AL-NOOR 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	November 25, 2026		October 22, 2025	

Shareholding (5% or More)	Other Information
Noori Trading Corp. (Pvt) Ltd – 9.16%	Incorporated in 1969
Shahmurad Sugar Mills Limited – 9.03%	Public Listed Company
CDC Trustee National Investment (Unit) Trust – 5.43%	Chief Executive: Mr. Noor Mohammad Zakaria
Mr. Noor Mohammad Zakaria – 5.43%	External Auditor: Kreston Hyder Bhimji & Co.
MS. Munifa – 5.06%	

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/Methodologies-2026/Corporate-Rating-2026.pdf

Rating Scale

https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

Al-Noor Sugar Mills Limited (ANSML) has a longstanding operational history and is associated with the Al-Noor Group which has a diversified business interest across multiple sectors. The ratings, therefore, reflect ANSML's established presence in the sugar industry, diversification through its fiber board segment, and efficiencies derived from in house captive power plant. The ratings also take into account the improvement in profitability during MY25, supported by lower finance cost, recovery in topline and production recovery during 3QMY26. However, the financial risk profile remains constrained by elevated leverage and weak debt coverages, while profitability continues to be susceptible to cost pressures inherent in the sugar industry. Going forward, sustained improvement in profitability, alongside strengthening of capitalization and debt coverage indicators, will remain important to support the ratings.

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Company Profile

Al-Noor Sugar Mills Ltd ('ANSML' or 'the Company') is a public listed company (PSX: ALNRS) incorporated in 1969. The registered office of the Company is located in Karachi. ANSML owns and operates sugar, medium density fiber ('MDF') board and power units which are located in Shahpur Jahania, District Shaheed Benazirabad and District Noushero Feroze in the Province of Sindh. The Sugar mill occupies an area of 148.05 Acres and MDF board division occupies an area of 57.075 Acres.

Group Profile:

The Company is part of 'Al-Noor Group', a diversified conglomerate with operations spanning across multiple sectors including sugar, rice, ethanol, power generation and board products. Moreover, in addition to its industrial footprint, the Group also has a limited presence in the financial services sector. Key entities within the group include Al-Noor Sugar Mills Ltd, Shahmurad Sugar Mills Limited, Reliance Insurance Company Limited and Al Noor Modaraba Management Limited.

Management and Governance

Noor Mohammad Zakaria is the CEO of the Company with over 45 years of diversified Trading and Industrial experience in Sugar and Allied Industries. ANSML's Board comprises seven directors, including two independent, three non-executive and two executive directors, and held four meetings during MY25. The Company is managed by an experienced senior management team, with oversight from the Board and its committees.

The financial statements of the Company have been audited by Kreston Hyder Bhimji & Co. Chartered Accountants. The auditor has issued an unqualified opinion on MY25 accounts. Key audit matters pertaining to borrowings and recognition of revenue have been highlighted.

Business Risk

INDUSTRY UPDATE

SUGAR

The business risk profile of Pakistan's sugar industry remains medium, reflecting structural seasonality, regulatory sensitivity, and persistent cost pressures. During MY25, national sugar production declined to 5.77 MMT from 6.8 MMT in the preceding year, primarily due to lower sucrose recovery and adverse weather conditions. The sector was further affected by inconsistent government export policies, which contributed to domestic supply constraints and a surge in retail prices to PKR 165–180/kg during mid-2025. Policy risk remains elevated following the removal of the minimum support price under reforms introduced as part of the IMF program, increasing market exposure for both growers and mills.

During MY26, sugar production recovered significantly to approximately 7.7 MMT, supported by improved cane availability and recovery rates. However, output exceeded domestic consumption of approximately 6.6 MMT, resulting in a substantial surplus and inventory accumulation. The resulting pressure on sugar prices, which remained below production costs, has adversely affected industry margins and working capital positions. Going forward, regulatory uncertainty, elevated input costs and the industry's high working-capital requirements will continue to constrain its business risk profile, despite improved production prospects and stable domestic demand.

MEDIUM DENSITY FIBREBOARD (MDFB)

The business risk profile of Pakistan's Medium Density Fibreboard (MDFB) sector is assessed as Medium, reflecting balanced exposure to economic cyclicality, moderate competition and cost sensitivities. Demand is primarily driven by furniture manufacturing, interior fit-outs and construction activity, with some resilience provided by recurring household demand for furniture and renovation-related products.

During FY25, construction activity recorded a recovery, with the sector growing by 8.77%, although private construction remained relatively subdued amid elevated construction costs and taxes on property transactions. This was also reflected in weak furniture manufacturing activity, with the furniture segment recording a significant contraction in production during 9MFY25, indicating continued pressure on consumer demand and corporate investment. However, during FY26, the operating environment improved, supported by a further 5.73% growth in the construction sector. Furniture manufacturing also showed signs of recovery, with production increasing by 20.45% during 9MFY26, reflecting improved activity across the sector. Nevertheless, demand remains sensitive to household purchasing power, construction activity and business investment, while the fragmented nature of the furniture market and reliance on imported raw materials continue to expose manufacturers to competitive and input-cost pressures.

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Operational Performance

ANSML has an installed sugarcane crushing capacity of 14,500 TPD. Capacity utilization has historically remained around 55 –60%, but declined to approximately 49% in MY25, primarily due to lower cane availability. During MY25, sugarcane crushing declined by 33% YoY to 747,944 MT (MY24: 1.1Mn MT), resulting in a 40% decline in sugar production to 71,515 MT (MY24: 119,117 MT). The lower output was attributable to reduced availability and inferior quality of sugarcane, which also led to a decline in the sugar recovery rate to 9.56% (MY24: 10.73%). During 3QMY26, sugar production recovered reaching 90,853 MT, with the recovery rate improving to 10.3%.

The MDF Board division comprises two production lines: Mande, which manufactures thinner boards, and Sunds, which produces thicker boards. The division has a combined installed capacity of 54,824 cubic meters while production is scheduled in line with market demand. During MY25, MDF board production declined modestly to 63,867 cubic meters (MY24: 67,512 cubic meters), reflecting softer market demand. Performance remained broadly stable during 3QMY26. The Company is also involved in trading of MDF board, imported mainly from Malaysia.

The Company also operates an in-house captive bagasse-based power generation facility, which meets its internal energy requirements and provides cost efficiencies.

SUGAR SEGMENT	Units	MY23A	MY24A	MY25A	3Q MY26
Crushing Capacity	TPD	14,500	14,500	14,500	14,500
Crushing Period in days	Days	95	116	106	106
Cane Crushed	Tons	789,713	1,109,983	747,944	886,406
Sugar Production	Tons	79,575	119,117	71,515	90,853
Sucrose Recovery Rate	%	10.1%	10.7%	9.6%	10.3%
Molasses Produced	Tons	36,248	49,756	39,072	45,580
Molasses Recovery Rate	%	4.6%	4.5%	5.2%	5.2%
MDFB SEGMENT					
Mande Line (Thin Sheets)	**Units**	**MY23A**	**MY24A**	**MY25A**	**3Q MY26**
Days In Operation	Days	160	160	160	110
Capacity Per Day	CM	120	120	120	120
Capacity	CM	19,200	19,200	19,200	13,200
Production	CM	24,359	25,907	21,695	16,310
Capacity Utilization	%	126.9%	134.9%	113.0%	123.6%
Sunds Line (Thick Sheets)	**Units**	**MY23A**	**MY24A**	**MY25A**	**3Q MY26**
Days In Operation	Days	281	293	292	146
Capacity Per Day	CM	122	122	122	122
Capacity	CM	34,282	35,746	35,624	17,812
Production	CM	41,869	41,605	42,172	19,923
Capacity Utilization	%	122.1%	116.4%	118.4%	111.9%
Total MDF Segment	**Units**	**MY23A**	**MY24A**	**MY25A**	**3Q MY26**
Total Capacity	CM	53,482	54,946	54,824	31,012
Total Production	CM	66,228	67,512	63,867	36,233
Capacity Utilization	%	123.8%	122.9%	116.5%	116.8%

PROFITABILITY

ANSML reported a 14% YoY decline in revenue to PKR 17.9Bn in MY25 (MY24: PKR 20.7Bn), primarily reflecting lower sugar production amid reduced cane availability and a decline in sugar recovery rates. The MDF Board division contributed positively, with production of 63,867 cubic meters and sales remaining relatively stable. Consequently, the revenue mix comprised 63% from sugar and 37% from MDF. Nominal contribution was made from power sales to Sukkur Electric Supply Company reported at PKR 8.6Mn (MY24: PKR 16.5Mn).

Despite lower overall sugar sales, export revenue increased to PKR 687Mn (MY24: PKR 191Mn), due to a higher government-allotted quota for sugar export, which was primarily made to Afghanistan. Overall gross margin moderated to 13.1% in MY25 (MY24: 16.6%), reflecting lower production volumes and higher sugarcane cost following deregulation of sugarcane prices. During the period, sugar segment's operating margin

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contracted to 5.7% (MY24: 11.1%), while the MDF division also recorded some moderation in margins, nevertheless, providing support to the overall operating performance.

ANSML reported a net profit of PKR 107Mn in MY25, compared to a net loss of PKR 45Mn in MY24. This improvement was primarily supported by a lower tax incidence and reduced finance cost, following a decline in total debt during the period.

During 3QMY26, the Company recorded revenue of PKR 10.5Bn, with the MDF division contributing 47% and the sugar division 53% to the revenue mix. The higher contribution from the MDF segment supported an improvement in gross margin to 16.3%. Operating margin and PBT margin also improved to 8.4% and 2.2%, respectively. However, net margin moderated to 0.3%, primarily due to a higher effective tax rate during this period.

Going forward, management expects sugarcane availability to improve in the upcoming crushing season, supported by timely payments to growers during the current season, favorable weather conditions, and improved irrigation water availability. Meanwhile, MDF division is expected to sustain its performance with its products having sustained demand in the domestic market.

Financial Risk

CAPITAL STRUCTURE

ANSML's capital structure remains highly leveraged, although gearing and leverage improved to 1.88x and 3.21x, respectively, at end-MY25 (MY24: 2.89x and 4.43x). The improvement was primarily attributable to lower short-term borrowings, in line with reduced inventory requirements during the period. However, by end-3QMY26, gearing and leverage increased sharply to 3.6x and 5.0x, respectively, reflecting the seasonal buildup in inventory and the corresponding increase in short and long-term debt. Management has availed long term financing to provide greater flexibility in meeting the Company's working capital requirements through the sugar production and sale cycle.

DEBT COVERAGE & LIQUIDITY

The Company's liquidity profile and debt coverage indicators remain constrained. Current ratio has generally remained below 1.0x, although improving to 1.15x by end-3QMY26, supported by higher inventory levels, partly financed through long-term borrowings. The cash conversion cycle increased from 67 days at end-MY25 to 254 days by 3QMY26, primarily reflecting the long holding period of inventory, while receivable and payable periods are short, in line domestic sugar industry dynamics.

Debt coverage indicators also remain weak, although some improvement was witnessed during 3QMY26. DSCR stood at 0.86x in MY25 before improving to 1.14x at the end of 3QMY26. Similarly, FFO to total debt rose from 0.04x to 0.08x over the same period, albeit remaining weak. Short-term debt coverage remained adequate at 1.24x.

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FINANCIAL SUMMARY *(amounts in PKR millions)* *Appendix I*

BALANCE SHEET	MY22 A	MY23 A	MY24 A	MY25 A	3Q MY26 M
Property, plant and equipment	4,914	9,659	9,353	9,134	8,917
Long term investments	941	2,160	1,833	1,930	1,991
Stock in Trade	3,351	4,255	4,533	3,164	8,694
Trade debts	571	405	601	202	55
Short term investments	82	103	3	3	3
Cash and bank balance	254	179	503	452	666
Total Assets	11,286	18,113	18,203	16,305	21,904
Long term debt (inc. current portion)	3,061	2,746	2,199	2,439	3,614
Short term debt	2,658	1,905	5,098	2,936	7,067
Total debt	5,719	4,651	7,297	5,376	10,680
Trade and other payables	1,424	3,665	1,428	1,606	1,749
Paid up Capital	205	205	205	205	205
General Reserve	1,000	1,000	1,000	1,000	1,000
Unappropriated reserve	1,071	1,315	1,323	1,652	1,760
Surplus on revaluation of PPE	1,188	5,167	4,497	4,294	4,132
Total Equity	3,461	7,684	7,022	7,150	7,096
Tier-1 Equity	2,271	2,514	2,523	2,854	2,962
INCOME STATEMENT	**MY22 A**	**MY23 A**	**MY24 A**	**MY25 A**	**3Q MY26 M**
Net Sales	10,546	13,122	20,736	17,916	10,498
Gross Profit	1,512	2,100	3,435	2,345	1,707
Operating Profit	635	1,112	2,206	1,171	878
Finance Costs	(680)	(1,232)	(1,843)	(992)	(732)
Profit Before Tax	213	478	371	321	228
Profit After Tax	173	295	(45)	107	27
RATIO ANALYSIS	**MY22 A**	**MY23 A**	**MY24 A**	**MY25 A**	**3Q MY26 M**
Gross Margin	14.3%	16.0%	16.6%	13.1%	16.3%
Operating Margin	6.0%	8.5%	10.6%	6.5%	8.4%
Net Margin	1.6%	2.3%	-0.2%	0.6%	0.3%
Funds from Operation (FFO)*	78	66	685	200	804
FFO to Total Debt (x)*	0.01	0.01	0.09	0.04	0.08
FFO to Long Term Debt (x)*	0.03	0.02	0.31	0.08	0.22
Gearing (x)	2.52	1.85	2.89	1.88	3.61
Leverage (x)	3.45	4.15	4.43	3.21	5.00
Debt Servicing Coverage Ratio (x)*	0.43	0.57	1.04	0.86	1.14
Current Ratio (x)	1.07	0.93	0.95	0.98	1.15
STD Coverage (x)	1.48	2.45	1.01	1.15	1.24
Return on Average Assets*	1.5%	2.0%	-0.2%	0.6%	0.2%
Return on Average Equity*	7.6%	12.3%	-1.8%	4.0%	1.2%
Cash Conversion Cycle (days)*	137	121	94	67	254

A - Actual Accounts
M - Management Accounts
(*) Annualized

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REGULATORY DISCLOSURES						Appendix 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	Outlook / Rating Watch	Rating Action	
	RATING TYPE: ENTITY					
	25-11-2026	A-	A2	Stable	Reaffirmed	
	22-10-2025	A-	A2	Stable	Reaffirmed	
	26-08-2024	A-	A2	Stable	Maintained	
	08-23-2023	A-	A2	Negative	Maintained	
	06-06-2022	A-	A2	Stable	Reaffirmed	
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	S.No.	Name	Designation	Date		
	1.	Mr. Mumtaz Hussain	Director Finance	04-Nov-26		

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