The Pakistan Credit Rating Agency Limited

Rating Report

Mumtaz Feeds & Allied Industries (Pvt.) Limited

Report Contents

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
11-Oct-2024	BBB	A2	Stable	Upgrade	-
21-Oct-2023	BBB-	A2	Positive	Maintain	-
22-Oct-2022	BBB-	A2	Positive	Maintain	-
22-Oct-2021	BBB-	A2	Positive	Maintain	-
28-Oct-2020	BBB-	A2	Stable	Upgrade	-
12-Nov-2019	BB+	A3	Stable	Upgrade	-
27-May-2019	BB	A3	-	Initial	-

Rating Rationale and Key Rating Drivers

The rating reflects the expanding business operations of Mumtaz Feeds & Allied Industries (Pvt.) Limited ('Mumtaz Feeds' or 'the Company') in the poultry feed sector, underpinned by prudent financial management and adequate liquidity buffers. The upgrade is primarily driven by the Mumtaz Group's moderate yet integrated scale of operations, which extends across various stages of the value chain, including soya solvent extraction (Mumtaz Agro Industries Pvt. Ltd) and broiler farming (Mumtaz Chick & Mumtaz Protein Farms). The Group is currently in the process of establishing another feed mill to capture the market in central Punjab, a move that will further enhance operational synergies. Additionally, the Company has expanded its production capacity over the rating horizon.
The upgrade also factors in a material reduction in short-term debt, resulting in stronger leverage metrics and an improved equity base through internal capital generation. Company also has a favourable financial risk profile characterised by a sound capital structure. Improved profitability and business performance in FY2024, compared to previous years, have positively impacted the Company's coverage metrics, collectively supporting its enhanced credit profile and resilience amid sector-specific challenges.
Mumtaz Feeds remains exposed to inherent risks within the feed industry, particularly fluctuating raw material prices and potential disease outbreaks. However, PACRA acknowledges the bio-security measures implemented by the Company over the years, which mitigate these risks to some extent. Extended credit terms from suppliers reinforce the Company's working capital management, while effective debtor management contributes to steady cash flows.
The Company's financial flexibility is further enhanced by a subordinated loan from its sponsor, providing additional support to its creditworthiness. This loan, coupled with Mumtaz Feeds' demonstrated ability to maintain liquidity underpinned by conservative financial policies reflects the Company's capacity to navigate market pressures while sustaining growth.

The ratings remain dependent on management's ability to capture additional market share, improve margins, and drive profitability. Maintaining strict discipline in working capital management and moderate leveraging is crucial. Any significant deterioration in margins or coverage metrics could negatively impact the ratings.

Disclosure	
Name of Rated Entity	Mumtaz Feeds & Allied Industries (Pvt.) Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology | Rating Modifiers(Apr-24),Methodology | Correlation Between Long-term & Short-term Rating Scales(Jul-24),Methodology | Corporate Rating(Jul-24)
Related Research	Sector Study | Poultry Feed(Jan-24)
Rating Analysts	Usama Ali | usama.ali@pacra.com | +92-42-35869504

Profile

Legal Structure Mumtaz Feeds and Allied Industries (Pvt.) Ltd ('the Company' or 'Mumtaz Feeds') incorporated as a private limited company on March 11, 2016.

Background Sponsors have been associated with poultry feed industries for more than fifteen years in different capacities. . In 2016, they collaborated to incorporate Mumtaz Feeds. A year later, the Company started commercial production of poultry feed. The Company changed its name to 'Mumtaz Feeds & Allied Industries (Pvt.) Limited'.

Operations Mumtaz Feed is a key player in the poultry feed manufacturing industry, offering sixteen product variants. The Company operates with an annual production capacity of 144,000 MT (40 MT per hour) and achieved a 60% capacity utilization in FY24. Company is Headquartered in Multan. Its operations extend into poultry farming with a Breeder project in Hasilpur (70,000 birds) and further expansions in Sahiwal and Muzaffargarh (20,000 birds each), as part of its forward integration strategy. Additionally, the Group has diversified into solvent extraction, reinforcing its revenue base through backward integration.

Ownership

Ownership Structure Major shareholding of Mumtaz Feeds resides with Mr. Aamir Ali Khan (35%), followed by Mr. Muhammad Umer (20%). Mr. Nasir Malik and his brother Mr. Yasir Malik owns an equal stake (17.5%) in the Company . The remaining stake vests with Dr. Muhammad Aslam (10%).

Stability Ownership of the Company vests among five sponsors with no formal succession plan.

Business Acumen The sponsors have been part of the poultry industry for more than a decade and are well aware about the industry's business cycles.

Financial Strength The Company's financial strength is represented through the support of its sponsors and associated entities having vested interest in the poultry feed industry.

Governance

Board Structure The Company's Board of Directors comprise one Executive Directors and two Non-Executive Directors . Lack of independent oversight signifies a weak governance structure.

Members' Profile The Chief Executive Officer, Mr. Aamir Ali Khan has been associated with the sale of poultry feed and trading Soybean meal for more than two decades.

Board Effectiveness To ensure effectiveness, the Board has formed two sub-committees , Audit & Risk Management and Procurement & Development. During FY24, several BoD and sub-committee meetings were held with high participation . Minutes of these meetings are not formally documented , indicating room for improvement

Financial Transparency The Company's external auditors, Waqas & Co. Chartered Accountants, issued an unqualified opinion on the financial statements for the year ended June 2023. The audit for the June 2024 accounts is currently underway. While the firm holds a QCR rating, it is not listed on the State Bank of Pakistan's panel of auditors.

Management

Organizational Structure The Company has a horizontal organizational structure which is based on seven main departments, namely , Production, Marketing, Procurement, Head Office, Audit & Tax, Accounts and Imports. All departmental heads report to the CEO.

Management Team The management comprises experienced individuals with relevant technical know-how . Mumtaz Feed's CEO, Mr . Aamir Ali Khan, has been associated with the sale of poultry feed and trading Soybean meal for more than two decades. Dr. M . Aslam, General Manager Production, holds an M.Sc. (Hons) in animal nutrition . He has an overall experience of more than a decade in poultry feed manufacturing and formulation. General Manager Sales and Logistics also has over 17 years of experience in feed industry.

Effectiveness There are no management committees in place to monitor management's effectiveness.

MIS The Company developed an in-house software with three modules - Financial Accounting , Sale Purchase and Software Security - designed to meet the need for accounting and inventory management. Financial statements are prepared on a quarterly basis, while production, sales, receivables, and stock reports are prepared on a weekly and monthly basis.

Control Environment Internal audit function is not in place at the Company leading to operational risk concerns . However , the Company emphasizes on quality control measures with strict policies to comply with food authority's regulatory framework.

Business Risk

Industry Dynamics The sector's overall market structure can be classified as competitive, with ~150 registered feed mills and ~200 unregistered feed mills that are producing poultry feed and operating with ~10-13mln MT installed capacity. During FY 23-24, 5.4 MT of feed was produced and average and average chicken meat per capita remained at 3.8 kg which is lowest in the region. One of the key ingredients of poultry feed, maize, is grown in the province of Punjab, which is highly dependent on the nature of climate whereas other key inputs, like soybean seed, are mostly imported. However, industry is exposed to the inherent risk of disease outbreak and vulnerable to movement in raw material prices.

Relative Position The Company is a relatively small and emerging player in the poultry feed industry, contributing 144,000 MT annually, which represents a modest share of the total 10 million MT feed production in the market. Despite its smaller scale, the Company is gradually building its presence within the highly competitive sector.

Revenues Company has demonstrated a consistent upward trajectory in sales since commencing operations in 2017. During FY24, the Company's topline reached PKR 11bln, reflecting a strong growth of 37% (FY23: PKR 8bln, growth of 58%). This growth is primarily driven by surging prices, as the Company capitalized on its established goodwill to progressively increase product prices. The Broiler Control Finisher Special remains the Company's flagship product, contributing approximately 47% of total revenue in FY24.

Margins During FY24, the Company experienced a contraction in its profitability margins, largely due to cost pressures. The gross profit margin declined to 4.5% (FY23: 5.3%) as raw material costs outpaced the increase in sales prices, squeezing margins. This decline in gross margins flowed through to the operating level, with the operating margin falling to 3.9% (FY23: 4.5%). Similarly, the net profit margin also narrowed to 2.8% in FY24 (FY23: 3.3%). These margin declines signal growing cost-side vulnerabilities, which may pressure future profitability unless adequately mitigated.

Sustainability Company's future strategy reflects a deliberate focus on expanding its market presence within the competitive poultry feed industry. In response to market pressures, the Company aims to maintain a competitive pricing strategy, offering high-quality feed to attract a broader customer base.

Financial Risk

Working Capital The Company's working capital management has shown improvement, with a focus on optimizing inventory and payables. In FY24, average inventory days reduced significantly to 48 days (FY23: 65 days), reflecting better management of raw material procurement and stock levels. Trade receivables were also handled efficiently, with debtor days improving to 6 days (FY23: 8 days). Payable days saw a slight reduction, standing at 25 days in FY24 (FY23: 28 days). As a result, net working capital days decreased notably to 29 days (FY23: 45 days), indicating enhanced cash flow management and operational efficiency, which could contribute positively to the Company's liquidity profile.

Coverages The Company's cash flow position has strengthened, driven by an incremental rise in free cash flow from operations, which reached PKR 445mln in FY24 (FY23: PKR 381mln). Despite an increase in finance costs, which rose to PKR 40mln in FY24 (FY23: PKR 37mln), the interest coverage ratio saw a slight improvement, standing at 11x (FY23: 10.4x). This enhancement was primarily supported by the growth in free cash flows. Total coverage ratios remained stable, indicating prudent management of short-term borrowings and a continued ability to meet financial obligations, reflecting positively on the Company's liquidity and credit profile.

Capitalization The Company's capital structure remains conservatively leveraged, with a marked reduction in borrowings during FY24. Leverage improved to 4.3% (FY23: 15.4%), driven by a decrease in total borrowings, which stood at PKR 14mln (FY23: PKR 19mln). This reflects the Company's deliberate strategy to maintain a low-leverage profile, reinforcing its financial flexibility and reducing exposure to debt-related risks, which strengthens its overall creditworthiness.

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Financial Summary
PKR mln

Mumtaz Feeds & Allied Industries (Pvt.) Limited	Jun-24	Jun-23	Jun-22	Jun-21
Poultry Feed	12M	12M	12M	12M
A BALANCE SHEET				
1 Non-Current Assets	419	390	394	356
2 Investments	2	2	-	5
3 Related Party Exposure	-	-	-	-
4 Current Assets	2,105	1,865	1,808	1,233
a Inventories	*1,508*	*1,466*	*1,496*	*1,018*
b Trade Receivables	*212*	*175*	*196*	*146*
5 Total Assets	2,526	2,257	2,202	1,594
6 Current Liabilities	916	806	609	641
a Trade Payables	*815*	*732*	*558*	*607*
7 Borrowings	14	19	256	19
8 Related Party Exposure	55	205	272	272
9 Non-Current Liabilities	2	2	2	2
10 Net Assets	1,540	1,226	1,064	661
11 Shareholders' Equity	1,540	1,226	1,064	661
B INCOME STATEMENT				
1 Sales	11,309	8,260	5,234	3,448
a Cost of Good Sold	*(10,796)*	*(7,819)*	*(4,550)*	*(3,040)*
2 Gross Profit	513	441	684	408
a Operating Expenses	(74)	(70)	(222)	(141)
3 Operating Profit	439	371	462	267
a Non Operating Income or (Expense)	-	-	-	-
4 Profit or (Loss) before Interest and Tax	439	371	462	267
a Total Finance Cost	*(41)*	*(37)*	*(20)*	*(8)*
b Taxation	*(85)*	*(62)*	*(39)*	*(26)*
6 Net Income Or (Loss)	314	272	402	233
C CASH FLOW STATEMENT				
a Free Cash Flows from Operations (FCFO)	*360*	*319*	*472*	*309*
b Net Cash from Operating Activities before Working Capital Changes	*360*	*319*	*452*	*309*
c Changes in Working Capital	*(151)*	*259*	*(605)*	*(215)*
1 Net Cash provided by Operating Activities	209	578	(153)	94
2 Net Cash (Used in) or Available From Investing Activities	(76)	(45)	(83)	(98)
3 Net Cash (Used in) or Available From Financing Activities	(155)	(410)	237	7
4 Net Cash generated or (Used) during the period	(21)	123	2	2
D RATIO ANALYSIS				
1 Performance				
a Sales Growth (for the period)	36.9%	57.8%	51.8%	36.6%
b Gross Profit Margin	4.5%	5.3%	13.1%	11.8%
c Net Profit Margin	2.8%	3.3%	7.7%	6.8%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	1.9%	7.0%	-2.5%	2.7%
*e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Sh*	22.7%	23.7%	46.7%	42.8%
2 Working Capital Management				
a Gross Working Capital (Average Days)	54	73	99	101
b Net Working Capital (Average Days)	29	45	59	47
c Current Ratio (Current Assets / Current Liabilities)	2.3	2.3	3.0	1.9
3 Coverages				
a EBITDA / Finance Cost	11.0	10.4	25.9	39.0
b FCFO / Finance Cost+CMLTB+Excess STB	8.9	8.7	20.2	39.0
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	0.2	0.8	0.6	0.9
4 Capital Structure				
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	4.3%	15.4%	33.2%	30.5%
b Interest or Markup Payable (Days)	0.0	0.0	0.0	0.0
c Entity Average Borrowing Rate	13.6%	8.7%	4.4%	2.4%

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-Term Rating
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ AA AA-	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A+ A A-	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
BBB+ BBB BBB-	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BB+ BB BB-	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
B+ B B-	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
CCC CC C	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
D	Obligations are currently in default.

Scale	Short-Term Rating
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.

Rating Modifiers | Rating Actions

Outlook (Stable, Positive, Negative, Developing)	Rating Watch	Suspension	Withdrawn	Harmonization
Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business / financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.	Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.	It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.	A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.	A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening. Rating actions may include "maintain", "upgrade", or "downgrade".

Note: This scale is applicable to the following methodology(s):

a) Broker Entity Rating
b) Corporate Rating
c) Debt Instrument Rating
d) Financial Institution Rating
e) Holding Company Rating
f) Independent Power Producer Rating
g) Microfinance Institution Rating
h) Non-Banking Finance Company

Regulatory and Supplementary Disclosure

(Credit Rating Companies Regulations,2016)

Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) **Conflict of Interest**

i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)

ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)

iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

(3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)

(4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)

(5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

(6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)

(7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).

(8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)

(9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)

(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)

(11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

(12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA´s opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity

(13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)

(14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)

(15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)

(16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)

(17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

(18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)

(19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)

(20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)

(21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument;| Chapter III | 17-(d)

Probability of Default

(22) PACRA´s Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA´s transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA´s Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

Proprietary Information