically recorded strong growth in revenue, reflected in a compounded annual growth rate (CAGR) of 50.78% between FY21 and FY24. The top line increased by 12.8% Y/Y in FY24, primarily supported by the expansion of commercial poultry feed sales. Despite the presence of sectoral challenges, including elevated input costs, rising electricity tariffs, and fuel price volatility—profitability has remained stable with modest improvements in margins.

Gross margin improved to 15.7% in FY24 (FY23: 14.0%). As per management, this improvement is attributable to cost-saving initiatives, improved capacity utilization, and operational efficiencies, despite inflationary pressure on feed, energy, and logistics. However, in 3QFY25, impacted by lowering egg prices and an increasing proportion of feed segment in total turnover, which is a lower gross margin segment, while cost pressures remained, the gross margins were recorded lower at 13.69%.

The Company's historical profitability aligns with broader industry trends, where cyclicality and sensitivity to feed and energy costs influence margins. Sector-wide, margins remained pressured during FY22–FY23 due to raw material cost spikes and regulatory disruptions; however, FY24 saw relative stability amid better inventory and feed prices.

Going forward, Roomi Poultry's vertically integrated structure and ongoing investments in feed and layer operations are expected to support earnings sustainability, provided cost containment remains effective amid fluctuating input dynamics. Moreover, as per the management, as feed business generates greater margins, the Company is slowly focusing more towards the feed operations to strengthen margins and ensure stability of profits.

| Revenue Composition | FY21 | FY22 | FY23 | FY24 |
|---|---|---|---|---|
| Poultry (eggs) Local | 58.73% | 42.47% | 19.33% | 30.16% |
| Poultry (eggs) Exports | 5.57% | 0.21% | 13.74% | 2.50% |
| Poultry (eggs) Total | 64.30% | 42.68% | 33.07% | 32.67% |
| Feed | 34.98% | 24.93% | 63.14% | 67.12% |
| Broiler | 0.00% | 31.87% | 3.58% | 0.00% |
| Feed Waste | 0.72% | 0.52% | 0.21% | 0.21% |

**Debt Coverage & Liquidity**

The Company has demonstrated stable Funds from Operations (FFO) generation over the period, reflecting consistent cash flows from core business operations and supporting an adequate coverage profile. This is evidenced by an average debt service coverage ratio (DSCR) of 1.93x during FY21–FY24. Strengthening further to 2.44x in 9MFY25.

| Cash Conversion Cycle | FY21A | FY22A | FY23A | FY24A |
|---|---|---|---|---|
| Days to Sell Inventory | 93.82 | 79.80 | 49.76 | 46.04 |
| Collection Period | 31.11 | 25.30 | 26.80 | 38.59 |
| Payable Cycle | 95.14 | 70.89 | 52.50 | 64.68 |
| **Net Cash Cycle** | **29.79** | **34.21** | **24.06** | **19.95** |

The liquidity position is supported by an average current ratio of 1.02x during the periods under review (FY21-FY24). Operating within a predominantly credit-driven environment, the sector typically relies on credit transactions. Despite this, the company has efficiently managed its working capital cycle by minimizing the accumulation of receivables and inventory at the fiscal year-end. To bridge working capital gaps, the company primarily relies on payables, while any residual funding requirements are met through short-term borrowings. This approach is evident in the company's cash conversion cycle, ranging on average at 20 days in FY24 (FY23: 24 days).

## Financial Summary
*Appendix I*

| Balance Sheet (PKR Millions) | FY23A | FY24A | 9MFY25M |
|---|---|---|---|
| Property, plant and equipment | 1,089.02 | 1,093.02 | 1,157.69 |
| Intangible Assets | 5.44 | 4.59 | 3.96 |
| Stock-in-trade | 828.87 | 665.90 | 1,225.45 |
| Trade debts | 680.04 | 806.29 | 1,372.99 |
| Biological assets | 357.81 | 547.15 | 0.00 |
| Cash & Bank Balances | 16.35 | 19.30 | 5.21 |
| Other Assets | 203.02 | 242.72 | 546.35 |
| Total Assets | 3,180.55 | 3,378.97 | 4,314.65 |
| Creditors | 1,013.34 | 1,086.65 | 762.95 |
| Long-term Debt (incl. current portion) | 374.36 | 265.51 | 199.35 |
| Short-Term Borrowings | 751.17 | 789.24 | 1,628.00 |
| Total Debt | 1,125.53 | 1,054.75 | 1,827.35 |
| Other Liabilities | 214.31 | 296.38 | 571.57 |
| Total Liabilities | 2,353.18 | 2,437.78 | 3,161.87 |
| Paid up Capital | 352.00 | 352.00 | 352.00 |
| Revenue Reserve | 300.19 | 414.01 | 625.58 |
| Equity (excl. Revaluation Surplus) | 652.19 | 766.01 | 977.58 |

| Income Statement (PKR Millions) | FY23A | FY24A | 9MFY25M |
|---|---|---|---|
| Net Sales | 6,229.99 | 7,029.19 | 8,230.04 |
| Gross Profit | 870.91 | 1,103.86 | 1,126.88 |
| Operating Profit | 390.41 | 567.76 | 577.29 |
| Finance Costs | 239.54 | 381.56 | 272.01 |
| Profit Before Tax | 150.87 | 186.20 | 305.28 |
| Profit After Tax | 86.84 | 113.81 | 211.59 |

| Ratio Analysis | FY23A | FY24A | 9MFY25M |
|---|---|---|---|
| Gross Margin (%) | 13.98% | 15.70% | 13.69% |
| Operating Margin (%) | 6.27% | 8.08% | 7.01% |
| Net Margin (%) | 1.39% | 1.62% | 2.57% |
| Funds from Operation (FFO) (PKR Millions) | 362.86 | 454.28 | 550.38 |
| FFO to Total Debt* (%) | 32.24% | 43.07% | 40.16% |
| FFO to Long Term Debt* (%) | 96.93% | 171.10% | 368.12% |
| Gearing (x) | 1.73 | 1.38 | 1.87 |
| Leverage (x) | 3.61 | 3.18 | 3.23 |
| Debt Servicing Coverage Ratio* (x) | 1.60 | 1.66 | 2.44 |
| Current Ratio (x) | 1.01 | 1.02 | 1.05 |
| (Stock in trade + trade debts) / STD (x) | 2.13 | 1.96 | 1.64 |
| Return on Average Assets* (%) | 3.10% | 3.47% | 7.33% |
| Return on Average Equity* (%) | 14.26% | 16.05% | 32.36% |
| Cash Conversion Cycle (days) | 24.06 | 19.95 | 37.05 |

**Annualized, if required*

A - Actual Accounts
P - Projected Accounts
M - Management Accounts

| **REGULATORY DISCLOSURES** | **Appendix II** |
|---|---|
| **Name of Rated Entity** | Roomi Poultry Limited |
| **Sector** | Poultry Industry |
| **Type of Relationship** | Solicited |
| **Purpose of Rating** | Entity Rating |
| **Rating History** | (see table below) |
| **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. |
| **Probability of Default** | 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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| **Due Diligence Meetings Conducted** | (see table below) |

**Rating History**

| Rating Date | Medium to Long Term | Short Term | Rating Outlook/Rating Watch | Rating Action |
|---|---|---|---|---|
| **RATING TYPE: ENTITY** | | | | |
| 21-Jul-25 | A- | A2 | Stable | Initial |

**Due Diligence Meetings Conducted**

| Name | Designation | Date |
|---|---|---|
| Mr. Mohsin Masood | Chief Executive Officer | July 17, 2025 |
| Mr. Shahbaz Ali | Chief Financial Officer | June 30, 2025 |