

Al-Noor Sugar Mills Limited

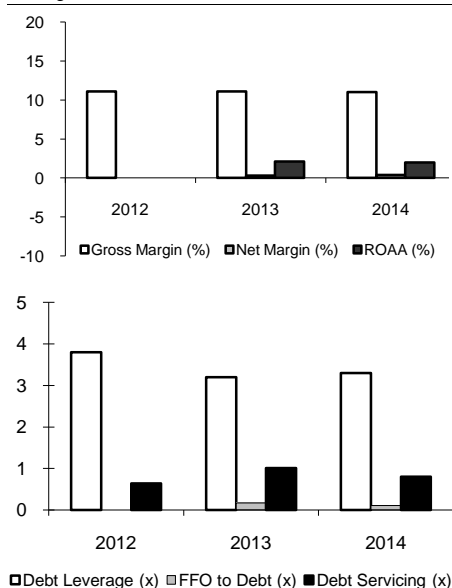
Chairman: Mr. Yusuf Ayoob, Managing Director: Mr. Ismail H. Zakaria

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Analysts: Amir Shafique
Faiq Sattar

Category	Latest	Previous
Entity	A- /A-2 Dec 31, '14	A- /A-2 Nov 25, '13
Outlook	Stable Dec 31, '14	Stable Nov 25, '13

Key Financial Trends



(Rs. million)	2012	2013	2014
Net Sales	6129	7594	7699
Net Profit / (Loss)	(43)	24	31
Tier-1 Equity	1112	1151	1234
Net Worth	1316	2395	2464
Total Debt	2881	2545	3067
Long Term Debt (LTD)	937	1365	1581
FFO	-3	227	177
FFO/Total Debt	0	0.09	0.06
LTD/Equity	0.8	1.2	1.3
Total Debt/Tier-1	3.8	3.2	3.3

Rating Rationale

Sugar commodity is characterized by in-elastic demand; currently, the industry is undergoing a down cycle and prices have remained depressed for an extended time. Despite a decline in forecasted sugar production in 2015 vis-à-vis previous year; prices are expected to remain range bound over the foreseeable horizon mainly due to continuity of surplus situation in sugar country wide.

ASML is operating with two divisions, sugar and Medium Density Fiber Board (MDFB). Moreover, the company sells surplus power generated during the crushing season to Water & Power Development Authority.

Net sales in sugar division increased to Rs. 5.7b (FY13: Rs. 5.4b) mainly on the back of higher quantity of sugar sold in FY14. The company's capacity utilization in sugar was notably high amidst prolonged crushing season. Growth in revenue was also a function of molasses and electricity with higher production level in comparison to the preceding year. Gross margins in the sugar division slightly reduced to 10.8% (FY13: 11%) due to lower sucrose recovery rate and depressed sugar prices.

The MDFB division depicted a decline in sales largely on account of depressed local prices. Moreover, MDFB's production was slightly lower due to integration of new plant with the old production line during FY14. The division has improved its product range from raw and laminated sheets to high gloss sheets. Gross margins of the division increased to 11.7% (FY13: 11.1%) on the back of availability of relatively cheaper raw material in FY14. Margins in MDFB may further improve with sale of value added gloss sheet, going forward. Overall net profit of the company increased to Rs. 31.3m (FY13: Rs. 24.1m); however it includes a major portion as surplus on revaluation of assets from associates. Profitability has largely emanated from the sugar division.

Total debt increased to Rs. 3.1b (FY13: 2.5b) on account of higher level of carryover stock and expansion in MDFB plant in FY14. The company made a CAPEX of Rs. 280m for the new plant. Gearing increased to 1.2x (FY13: 1.1x); it continues to be within manageable limits. Funds from Operations (FFO) declined notably due to income tax payment in FY14. As a result, the company's debt servicing coverage ratio depicted a decline to 0.8x (FY13: 1x) in FY14. While short term debt is adequately matched against stock on books, the ability of the company to service long term debt has deteriorated over time.

There has been stability at board level. Recently, the positions of Chairman and Managing Director were segregated in line with best practices. Moreover, the company has introduced one independent director in the board.

Overview of the Institution

ASML was incorporated in 1969 as a part of the Al-Noor Group, which has presence in diverse industries. The company is principally engaged in production and sale of sugar and medium density fiber board. Its shares are quoted on the Karachi and Lahore Stock Exchanges. Financial statements for FY2014 have been audited by Hyder Bhimji & Co. JCR-VIS

JCR-VIS Credit Rating Company Limited

Affiliate of Japan Credit Rating Agency, Ltd.

Credit Rating History

Rating Type	Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
Entity	12/31/2014	A-	Stable	A-2	Reaffirmed
Entity	11/25/2013	A-	Stable	A-2	Reaffirmed
Entity	8/27/2012	A-	Stable	A-2	Reaffirmed
Entity	2/10/2011	A-	Stable	A-2	Initial