

ADAM SUGAR MILLS LIMITED

Analyst:

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RATING DETAILS

Ratings Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A-	A2	A-	A2
Rating Outlook/ Watch	Stable		Stable	
Rating Action	Reaffirmed		Reaffirmed	
Rating Date	May 22, 2026		May 07, 2025	

Shareholding (5% or More)

Adam Pakistan Limited - 20.3%
Mrs. Sarah Adam - 18.0%
Mrs. Humera Dewan - 14.1%
Mr. Junaid G. Adam - 14.1%

Other Information

Incorporated in 2008
Public Limited Company
Chief Executive: Mr. Ghulam Ahmed Adam
External Auditor: Rahman Sarfaraz Rahim Iqbal Rafiq 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/docs/VISRatingScales.pdf>

Rating Rationale

The assigned ratings reflect Adam Sugar Mills Limited's established presence in the sugar sector and its consistent operational track record and gradual capacity expansion over time. During MY25, the Company recorded an improvement in revenues despite lower production, driven by stronger realized prices supported by export demand and favorable market conditions. Output remained influenced by cane availability and recovery trends, while the business continued to maintain a concentrated exposure to sugar with by-products providing supplementary income.

Profitability trends remained aligned with industry dynamics, with MY25 reflecting margin compression due to lower sucrose recovery and higher operating costs, followed by improvement in 1QMY26 supported by better pricing and recovery. Overall earnings remain closely linked to seasonal and agricultural cycles. The capital structure improved during MY25 on the back of lower short-term borrowings, with temporary fluctuations in 1QMY26 driven by seasonal working capital requirements. Liquidity is considered adequate, supported by available banking lines and ongoing access to external funding sources.

Going forward, the ratings remain sensitive to sugar market dynamics, along with the company's ability to effectively manage overall financial risk.

Company Profile

Adam Sugar Mills Limited was incorporated in Pakistan in October 1965 as a public limited company, initially under the name Bahawalnagar Sugar Mills Limited. Subsequently, in 1985, the Company was renamed as Adam Sugar Mills Limited.

The Company is principally engaged in the manufacturing and sale of sugar and related by-products and has an operational track record spanning approximately six decades. ASML commenced operations with an initial cane crushing capacity of 1,500 TCD, which has since been expanded to 16,000 TCD. The Company is primarily owned by the Adam family, with family members actively involved in strategic oversight and operational management. Headquartered in Karachi, the production facility is located in District Bahawalnagar, Punjab.

Management and Governance

The Company's management is led by Mr. Ghulam Ahmed Adam, a seasoned professional, supported by an experienced team. The governance framework is reinforced by a seven-member Board of Directors, including two independent directors and female representation through two board members, reflecting a structured and well-established management and governance profile at ASML.

Industry Profile & Business Risk

The business risk profile of Pakistan's sugar industry remains medium, reflecting structural seasonality, high regulatory sensitivity, and persistent cost pressures, despite tentative signs of production recovery. During the 2024-25 crushing season, national sugar output declined to 5.77 million metric tons (MMT) from 6.8 MMT a year earlier, primarily due to lower sucrose recovery and adverse weather conditions. The sector's challenges were compounded by the government's inconsistent export policy, which allowed substantial sugar exports in 2023 and early 2024 despite forecasts of domestic shortfalls. Exporters benefited from favorable international prices, leaving local markets exposed to supply constraints and price volatility. As a result, retail sugar prices surged to PKR 165-170/kg by mid-2025, peaking near PKR 180/kg amid perceived scarcity. Policy risk remains elevated, as reforms introduced under the IMF program, including the removal of the minimum support price, have heightened market exposure for both growers and mills. Sugar production is reported at around 7.5 MMT, while domestic consumption is around 6.5 MMT, indicating a structural excess of approximately 1.0 MMT. This is further supported by an improvement in sucrose recovery rates, which has enhanced overall sugar extraction efficiency from cane. The higher recovery has contributed to stronger effective output despite variability in cane quality, reinforcing the surplus position when combined with existing carryover stocks. As a result, the balance continues to point toward a net surplus outcome by end-MY26, assuming stable demand conditions. Retail prices are expected to remain range-bound. Elevated input costs, including energy, fertilizer, and transport, alongside water scarcity and delayed cane payments will continue to constrain industry margins. Overall, the industry remains exposed to moderate but persistent business risk, underpinned by improving output and stable consumption, yet constrained by structural inefficiencies, high working-capital intensity, and policy-driven volatility.

Operational Update

Description	Unit	2022-23	2023-24	2024-25	2025-26
Crushing Capacity per Day	M. Tons	16,000	16,000	16,000	16,000
Operating Period for Sugar	Days	106	104	115	127
Total Cane Crushed	M. Tons	590,048	684,186	651,341	812,139
Capacity Utilization	%	35%	41%	35%	40%
Average Recovery	%	9.79%	10.13%	8.82%	9.67%
Sugar Produced	M. Tons	57,790	69,369	57,442	78,488
Molasses Produced	M. Tons	27,805	29,694	29,331	37,860

During the 2024–25 crushing season, the Company's operational performance remained under pressure due to constrained cane availability and weaker crop quality. Total cane crushed declined to 651,341 tons (2023–24: 684,186 tons), while capacity utilization decreased to 35% (2023–24: 41%). In addition, sucrose recovery weakened to 8.82% (2023–24: 10.13%), reflecting lower cane quality and reduced extraction efficiency. Consequently, sugar production declined to 57,442 tons (2023–24: 69,369 tons). Nevertheless, the impact on profitability was partially mitigated by relatively higher sugar prices, lower finance costs, and improved sugarcane procurement pricing, which declined from Rs. 450 per maund in MY24 to Rs. 418 per maund in MY25.

During the 2025–26 crushing season, operational performance exhibited improvement, supported by better cane availability and recovery levels. Total cane crushed increased to 812,139 tons, while capacity utilization improved to 40%. Average recovery also strengthened to 9.67%, indicating improvement in cane quality and operational efficiency. As a result, sugar production recovered to 78,488 tons, while molasses production increased to 37,860 tons (MY25: 29,331 tons). Cane procurement prices moderated to Rs. 435 per maund during the season, while overall industry dynamics continued to reflect evolving supply and pricing conditions.

Profitability

Net sales increased to PKR 10.9bn in MY25, reflecting a 35% YoY growth, driven primarily by liquidation of carryover stock, higher average selling prices supported by improved export realizations and favorable pricing conditions during peak months. This growth in revenue was achieved despite a decline in sugar production, which was constrained by limited cane availability and weaker recovery rates during the season. The revenue mix remained heavily concentrated in sugar, the share of which increased to 94% in MY25 (MY24: 88%), reflecting stronger pricing dynamics and sustained demand. Revenues from molasses and mud declined due to lower volumes, while bagasse revenue increased, supported by both higher volumes and improved pricing.

Gross margins declined to 6.6% in MY25 (MY24: 11.5%), primarily reflecting lower sucrose recovery during the period. Finance costs declined to PKR 290mn (MY24: PKR 566mn), mainly driven by repayment of short-term borrowings alongside relatively lower effective borrowing rates. As a result, the Company posted a net profit of PKR 46mn in MY25 (MY24: PKR 73mn) mainly due to higher incidence of taxation, translating into a net margin of 0.4%.

In 1QMY26, net sales amounted to PKR 1.7bn, supported by improved sugar selling prices; however, overall volumes remained subdued due to lower carryover stocks and a delayed start to the crushing season. Sales are expected to recover as the season progresses. Gross margins improved to 9.7%, driven by higher sugar prices and improved sucrose recovery. Operating margins also expanded to 6.1%, while net margins increased to 2.9%, supported by lower finance costs. Given surplus sugar production in MY26, margins will be primarily a function of higher sucrose recovery and export dynamics amid pressure on local sugar price.

Financial Risk

Capital Structure

Total equity, excluding revaluation surplus, strengthened to PKR 1.68bn by end-1QMY26, supported by retained earnings and transfer of incremental depreciation from revaluation surplus, while paid-up capital remained at PKR 173mn. Total borrowings, after declining to PKR 1.47bn at end-MY25 (MY24: PKR 3.4bn), increased to PKR 3.4bn by end-1QMY26, mainly due to higher utilization of short-term facilities to support working capital requirements and short-term investments. Meanwhile, long-term borrowings increased at end-MY25 to finance process improvement initiatives, capacity enhancement, and remained largely unchanged in 1QMY26.

Capitalization metrics improved notably at end-MY25, with the gearing ratio declining to 0.88x (MY24: 1.97x) and the leverage ratio easing to 2.04x (MY24: 3.53x), primarily supported by repayment of short-term borrowings. However, gearing increased to 2.02x and leverage rose to 3.35x at end-1QMY26, mainly due to higher short-term borrowings to meet elevated working capital requirements, an outcome of seasonal impact.

Debt Coverage & Liquidity

With lower profitability during MY25 resulted in lower cash flow generation, primarily driven by higher financial charges paid. Consequently, reduced cash flow from operations led to a lower FFO-to-total debt to 0.07x (MY24: 0.12x). However, DSCR improved to 1.32x (MY24: 1.15x), reflecting adequate internal capacity to meet repayment obligations without reliance on external support, though it moderated to 1.09x in 1QMY26. Liquidity indicators remained broadly stable, supported by available working capital lines. Working capital coverage improved initially, with stock-in-trade and trade debts providing 1.78x coverage of short-term borrowings, before declining to 0.79x in 1QMY26. The cash conversion cycle shortened to 84 days in MY25 from 129 days in MY24, driven primarily by lower inventory levels, and remained stable at 83 days in 1QMY26.

FINANCIAL SUMMARY		(Rs. in millions)			
BALANCE SHEET	MY22	MY23	MY24	MY25	1QMY26
Property, plant and equipment	4,967	6,553	6,418	6,652	6,641
Stock-in-Trade	1,229	1,828	3,249	802	1,997
Trade Debts	318	98	507	743	236
Short Term Investments	25	25	25	25	525
Cash & Bank Balances	65	35	53	27	889
Total Assets	6,890	8,811	10,544	8,532	10,734
Trade Payables	88	39	538	41	862
Long Term Debt	1,089	409	335	606	602
Short Term Debt	116	665	2,719	870	2,812
Total Debt	1,205	1,074	3,054	1,476	3,413
Total Liabilities	3,005	3,714	5,467	3,434	5,657
Paid Up Capital	173	173	173	173	173
Total Equity	3,885	5,098	5,077	5,098	5,078
INCOME STATEMENT	MY22	MY23	MY24	MY25	1QMY26
Net Sales	5,423	5,426	8,055	10,841	1,692
Gross Profit	710	641	925	714	165
Operating Profit	488	446	706	439	103
Profit Before Tax	323	168	141	149	76
Profit After Tax	158	118	73	46	49
RATIO ANALYSIS	MY22	MY23	MY24	MY25	1QMY26
Gross Margin (%)	13.1%	11.8%	11.5%	6.6%	9.7%
Operating Margin (%)	9.0%	8.2%	8.8%	4.0%	6.1%
Net Margin (%)	2.9%	2.2%	0.9%	0.4%	2.9%
Funds from Operation (FFO)	550.2	420.5	357.1	109.4	50.4
FFO to Total Debt* (x)	0.46	0.39	0.12	0.07	0.06
FFO to Long Term Debt* (x)	0.51	1.03	1.07	0.18	0.34
Gearing (x)	0.92	0.76	1.97	0.88	2.02
Leverage (x)	2.28	2.62	3.53	2.04	3.35
Debt Servicing Coverage Ratio* (x)	0.61	1.74	1.15	1.32	1.09
Current Ratio (x)	0.93	1.10	1.04	1.08	1.02
(Stock in trade + trade debts) / STD (x)	13.33	2.90	1.38	1.78	0.79
Return on Average Assets* (%)	2.4%	1.5%	0.8%	0.5%	2.0%
Return on Average Equity* (%)	13.1%	8.6%	4.9%	2.9%	11.7%
Cash Conversion Cycle (days)	78	126	129	84	83

REGULATORY DISCLOSURES				Appendix II	
Name of Rated Entity	Adam Sugar Mills Limited				
Sector	Sugar				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	RATING TYPE: ENTITY				
	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	22-05-2026	A-	A2	Stable	Reaffirmed
	07-05-2025	A-	A2	Stable	Reaffirmed
	21-05-2024	A-	A2	Stable	Reaffirmed
	12-06-2023	A-	A2	Stable	Reaffirmed
	17-05-2022	A-	A2	Stable	Initial
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 Meeting Conducted	S.No.	Name	Designation	Date	
	1	Mr. Omar G. Adam	Managing Director	15 th May 2026	
	2	Mr. Faisal Habib	Chief Financial Officer		