RATING REPORT

Al-Noor Sugar Mills Limited

REPORT DATE:
August 23, 2023

RATING ANALYSTS:
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RATING DETAILS				
	Latest Rating		Previous Rating	
Rating Category	Long-term	Short-term	Long-term	Short-term
Entity	A-	A-2	A-	A-2
Rating Outlook	*Negative*		*Stable*	
Rating Action	Maintained		Reaffirmed	
Rating Date	*August 23, 2023*		*June 06, 2022*	

COMPANY INFORMATION	
Incorporated in 1969	**External auditors:** Kreston Hyder Bhimji & Co. Chartered Accountants.
Public Limited Company	**Chairman of the Board:** Mr. Zia Zakaria **Chief Executive Officer:** Mr. Yusuf Ayoob
Key Shareholders (with stake 5% or more):	
CDC – Trustee National Investment Trust Fund – 9.27% Noori Trading Corporation (Private) Limited – 9.16%	

APPLICABLE METHODOLOGY(IES)
VIS Entity Rating Criteria: Corporates (May 2023) ***https://docs.vis.com.pk/docs/CorporateMethodology.pdf***
VIS Rating scale (2023) **https://docs.vis.com.pk/docs/VISRatingScales.pdf**

Al-Noor Sugar Mills Limited

OVERVIEW OF THE INSTITUTION

Al-Noor Sugar Mills Limited was incorporated in 1969 as a part of 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. The company is listed on the Pakistan Stock Exchange.

Profile of CEO: Mr. *Noor Mohammad Zakaria is the Director with over 44 years of diversified Trading and Industrial experience in Sugar and Allied Industries.*

Financial Snapshot

Tier-1 Equity: 1H'MY23: Rs. 3.28b; MY22: Rs. 3.46b ; MY21: Rs. 3.42b; MY20: Rs. 3.27b

Total Assets:

1H'MY23: Rs. 14.4b; MY22: Rs. 11.3b; MY21: Rs. 9.1b; MY20: Rs. 8.7b

Profit After Tax: 1H'MY23: Rs. -86.4m; MY22: Rs. 173.3m; MY21: Rs. 211.0m; MY20: Rs. 202.2m

RATING RATIONALE

Al-Noor Sugar Mills Limited (ANSM) is part of Al-Noor Group (ANG) having business interests in sugar, ethanol, medium density fiber, modaraba and insurance. ANSM is primarily engaged in the business of manufacturing and sale of sugar, medium density fiber board (MDFB), and generation of power units which are located at Shahpur Jahania, District Shaheed Benazirabad and Noushero Feroze in the Province of Sindh. The sugar mill is situated over an area of 150.175 Acres and MDF board division is spread over an area of 57.075 acres.

Total sugarcane production in 2022-23 season was reported lower at 82.4m MT vis-à-vis 89.0m MT preceding year on account of adverse impact on sugarcane crop due to floods. Resultantly, sugar production reported a decrease of ~7% as per sources. However, total available sugar stocks are expected to remain largely intact vis-à-vis preceding year. Furthermore, due to surplus sugar stocks available in the country, the Government allowed 250,000 MT of sugar exports in the ongoing year. Resultantly, sugar prices have exhibited a rising trend lately. Meanwhile, the ratings do incorporate inherent cyclicality in crop levels and price vulnerability in sugar sector leading to competitive challenges for the company.

Business Risk & Sector Update: Pakistan is the seventh-largest producer and the fifth-largest consumer of sugar. According to the Economic Survey of Pakistan, sugar industry is the country's second-largest agro-based business after the textile industry. In terms of sugarcane production, Punjab produces 67% of the sugarcane, followed by Sindh (25%), Khyber Pakhtunkhwa (KPK) (8%), and Baluchistan (less than 1%). Its production contributes 0.8% to GDP and 3.7% to agriculture's value addition. The country has the capacity to raise production by 4.0 million tons and export USD 2.0b worth of sugar and USD 500m worth of ethanol by using the same land but raising yields by 40 to 50 percent. According to the data collected by Ministry of Food Security, through September 30, 2022, at least 5.3 million metric tons (MT) of sugar has been removed from inventories or has been consumed. The volume of sugar consumed each day is around 15,980 tons. More than 1.7m MT surplus sugar was available at the start of crushing season MY23. Additionally, exporting this surplus sugar would have generated USD 1.0b in foreign currency. During CY22, almost 33% of the 22 million hectares of total cultivable land were inundated by flood while damage to the sugarcane crops resulted in a loss of USD 273m. On aggregate, direct losses from rice, cotton, and sugarcane were USD 1.30b (rice: USD 543m, cotton: USD 485m, and sugarcane: USD 273m).

The inherent cyclicality in crop yields and raw material prices is believed to have a substantial impact on the business risk profile of the sugar sector. Furthermore, there is a noticeable difference in pricing mechanisms, with the price of the end product, granulated sugar, being set by market forces whereas sugarcane cost being regulated by the government. A typical sugarcane crop has a 3- to 5-year production cycle, with government assistance to farmers and crop productivity playing a major role. In 2022-23 season, the crushing season took off a bit late owing to disagreement between PMSA, which represents the sugar mill owners, and Government of Pakistan, to allow export of 2 million tons of sugar, to cover up for the higher costs associated with producing sugar and pulling the industry out of crisis.

According to the most recent USDA sugar report published on April 12, 2023, sugarcane production is expected at 83.5m MT during 2023-24, three percent above 2022-23 production, on account of expected recovery in yield in areas which were previously impacted by the floods. For the season 2023-24, the estimated harvesting area is also expected to increase to 1.25 million hectares (2022-23: 1.23 million hectares). Sugar output for the forthcoming season is expected to clock at 7.05 million MT, a marginal increase from that in 2022-23. Moreover, due to population growth and demand from the developing food processing industry, sugar consumption is projected to rise by around 3% to 6.3 million MT. In view of accumulating sugar stocks, the Govt. has so far allowed 250,000 tons of sugar in the ongoing year. Recently, sugar prices have shown rising trend in line with inflationary pressure. Sugar prices are expected to increase further which would benefit the industry players in realizing inventory gains. However, elevated markup rates would likely to suppress bottomline of companies with high leveraged capital structure.

Capacity Utilization & Production Update

Sugar Division:

The crushing capacity of ANSM remained unchanged at 14,500 tpd during the review period. During the crushing season 2022-23, the mill remained operational for 94 days as compared to 112 days during 2021-22, mainly on account of supply constraints faced by industry amid contraction in sugarcane yield induced by devastating floods. The company managed to crush 789,713 MT of sugarcane (2021-22: 940,764 MT; 2020-21: 677,781 MT) with lower average sucrose recovery of 10.09% (2021-22: 10.43%; 2020-21: 10.12%). Resultantly, sugar production has been reported notably lower at 79,575 MT (2021-22: 98,110 MT; 2020-21: 68,623 MT). Molasses production decreased to 36,100 MT (2021-22: 43,125 MT; 2020-21: 30,800 MT), with average recovery rates of 4.59% (2021-22: 4.59%; 2020-21: 4.54%) during 2022-23. The production statistics are presented in the table below:

	2019-20	2020-21	2021-22	2022-23
Crushing Capacity -tpd	14,500	14,500	14,500	14,500
No. of days Mill Operated	98	89	112	94
Capacity based on Operating Days	1,421,000	1,290,500	1,624,000	1,363,000
Actual Crushing (MT)	769,428	677,781	940,764	789,713
Capacity Utilization	54.15%	52.52%	57.93%	57.9%
Sugar Produced (MT)	74,665	68,623	98,110	79,575
Sucrose Recovery Rate	9.71%	10.12%	10.43%	10.09%
Molasses Produced	35,010.00	30,800.00	43,125.00	36,100.00
Molasses Recovery Rate	4.55%	4.54%	4.59%	4.59%

Medium Density Fiber Board (MDFB) Division

The MDFB division operates through 2 production lines, namely Mande Line and Sunds Line, used for the generation of thick and thin fiber sheets respectively. Cumulative production capacity of MDFB stands around 242 cubic meter per day. During 1H'MY23, Mande Line operated at a capacity utilization factor of 125.9% (MY22: 123.5%; MY21: 111.5%) while Sunds Line operated at 91.56% (MY22: 113.3%; MY21: 113.1%). Sunds line production capacity has remained largely stable over the years, whereas, due to changes in required mix of sheets, Mande line production levels have shown variations. Overall capacity utilization for 1H'MY23 was lower at 103.19% (MY22: 116.9% MY21: 112.3%) while aggregate output of sheets stood lower at 34,050 cubic meters (MY22: 67,506 cubic meters; MY21: 86,494 cubic meters) during 1H'MY23. The management expects total production in full year to remain at preceding year's level. Detailed statistics of the MDFB division are presented in the table below:

MDFB Division	Sep'20	Sep'21	Sep'22	Mar'23*
Mande Line (Thin Sheets):				
Days in Operation	260	301	171	94
Capacity per day (Cubic meter)	120	120	120	120
Total Capacity (Cubic meter)	31,200	36,120	20,520	11,280
Actual Production (Cubic meter)	30,778	40,259	25,349	14,211
Capacity Utilization	98.65%	111.46%	123.53%	125.98%
Sunds Line (Thick Sheets):				

Days in Operation	330	335	305	178
Capacity per day (Cubic meter)	122	122	122	122
Total Capacity	40,260	40,870	37,210	21,716
Actual Production (Cubic meter)	40,502	46,235	42,157	19,839
Capacity Utilization	100.60%	113.13%	113.29%	91.36%
Total:				
Capacity	71,460	76,990	57,730	32,996
Production	71,280	86,494	67,506	34,050
Utilization	99.75%	112.34%	116.93%	103.19%

Property, plant and equipment (PPE) amounted to Rs. 5.0b (MY22: Rs. 4.9b; MY21: Rs. 4.8b) at end-1H'MY23. During the outgoing year, there was an addition of Rs. 328.57m (MY21: Rs. 588.4m) mainly pertaining to power plant and balancing, modernization and replacement (BMR) in sugar division. In 1H'MY23, additions amounting Rs. 245.6m were majorly related to powerhouse upgradation along with installation of falling film evaporator (FFE) to achieve bagasse savings. The company has installed a solar power setup of 6 MW during the review period. Going forward, given the capacity utilization has exhibited an increasing trend in the ongoing year as well, the management plans to enhance the production capacity of Sunds line from 120 cubic meter per day to 400 cubic meter per day; moreover, the company also intends to conduct BMR in sugar division entailing replacement of an old tandem. The timeline for the same has not been finalized yet due to prevailing economic uncertainties. The outflow is expected to be around Rs. 4.0b, which would be funded through a mix of debt and equity.

Power Generation:

Power requirement of ANSM is met through internal generation. Out of the total output of 22 MW, 10 MW is utilized for sugar production and 5.0 MW for MDFB production. Given expiry of 10-year supply agreement with Sukkar Electric Supply Company (SESC), the company submitted an application to National Electric Power Regulatory Authority (NEPRA) in the outgoing year that has been approved for electricity dispatch of 8MW to SESC. As per the management, power requirement of MDFB during the crushing season has been met through solar power, while for rest of the year WAPDA remains the primary power provider.

Revenues & Profitability:

During MY22, net sales remained stagnant at Rs. 10.5b (MY21: Rs. 10.8b) mainly due to subdued sales of MFDB, which accounted for ~47% (MY21: 49%) of the sales mix. Net revenue from sugar remained largely stable at Rs. 5.1b with contribution of ~43% (MY21: 44%) in the topline. The company sold 70,401 MT of sugar (MY21: 64,388 MT) at lower average selling rate of Rs. 71,911/ MT (MY21: Rs. 78,777/ MT) in MY22. Sugar prices remained under pressure owing to excess stocks available in the country as a result of bumper crop in the outgoing year, and also due to frequent intervention of government to control retail prices. Around 90% of the sugar is sold in open market, while the rest of the sales are made to institutional clients. On the other hand, despite higher average selling prices, sales from MDFB division were recorded lower at Rs. 5.5b (MY21: 5.7b) owing to ~17% decrease in quantity sold due to demand dynamics. This also includes, export sales which declined to Rs. 85.2m (MY21: Rs. 721.6m). By products sales to third parties, largely comprising molasses and bagasse, contributed ~9% (MY21: 5%) to the sales mix in MY22. A snapshot of key products sold by the company with their average prices and quantity sold is presented below:

Rs. Million	MY20	MY21	MY22	1H'MY23
Sugar Sold (MT)	97,088	64,388	70,401	45,355
Sugar Price/MT	63,187	78,777	71,911	70,864
MDFB Sold (CM)	104,063	110,893	91,926	44,397
MDFB Price/ CM	45,966	51,606	59,691	68,987

During MY22, cost of sales remained largely stable at Rs. 9.03b (MY21: Rs. 9.1b) while raw materials consumed as percentage of cost of goods manufactured increased to ~91% (MY21: 87%). The company procured sugarcane at an average procurement cost of Rs. 314/maund vis-à-vis Rs. 295/maund in the previous year. For the MDFB division major raw materials include wood, fuel (including petroleum products and gasoline) and glue/formalin; wood accounted for more than half of the total raw material costs. The company procures glue locally while around one-fourth of the glue/formalin requirements are met in-house. As per management, imported raw materials for MDFB accounted for nearly 25% of the total purchases, which mainly includes, chemicals, glossing and laminated sheets. Gross margins decreased to 14.3% (MY21: 15.8%) primarily as a result of reduced profitability of MDFB division on account of lower volumetric sales and higher procurement cost.

Distribution expenses were largely rationalized with inflationary pressures. Administrative expenses were recorded higher at Rs. 809.1m (MY21: Rs. 662.4m) mainly due to increase in salaries, staff welfare, vehicle maintenance and security expenses. Other operating expenses decreased to Rs. 17.7m (MY21: Rs. 195.1m), as in the preceding year the company recorded impairment allowance for receivables against export subsidy and cane development cess due to uncertainty pertaining to timing and extent of their realization. During MY22, other income amounted to Rs. 20.9m (MY21: Rs. 40.2m) which largely included profit on bank deposits and net gain on disposal of PP&E. Finance cost increased notably to Rs. 680.0m (MY21: Rs. 389.5m), due to the impact of higher average markup rates and borrowings. However, share of profit from associates of Rs. 257.9m (MY21: Rs. 21.0m) provided some support to the bottomline. The company holds 15.625% and 14.285% equity share in SSML and Al-Noor Modarba Management (Pvt.) Ltd (ANMM). SSML and ANMM being group companies and having common directors are associates of the company and this strategic investment in associates is accounted for using equity method. Resultantly, despite dent to the topline, higher operating and finance cost, net profit amounted to Rs. 173.3 (MY21: Rs. 210.9m) with net margins of 1.6% (MY21: 2.0%) at end-MY22.

During the ongoing year, ANSM was allocated an export quota of 1,500 MT, which the company has exported at an average rate of $497.6/MT or Rs. 141,175/ MT in April'23. During 1H'MY23, net sales stood higher at Rs. 6.3b (1H'MY22: Rs. 4.95b). However, gross margins weakened to 9.6% (1H'MY22: 19.1%) due to depressed sugar prices, elevated cost of sales impacting overall profitability of the company. Operating expenses and finance cost also reported increase relative to the SPLY. Accordingly, the company reported loss of Rs. 86.4m on net basis vis-à-vis profit of Rs. 148m. Unfavorable sugar prices prevailed most of the period because of surplus carryover sugar stocks of around 1.0 million tons from last year which was available at start of the crushing season 2022-23 amidst expectation of bumper sugar production in the season. Delayed decision by the Federal Government for export of sugar coupled with inadequate permission for export have kept the local sugar prices depressed until end of the crushing season 2022-23. Inflationary pressure has led to increasing trend in sugar prices lately, which is expected to sustain going forward as well due to significant gap in imported sugar prices and the locally produced due to rupee devaluation and lower available sugar stocks by the end of this year. Given the company still had sizable sugar stock available by end-Mar'23, this increasing trend is likely to bode well in improving sugar segment profitability. The current price outlook for sugar remains positive until the government takes concrete steps to curb its smuggling to Afghanistan, where sugar prices are almost double the retail prices in Pakistan. However, inflated markup rates are expected to stress net profitability in full year as well.

Liquidity position of the company has weakened during the outgoing year primarily due to suppressed cash flows in relation to outstanding obligations: In MY22, funds from operations (FFO) decreased considerably to Rs. 77.1m (MY21: Rs. 681.4m) primarily as a result of lower profitability, sizable non-cash adjustments related to profit from associates and higher income tax paid. This, along with substantial increase in overall borrowings led to decline in FFO to total debt and long term debt ratios to 0.01x (MY21: 0.17x) and 0.03x (MY21: 0.25x), respectively. Similarly, debt service coverage ratio fell to 0.50x (MY21: 1.28x) on account of lower FFO, coupled with higher principal repayments and finance cost paid.

Furthermore, stock in trade amounted to Rs. 6.24b (MY22: Rs. 3.35b; MY21: Rs. 1.87b) at end-1H'MY23, mainly due to higher finished goods inventories of sugar and MDFB. Stock held for sale at end-Mar'23 amounted to 76,905 MT; meanwhile the same stood lower at 51,643 MT by the end of first week of June. Trade debts were recorded higher at Rs. 571.3m (MY21: Rs. 390.9m), out of which more than 80% were related to sugar and MDFB, while the rest largely pertained to power sales. Trade debts decreased to Rs. 298.0m showing satisfactory ageing profile as of Mar'23. Sugar is primarily sold on cash/advance basis, whereas, trade debts emanating from MDFB division are cleared within 25 to 45 days. Loans and advances largely comprised unsecured advances against purchases and services and advances made to growers. Short-term investment amounted to Rs. 153.1m (MY22: Rs. 82.5m; MY21: nil), out of which nearly half of the amount was invested in money market funds while the rest was parked in a savings account for retirement of import documents of MDFB division; the same were subsequently retired by the company in April'23. Cash and bank balances stood at Rs. 171.1m (Rs. 253.6m; MY21: Rs. 231.5m) at end-1H'MY23.

Trade and other payables increased to Rs. 1.4b (MY21: Rs. 946.4m) at end-MY22, mainly due to higher advances from customers, trade creditors and sales tax payable. Advances from customers, also included Rs. 237.5m received from SSML as advance payment against molasses sale. Trade and other payables further increased to Rs. 2.15b by the end-1H'MY23. This, along with increase in short-term borrowings led to decrease in current ratio to 0.97x (MY22: 1.07x; MY21: 1.15x). Similarly, coverage of short term borrowings via trade debts and stock in trade decreased to 1.27x (MY22: 1.48x; MY21: 1.66x), albeit remained adequate. Improvement in cash flow coverages and liquidity indicators will remain key rating sensitivities, going forward.

High leveraged capital structure: In MY22, growth in core equity remained subdued (MY22: Rs. 2.2b; MY21: Rs. 2.1b) owing to lower internal capital generation and dividend payout to the tune of Rs.102.4m (MY21: Rs. 61.4m). Meanwhile, tier-1 equity decreased to Rs. 2.08b on account of dividend payments amounting Rs. 102.4m and losses reported in 1H'MY23.

The debt profile comprised a mix of long-term and short-term financing. Long-term financing (inclusive of current portion and lease liability) stood higher at Rs. 3.06b (MY21: Rs. 2.71b) at end-MY22. The company mobilized a diminishing musharaka facilities amounting Rs. 1.1b charged at 3M KIBOR plus 1 to 1.50% with quarterly repayments. The remaining outstanding amount pertained to various DM facilities, term finance and subsidized long-term finance facilities from banks and other financial institutions. In 1H'MY23, the company mobilized an additional loan amounting Rs. 500m to fund permanent working capital of the company. The tenor of the loan is 7 years including two years of grace period. Short-term borrowings have augmented to Rs. 5.1b (MY22: Rs. 2.7b; MY21: Rs. 1.4b) due to seasonal working capital requirements. These comprised running finance/cash finance facilities charged at 3M KIBOR + 0.10% to 3M KIBOR + 0.50% and 1% over Export Refinance Rate (ERF) per annum. The aggregate limit of running/cash/export refinance is up to Rs. 2.9b. The company has also obtained Murabaha/Istisna facilities from Islamic banks at respective KIBOR +0.80% and 6M KIBOR + 0.50%. The aggregate limit of these arrangements is up to Rs. 2.5b.

Given elevated short-term borrowings and lower internal capital generation, leverage indicators have trended upwards. Debt leverage stood higher at 5.32x (MY22: 3.48x; MY21: 2.68x) while gearing has increased to 3.99x (MY22: 2.54x; MY21: 1.92x). Leverage indicators are expected to decrease by year-end on account of decline in short-term borrowings in line with lifting of the majority of the sugar stock. In addition, realization of higher profitability projected for full year and its retention is considered imperative for improving risk absorption capacity of the company.

Regulatory Matter (Update on Penalty Imposed)

The ratings have incorporated the developments in relation to penalties imposed by Competition Commission of Pakistan (CCP) on selected sugar mills and the subsequent legal proceedings initiated by the subject company. The Company has filed a petition before Lahore High Court, Lahore against the impugned order dated 13 August 2021 by the Competition Commission of Pakistan (CCP) in which a penalty of Rs. 575.0m was imposed on the Company for distorting competition in the market by sharing sensitive commercial stock information. The Lahore High Court, Lahore vide order dated 07 October 2021 suspended the impugned order and restrained the authorities from recovering any amounts from the Company till the next date of hearing. The case is currently pending adjudication.

Corporate Governance Framework: At present there are seven Board members including one female representation. On 31st Mar 2023, members of the extra ordinary general meeting elected the new Board of Directors with Mr. Muhammad Salim Ayoob and Mr. Khurram Aftab replacing Mr. Suleman Ayoob and Mr. Shamim Ahmad, respectively, as independent directors. There are two Board committees namely Audit and Human Resource and Remuneration committee. Financial statements for MY22 were audited by M/s Kreston Hyder Bhimji and Company, Chartered Accountants, which are classified in 'Category A' of SBP's Panel of Auditors. The auditors have retired and being eligible, offered their services for reappointment and the board of directors have endorsed the recommendation for their reappointment, which is awaiting approval in the annual general meeting.

Al-Noor Sugar Mills Limited Annexure I

FINANCIAL SUMMARY	*(amounts in PKR millions)*			
BALANCE SHEET	MY20	MY21	MY22	1H'MY23
Property, Plant & Equipment	4,907.0	4,839.7	4,913.9	4,984.8
Stores, Spares. And Loose Tools	424.6	491.5	544.4	558.4
Stock-in-Trade	1,181.2	1,871.5	3,351.3	6,236.3
Trade Debts	461.7	390.9	571.3	298.0
Loan and Advances	71.4	121.8	133.6	217.3
Short-term Investments	0.0	0.0	82.5	153.1
Cash and Bank Balances	387.1	231.5	253.6	171.1
Long-term Investments	747.8	729.3	944.5	1,207.9
Other Assets	526.0	424.2	494.2	538.0
Total Assets	**8,706.6**	**9,100.4**	**11,289.3**	**14,364.9**
Long-Term Borrowings *(Inc. current maturity)*	3,107.3	2,708.8	3,060.6	3,175.4
Deferred Liability-Taxation	516.1	609.6	526.9	419.8
Trade and Other Payables	1,356.0	946.4	1,424.2	2,151.1
Short-Term Borrowings	402.1	1,364.8	2,658.4	5,144.1
Other Liabilities	52.9	48.9	154.5	198.6
Total Liabilities	**5,434.4**	**5,678.6**	**7,824.7**	**11,089.0**
Paid-Up Capital	204.7	204.7	204.7	204.7
Tier-1 Equity	1,907.8	2,118.2	2,248.1	2,085.2
Total Equity	**3,272.2**	**3,421.8**	**3,464.6**	**3,275.9**
INCOME STATEMENT	MY20	MY21	MY22	1H'MY23
Net Sales	10,906.7	10,792.0	10,546.4	6,273.7
Gross Profit	1,692.3	1,704.8	1,511.5	602.6
Finance Cost	554.8	389.5	680.0	484.9
Other Income	20.3	40.9	25.6	14.3
Share of Profit from Associate	118.5	21.0	257.9	296.3
Profit Before Tax	429.6	451.2	213.3	-78.0
Profit After Tax	202.2	211.0	173.3	-86.4
FFO	500.8	681.4	77.1	-289.3
RATIO ANALYSIS	MY20	MY21	MY22	1H'MY23
Gross Margin (%)	15.5%	15.8%	14.3%	9.6%
Net Margin (%)	1.9%	2.0%	1.6%	n.m
Current Ratio (x)	1.36	1.15	1.07	0.97
Net Working Capital	797.2	445.3	347.3	-271.9
FFO to Long-Term Debt	0.16	0.25	0.03	n.m
FFO to Total Debt	0.14	0.17	0.01	n.m
Debt Servicing Coverage Ratio (x)	0.91	1.28	0.50	0.18
ROAA (%)	2.3%	2.4%	1.7%	n.m
ROAE (%)	6.3%	6.3%	5.0%	n.m
Gearing (x)	1.84	1.92	2.54	3.99
Debt Leverage (x)	2.85	2.68	3.48	5.32
Inventory + Receivable/Short-term Borrowings (x)	4.09	1.66	1.48	1.27
Net Operating Cycle (Days)	59	59	104	N/A

**Annualized*

REGULATORY DISCLOSURES — Annexure III

Name of Rated Entity	Al-Noor Sugar Mills Limited
Sector	Sugar
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
08/23/2023	A-	A-2	Negative	Maintained
06/06/2022	A-	A-2	Stable	Reaffirmed
06/30/2021	A-	A-2	Stable	Reaffirmed
03/30/2020	A-	A-2	Stable	Reaffirmed
02/27/2019	A-	A-2	Stable	Reaffirmed
11/30/2017	A-	A-2	Stable	Reaffirmed
04/27/2016	A-	A-2	Stable	Reaffirmed
12/31/2014	A-	A-2	Stable	Reaffirmed
11/25/2013	A-	A-2	Stable	Reaffirmed
08-27-2012	A-	A-2	Stable	Reaffirmed

Instrument Structure	N/A
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.
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information.

Due Diligence Meeting Conducted

Name	Designation	Date
Mr. Mumtaz Hussain	Finance Director	June 5, 2023