

Press Release

VIS Maintains Ratings of The Organic Meat Company Limited

Karachi, December 15, 2022: VIS Credit Rating Company Limited (VIS) has maintained the entity ratings of The Organic Meat Company Limited (TOMCL) at 'A-/A-2' (Single A Minus/A-Two). The medium to long-term rating of 'A-' signifies good credit quality with adequate protection factors. Moreover, risk factors may vary with possible changes in economy. The short-term rating of 'A-2' denotes good certainty of timely payments coupled with sound liquidity and company fundamentals. Outlook on the assigned ratings has been changed from 'Stable' to 'Positive'. The previous rating action was announced on December 07, 2021.

The ratings assigned to TOMCL takes into account its market positioning as the major player in the meat export market, having the largest capacity from slaughtering to packaging, highest halal meat exports receipts, only offal processor in the formal meat sector and access to 16 export jurisdictions. The ratings take comfort from company's business model being leaner than peers leading to rationalization of operating expenses and majority of exports carried out through sea route to gulf countries, which provide an added advantage in terms of freight charges compared to peers who use air cargo facility. The positive outlook is assigned on account of ongoing equity injection proposal of 30% from a prominent Saudi organization expected to materialize during the ongoing year followed by several initiatives undertaken by the company to improve market penetration, new product line development with introduction of pet food and product line extension with aim to export cooked meat products to the Chinese market.

Assessment of financial risk profile encapsulates revenue growth in the outgoing year and onwards with subsequent translation of the same into profitability metrics. In line with planned growth, scale of operations increased and liquidity position improved; the same is considered sound on account of sufficient cash flow generation in terms of outstanding liabilities. Further, the ratings continue to factor in conservative capital structure with limited reliance on borrowings. The subsequent increase in borrowings to fund capital expenditure and increasing working capital requirements during the review period was offset by sizable growth in equity base in the ongoing year. Ratings also take into account the Corporate Governance framework of the entity, which is reflective of company's operational status as listed. The ratings remain dependent on maintenance of margins, realization of projected targets, incremental cash flow generation from recent capital expenditure and maintenance of gearing and leverage indicators.

For further information on this rating announcement, please contact Ms. Maham Qasim (042-35723411-13, Ext. 8010) and/or the undersigned at 021-35311861-66 (Ext. 207) or email at info@vis.com.pk.

Faryal Ahmed Faheem
Deputy CEO

Applicable rating criterion: Corporates (August 2021)
<https://docs.vis.com.pk/docs/CorporateMethodology202108.pdf>

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