VIS Credit Rating Company Limited

Press Release

VIS Reaffirms Entity Rating of Unity Foods Limited

Karachi, 13 February, 2025: VIS Credit Ratings Company Ltd. (VIS) has reaffirmed entity ratings of 'A/A2' (Single A/A Two) of Unity Foods Limited ("UFL" or "the Company"). Medium to long term rating of 'A' signifies good credit quality with adequate protection factors. Risk factors may vary with possible changes in the economy. Short term ratings of 'A2' denotes good likelihood of timely repayment of short-term obligations with sound short-term liquidity factors. Outlook on the assigned ratings is 'Negative'. Previous rating action was announced on November 01, 2023.

Unity Foods Limited (UFL) was established in Pakistan in 1991 as a private limited company and was subsequently converted into a public limited company on June 16, 1991. The shares of the Holding Company have been listed on the Pakistan Stock Exchange since February 01, 1994. UFL is principally involved in the extracting and processing of edible oils, industrial fats, flour and various feed ingredients for Pakistan's poultry and livestock sectors. Within the edible oil segment, the company has four major brands namely Dastak, Lagan, Ehtimam and Zauqeen. The Company has geographical footprints in Sindh, Hyderabad, Balochistan and Punjab while the supplies are available throughout the country. UFL has a wholly owned subsidiary, Sunridge Foods (Private) Limited ('SFPL' or 'the Subsidiary'). The Subsidiary was established in Pakistan as a privately held Company on March 16, 2015. It primarily engages in the processing of wheat, flour, rice and staple foods including sugar, salt, lentils and pulses.

The assigned rating incorporates high business risk profile of the edible oil industry given heavy reliance on imported raw material, currency exchange, pricing volatility & and thin margins. The ratings also incorporate strong sponsor support from Wilmar International Limited (WIL), which holds a majority stake in the Company, increasing its equity stake from 28.97% to 42.17% during FY24.

Financial risk profile depicts contraction in the revenue base, primarily due to a decline in prices in the cooking oil retail segment and subdued market demand driven by carryover stocks from the previous year. The bottom line also remained negative on account of high financial charges in FY24, however, improvement in profitability noted in 1QFY25 on the back of improving margins and policy rate cut. The liquidity profile also remained under pressure due to extended working capital cycle and support extended to related parties which the management expects to ease out going forward. Consequently, capitalization metrics remain elevated. Ratings draw comfort from movement in margins in 1Q25, continued sponsor support in terms of payables and buildup of liquid investment portfolio to address any short-term cash flow needs. However, improvement in profitability together with reduction in leverage indicators remains imperative for ratings.

For further information on this ratings announcement, please contact on 021-35311861-64 or email at info@vis.com.pk.

Applicable Rating Criteria:

Industrial Corporates

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

VIS Issue/Issuer Rating Scale
https://docs.vis.com.pk/docs/VISRatingScales.pdf