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APPLICABLE METHODOLOGY(IES):
VIS Entity Rating Criteria Methodology – Corporate Rating
(https://docs.vis.com.pk/docs/CorporateMethodology.pdf)
Rating Scale:
(https://docs.vis.com.pk/docs/VISRatingScales.pdf)

Rs. Million	MY23A	MY24A	9MMY25M
Net Sales	13,122.46	20,736.29	11,535.86
Profit Before Tax	478.30	371.28	175.31
Profit After Tax	295.34	-45.08	39.98
Paid up Capital	204.74	204.74	204.74
Equity (excl. Revaluation Surplus)	2,519.46	2,527.85	2,734.42
Total Debt	4,651.31	7,297.05	9,035.96
Leverage (x)	4.14	4.42	4.99
Gearing (x)	1.85	2.89	3.30
Funds From Operations (FFO)	86.04	685.13	65.47
FFO/Total Debt (x)	0.02	0.09	0.01
Net Margin (%)	2%	0%	0%

**Annualized, if required*
A - Actual Accounts
M - Management Accounts

AL-NOOR SUGAR MILLS LIMITED

Chief Executive: Mr. Noor Muhammad Zakaria

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	October 22, 2025		August 26, 2024	

RATING RATIONALE

The ratings of Al-Noor Sugar Mills Limited (ANSML) reflect its established history in sugar manufacturing, diversification in board division, and efficiencies derived from captive bagasse-based power generation and solar capacity.

The ratings also incorporate elevated financial risk indicators including high leverage along with weak coverages. The profitability has remained marginal, despite growth in revenues, mainly due to increasing cost pressures, and high finance costs. However, with liquidation of the current sugar inventory aided by favorable market dynamics and essential-demand characteristics of the product, the overall financial position including leverage indicators are expected to improve, going forward.

Moreover, ANSML benefits from association with the Al-Noor Group. Improvement in gearing and coverage profile will be necessary to support ratings.

CORPORATE PROFILE

Al-Noor Sugar Mills Limited ('ANSML' or 'the Company') was incorporated in Pakistan as a public limited company on August 08, 1969 and its shares are quoted at the Pakistan Stock Exchange Limited ('PSX'). The Company owns and operates sugar, medium density fiber ('MDF') board and power units which are located at Shahpur Jahania, District Shaheed Benazirabad and District Noushero Feroze in the Province of Sindh. The registered office of the Company is located at Sindhi Muslim Cooperative Housing Society ('SMCHS'), Karachi, Sindh. The Sugar mill occupies an area of 150.34 Acres and MDF board division occupies an area of 76.00 Acres.

GROUP STRUCTURE & SPONSOR PROFILE

The Company operates as part of the Al-Noor Group (the Group), a diversified business conglomerate with operations spanning multiple industrial sectors. The Group maintains a presence in the manufacturing of sugar, rice, ethanol, power generation, and board products. In addition to its industrial footprint, the Group has a limited presence in the financial services sector. Key entities operating under the Group umbrella include ANSML, Shahmurad Sugar Mills Limited ('SSML'), Reliance Insurance Company Limited ('RICL'), and Al-Noor Modaraba Management Limited ('ANMML'). Ample experience and track record of Al-Noor Group in Pakistan's sugar industry bode well for the rating..

GOVERNANCE

ANSML is a publicly listed entity. As of 30th September 2024 , approximately 74.18% of the company's shareholding is held by the general public, while the remaining shares are distributed among the associated companies and a mutual fund. The Board is chaired by Mr. Zia Zakaria, with executive management led by Mr. Noor Muhammad Zakaria in the capacity of Chief Executive Officer (CEO). Strategic oversight and accountability mechanisms are facilitated through the functioning of established Board-level committees, including audit, and human resource committees.

INDUSTRY PROFILE & BUSINESS RISK

Sugar

The sugar industry in Pakistan operates under a medium-risk profile influenced by seasonal production cycles, government intervention, and fluctuations in input and output prices based on crop availability as well as demand and supply mechanics for the final product. Sugarcane crushing is concentrated between November and March, requiring mills to maintain year-round inventories that expose them to price and interest rate risks. Despite a slight increase in sugarcane crushed during the 2023–24 season (67.4 MMT vs. 65.1 MMT in MY23), sugar production declined to 6.5 MMT (MY23: 6.8 MMT). The sector continues to face structural limitations due to low mechanization and underinvestment in research and development, which constrain crop yields and sucrose recovery.

Cost pressures intensified in MY24 as provincial governments implemented higher minimum support prices (MSP)—PKR 400 per 40 kg in Punjab and PKR 425 in Sindh. This particularly affected smaller mills with tighter cost margins. However, a significant policy shift is underway, with the discontinuation of MSP from the 2024–25 season. Domestic sugar consumption remains relatively inelastic, recorded around 6.4 MMT.

In ongoing 2025, total sugarcane production is estimated to have been around 80 MMT, due to a larger cultivation area of ~1,210,000 HA (2024: 1,175,000). However, due to unfavorable climatic conditions, as well as pests related issues, the quality of the crop was significantly impacted. This affected sugar production which fell to ~5.80 MMT, overall availability remained at par with domestic demand supported by carryover stocks of 0.66 MMT. However, due to this lower-than-expected production, domestic sugar prices started rising —averaging PKR 143.92/kg in MY24 (MY23: PKR 115.97/kg) and are currently ranging between PKR 165–175/kg—prompting the government to permit duty-free imports. Import volumes were scaled back to 50,000 tones as per recent reports. Most recently, the government has also attempted to cap ex-mill prices at PKR 165/kg with incremental increases until October 2025, reportedly. While the demand outlook remains stable, the industry's future performance will depend on its ability to adapt to evolving policy frameworks, manage cost pressures, and navigate regulatory scrutiny, especially regarding pricing mechanisms and export policy. Moreover, sugar production will continue to remain sensitive to crop yields and quality. In recent years, crop production has been impacted by changing and increasingly volatile weather patterns. Climate change has become an important consideration for the sugar industry in the country.

Medium Density Fiber Board (MDFB)

The business risk profile of Pakistan's Medium Density Fiber Board (MDFB) sector is assessed as Medium, reflecting balanced exposure to cyclicality, moderate competition, and cost sensitivities. Demand exhibits partial linkage to economic cycles through construction and corporate investments but remains supported by relatively stable furniture and household consumption, which softens overall cyclicality.

MDFB demand stems primarily from furniture manufacturing, interior fit-outs, and construction activity. During FY24, sector sales were constrained by a slowdown in construction as Pakistan's building industry contracted by an estimated 4.4% in real terms amid elevated costs and political uncertainty. Corporate and commercial demand, such as for office furniture and interiors, also weakened under high interest rates and subdued investments.

However, exposure to the household furniture market provides stability. MDFB's use in furniture and fixtures—cabinets, wardrobes, and panels—supports baseline demand. Purchases linked to cultural and demographic factors, such as furniture for marriages and refurbishments, tend to be less sensitive to broader economic cycles. Reflecting this, the furniture manufacturing subsector reported a ~20% YoY increase in output during FY24, offsetting part of the decline from construction-linked demand. Consequently, sector cyclicality is assessed as moderate.

The domestic MDFB industry is concentrated, with four major producers holding an aggregate installed capacity of approximately 342,000 m^3. Medium capital intensity and scale requirements create barriers to entry, as setting up a mid-sized MDF plant (~80,000 m^3 annual capacity) can cost around PKR 1.5–2.2 billion. Technical expertise and reliance on imported machinery further protect incumbents.

Nonetheless, competition arises from substitutes and imports. MDF faces substitution risk from particleboard, plywood, and, in certain applications, steel and plastic. While MDF offers specific advantages, price-sensitive buyers can shift to alternatives if MDF prices rise, limiting pricing power. Import competition, historically sourced from Thailand, Vietnam, China, and Sri Lanka, has declined due to currency constraints and import curbs, with furniture imports falling ~45% YoY in FY24. However, as trade restrictions ease, competitive pressures from imports are expected to return.

MDF production is capital- and energy-intensive, exposing profitability to fluctuations in input costs. Energy is a significant cost driver, with Pakistan's industrial electricity tariffs averaging 13.5 US cents per kWh in 2024, nearly double regional peers, while gas shortages exacerbate operational challenges. Producers have limited ability to pass on abrupt tariff hikes in a weak demand environment, pressuring margins.

Raw material availability presents another constraint. Pakistan's low forest cover necessitates reliance on farm forestry, sawmill waste, or imports. Environmental regulations restricting logging or inter-provincial timber movement could tighten domestic wood supply, increasing reliance on costlier imports. While some producers partially mitigate this risk by utilizing agricultural residues or captive plantations, such measures remain limited.

Margins remain sensitive to energy pricing policies, exchange rate volatility, and raw material availability. Any adverse movements without corresponding price adjustments heighten cost pressures.

The outlook for the MDFB sector remains consistent with its medium-risk profile. During MY2025, demand largely stabilized, supported by sustained household furniture consumption, while recovery in construction activity remained gradual. Improved cost rationalization, easing inflation, and better raw material availability contributed to maintaining steady production levels. Looking ahead, sector performance is expected to improve moderately, aided by lower interest rates, normalization of import flows, and a gradual rebound in construction-led demand, which should help strengthen margins and overall profitability.

Diversified Business Segments

The Company operates a diversified business model encompassing sugar manufacturing, MDF production, and electricity generation. The segmental revenue concentration remains tilted towards the sugar business in 9 months MY25, which contributed 99.05% (MY24: 67.14%, MY23: 51.17%) to the total gross sales. The

MDF segment only contributed 0.95% (MY24: 32.86%, MY23: 48.83%) in 9MMY25.

ANSML also operates a bagasse-based power generation facility, which supports its energy requirements for both the sugar and MDF manufacturing processes. Surplus electricity is supplied to Sukkur Electric Supply Company Limited (SEPCO), and the corresponding revenue is recognized under the other income head.

Operational Profile

Sugar Segment	Units	MY23A	MY24A	MY25A
Crushing Capacity	TPD	14,500	14,500	14,500
Crushing Period in days	Numbers	95	116	106
Cane Crushed	Tons	789,713	1,109,983	747,944
Sugar Production	Tons	79,575	119,117	71,515
Sucrose Recovery (%)	% Age	10.08%	10.73%	9.56%
Molasses Produced	Tons	36,248	49,756	39,072
Molasses Recovery Rate	% Age	4.59%	4.48%	5.22%
MDFB Segment	Units	MY23A	MY24A	9MMY25
Mande Line (Thin Sheets)				
Days In Operation	Numbers	160	160	120
Capacity Per Day	Cubic Meter	120	120	120
Total Capacity	Cubic Meter	19,200	19,200	14,400
Production	Cubic Meter	24,359	25,907	19,101
Capacity Utilization	% Age	127%	134.93%	133%-
Sunds Line (Thick Sheets)	Units	MY23A	MY24A	9MMY25
Days In Operation	Numbers	281	293	216
Capacity Per Day	Cubic Meter	122	122	122
Total Capacity	Cubic Meter	34282	35,746	26352
Production	Cubic Meter	41,869	41,605	31,632
Capacity Utilization	%	104.00%	116.39%	120.04%
Total	Units	MY23A	MY24A	9MMY25
Total Capacity	Cubic Meter	53,482	54,946	40,752
Production	Cubic Meter	66,228	67,512	50,733
Capacity Utilization	Cubic Meter	123.83%	122.87	124.49%

Sugar Segment:

In MY24, cane crushing operations recorded 1.11 million tons (MY23: 0.79 million tons), supported by improved crop availability and an extended crushing season of 116 days (MY23: 95 days). Sucrose recovery improved to 10.73% from 10.08% in MY23, resulting in sugar production of 119,177 tons compared to 79,575 tons in the prior year. In 9MMY25, cane crushed stood at 747,944 tons, reflecting a decline mainly due to water shortages as irrigation dams reached critically low levels. Also the prolonged hot and dry conditions increased cane fiber content, reducing sucrose recovery to 9.56% (MY24: 10.73%). This resulted in sugar production of

71,515 tons. Molasses output also fell to 39,072 tons from 49,756 tons in MY24, in line with the reduced cane volumes.

MDFB Segment:

The MDF board division operated both its thin and thick sheet lines during MY24 and 9M MY25. On the Mande Line (thin sheets), production was recorded at 25,907 m^3 in MY24 compared to 24,359 m^3 in MY23, with capacity utilization improving to 135% (MY24) from 127% (MY23). In 9M MY25, production stood at 19,101 m^3, reflecting a utilization of 133%.

On the Sunds Line (thick sheets), production amounted to 41,605 m^3 in MY24 versus 41,869 m^3 in MY23, translating into a utilization rate of 116% (MY24) compared to 104% (MY23). During 9M MY25, production was reported at 31,632 m^3, with utilization of 120%.

Cumulatively, the MDF segment achieved a production level of 67,512 m^3 in MY24 against 66,228 m^3 in MY23, while 9M MY25 output was 50,733 m^3. Capacity utilization remained strong at 123% in MY24 and 124% in 9M MY25, reflecting consistently efficient operations across both lines.

Power requirements of the MDF plant are primarily met through bagasse supplied by the sugar division, supplemented by a 6 MW solar plant. Raw material feedstock in the form of wood chips is secured through commercial cultivation with partner growers. The segment also relies on imported inputs, including raw sheets for super gloss boards, adhesives/chemicals, and paper overlays. Import risk is mitigated by the Group's strong foreign exchange inflows from Shahmurad Sugar's ethanol exports, which have ensured uninterrupted access to import permissions.

FINANCIAL RISK

Profitability Profile

Net sales were reported at PKR 20.7 billion in MY24 (MY23: PKR 13.1 billion). Gross profit stood at PKR 3.4 billion, reflecting a gross margin of 16.6% (MY23: 16.0%). Operating expenses rose sharply during the year, with distribution costs increasing by 228% and administrative expenses rising by 19.1%, significantly eroding operating profitability despite higher revenues. Consequently, the operating margin declined to 10.6% (MY23: 13.0%). Finance costs increased to PKR 1.8 billion (MY23: PKR 1.2 billion) due to higher short-term borrowings and elevated policy rates. After accounting for levies and taxation of PKR 416 million, the company reported a net loss of PKR 45 million (MY23: PKR 295 million profit).

For 9M MY25, net sales amounted to PKR 11.5 billion, while gross profit was PKR 1.7 billion, translating to a gross margin of 14.7%. Elevated cost pressures continued to constrain gross profitability. Operating profit declined to PKR 1.0 billion with operating margin of 8.7%. Finance costs stood at PKR 0.8 billion, and the company recorded a net profit of PKR 40 million, representing a net margin of 0.3% for the period.

Sugar Division

In MY24, the sugar division accounted for ~67% of revenues, amounting to Rs. 14.0 billion (MY23: Rs. 6.8 billion). Crushing volumes increased to 1.11m MT with a recovery rate of 10.7%, compared to 0.79m MT at 10.1% in MY23. Segment operating profit was Rs. 1.76 billion, translating into an operating margin of 12.6% (MY23: 13.5%). In 9M-MY25, divisional revenues were Rs. 7.6 billion with operating profit of Rs. 0.7 billion (~9–10% margin), reflecting lower crushing of 0.75m MT and a reduced recovery rate of 9.6%. The segment's trend mirrored the broader industry in Sindh, with strong recoveries in MY24 followed by weaker recoveries and constrained cane supply in MY25.

MDF Board Division

In MY24, the MDF division contributed ~33% of revenues, amounting to Rs. 6.8 billion (MY23: Rs. 5.7 billion). Utilization across thin and thick sheet lines remained above 120%. Segment operating profit was Rs. 379 million, translating into an operating margin of 5.6% (MY23: 4.6%). Margins remained modest due to reliance on imported raw materials and resins, which are partly financed through short-term borrowings. In 9M-MY25, MDF revenues were Rs. 3.9 billion with operating profit of Rs. 0.3 billion, maintaining margins at 5–6%, supported by contained input costs and high utilization levels.

Capital Structure

By end-MY24, ANSML's capitalization metrics deteriorated, with the gearing ratio increasing to 2.89x (MY23: 1.85x) and the leverage ratio rising to 4.42x (MY23: 4.14x). The increase was primarily driven by higher utilization of short-term borrowings to address working capital requirements stemming from operational pressures.

In 9MMY25, the Company's capital structure further weakened, with the gearing ratio rising to 3.30x and the leverage ratio increasing to 4.99x. The elevation in capitalization metrics was primarily due to increased borrowings undertaken to finance working capital requirements during and after the crushing season.

Coverage & Liquidity:

Coverage indicators remained weak during the review period. The debt service coverage ratio (DSCR) improved to 1.04x in FY24 (FY23: 0.57x) on the back of higher operating cash flows but declined to 0.74x in 9MFY25 due to lower FFO and higher debt servicing. The company's current ratio remained below 1.0x, recorded at 0.95x at end-FY24 and 0.97x at end-9MFY25. While DSCR is low, the company has funding sources to meet near-term obligations.

Financial Summary

Balance Sheet (PKR Millions)	MY23A	MY24A	9MMY25M	MY25P	MY26P
Property, plant and equipment	9,658.82	9,353.10	9,084.12	9,010.81	8,841.40
Right-of-use Assets	19.36	11.60	0.00	11.60	11.60
Intangible Assets	0.84	1.51	1.56	1.51	1.51
Long-term Investments	2,160.11	1,832.53	1,911.35	1,832.53	1,832.53
Stock-in-trade	4,254.52	4,533.25	7,364.46	4,271.27	4,484.84
Trade debts	405.29	600.56	318.70	568.65	597.08
Short-term Investments	102.89	3.23	25.03	24.60	28.88
Cash & Bank Balances	179.36	503.46	529.00	192.03	225.45
Other Assets	1,332.24	1,364.07	1,466.41	774.79	774.79
Total Assets	18,113.43	18,203.31	20,700.63	16,687.79	16,623.02
Creditors	927.04	594.92	196.86	797.12	836.98
Long-term Debt (incl. current portion)	2,746.29	2,199.01	2,102.56	1,739.09	1,279.17
Short-Term Borrowings	1,905.02	5,098.04	6,933.40	3,712.67	3,541.50
Total Debt	4,651.31	7,297.05	9,035.96	5,451.76	4,820.67
Other Liabilities	4,851.11	3,288.85	4,405.35	3,288.85	3,288.85
Total Liabilities	10,429.46	11,180.82	13,638.17	9,537.73	8,946.50
Paid up Capital	204.74	204.74	204.74	204.74	204.74
Revenue Reserve	2,314.72	2,323.11	2,529.68	2,450.69	3,230.79
				0.00	0.00
				0.00	0.00
Equity (excl. Revaluation Surplus)	2,519.46	2,527.85	2,734.42	2,655.43	3,435.53

Income Statement (PKR Millions)	MY23A	MY24A	9MMY25M	FY25P	FY26P
Net Sales	13,122.46	20,736.29	11,535.86	18,455.30	19,378.06
Gross Profit	2,100.18	3,434.68	1,697.30	2,883.85	3,028.04
Operating Profit	1,709.85	2,214.25	1,001.11	1,257.60	1,692.43
Finance Costs	1,231.55	1,842.97	777.90	913.52	422.12
Profit Before Tax	478.30	371.28	175.31	344.08	1,289.43
Profit After Tax	295.34	-45.08	39.98	127.58	713.23

Ratio Analysis	MY23A	MY24A	9MMY25M	FY25P	FY26P
Gross Margin (%)	16.00%	16.56%	14.71%	15.63%	15.63%
Operating Margin (%)	13.03%	10.68%	8.68%	6.81%	9.14%
Net Margin (%)	2.25%	-0.22%	0.35%	0.69%	3.85%
Funds from Operation (FFO) (PKR Millions)	86.04	685.13	65.47	669.87	1,261.56
FFO to Total Debt* (%)	1.85%	9.39%	0.97%	12.29%	27.41%
FFO to Long Term Debt* (%)	3.13%	31.16%	4.15%	38.52%	98.62%
Gearing (x)	1.85	2.89	3.30	2.05	1.34
Leverage (x)	4.14	4.42	4.99	3.59	2.53
Debt Servicing Coverage Ratio* (x)	0.57	1.04	0.74	1.15	1.93
Current Ratio (x)	0.93	0.95	0.97	0.95	1.02
(Stock in trade + trade debts) / STD (x)	2.79	1.12	1.20	1.30	1.43
Return on Average Assets* (%)	2.01%	-0.25%	0.27%	0.73%	4.30%
Return on Average Equity* (%)	12.32%	-1.79%	2.03%	4.92%	23.16%
Cash Conversion Cycle (days)	116.73	85.49	165.41	98.44	90.47

**Annualized, if required*

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES	Annexure II
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 Watch	Rating Action
RATING TYPE: ENTITY				
10-22-2025	A-	A2	Stable	Reaffirmed
08-26-2024	A-	A2	Stable	Reaffirmed
08-23-2023	A-	A2	Stable	Reaffirmed
06-06-2022	A-	A2	Stable	Reaffirmed
06-30-2021	A-	A2	Stable	Reaffirmed
03-30-2020	A-	A2	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.
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Due Diligence Meetings Conducted	

Name	Designation	Date
Mumtaz Hussain	Finance Director	07/30/25