RATING REPORT

Chashma Sugar Mills Limited

REPORT DATE:
6th Nov'2023

RATING ANALYST:

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RATING DETAILS				
Rating Category	**Latest Rating**		**Previous Rating**	
	Long-term	**Short-term**	**Long-term**	**Short-term**
Entity	A-	A-2	A-	A-2
Rating Outlook	*Stable*		*Stable*	
Rating Date	*6th Nov' 2023*		*28th Oct' 2022*	

COMPANY INFORMATION	
Incorporated in 1988	**External auditors:** M/s. A.F. Ferguson & Co. Chartered Accountants.
Public Limited Company	**Chairman of the Board:** Mr. Abbas Sarfaraz Khan
	Chief Executive Officer: Begum Laila Sarfaraz
Key Shareholders (with stake 5% or more):	
Associated Companies, undertakings and related parties ~ 66.66%	
Directors & Relatives ~19.92%	
Individuals ~9.37%	

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

Chashma Sugar Mills Limited

OVERVIEW OF THE INSTITUTION

CSML was incorporated in May 1988 as a public company, under the repealed Companies Ordinance 1984 (now the Companies Act, 2017). The company is engaged in production and sale of white crystalline sugar and other allied products. The head office of the company is situated in Islamabad, while manufacturing facilities are located at Dera Ismail Khan, KP.

Financial Snapshot

Tier-1 Equity: end-MY23: Rs. 6.1b; end-MY22: Rs. 3.5b; end-MY21: Rs. 3.6b.

Assets: end-MY23: Rs. 25.0b; end-MY22: Rs.24.9b; end-MY21: Rs 16.97b.

Net Profit: MY23: Rs. 1.3b; MY22: Rs. 43..5m, MY21: Rs. 1.3b

RATING RATIONALE

Chashma Sugar Mills Limited (the Company) was incorporated in Pakistan on May 05, 1988 as a Public Limited Company. The Company is a subsidiary of The Premier Sugar Mills and Distillery Company Limited. The group companies associated with it have diversified interests spanning sugar, ethanol, high-grade polypropylene, real estate and distribution of consumer goods and bulk storage of agriculture produce. In October 2023, Ultimate Whole Foods (Pvt.) Limited (UWFL), a subsidiary company of CSML, has commenced commercial operations. UWFL is primarily involved in milling wheat, gram, other grains, allied products and by-products from flours.

Business Risk & Sector Update: Pakistan is the seventh-largest producer and the fifth-largest consumer of sugar. The sector has strategic importance due to linkages with national food security, rural economy, and agricultural growth. Sugar production contributes 0.8% to GDP and 3.7% to agriculture's value addition. 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%). 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. 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.

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 PSMA, 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. In addition, 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 in the outgoing year. On aggregate, direct losses from rice, cotton, and sugarcane were USD 1.30b (rice: USD 543m, cotton: USD 485m, and sugarcane: USD 273m).

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. allowed 250,000 tons of sugar in MY23. Sugar prices remained relatively low throughout the 2022-23 crushing season. However, following the season's conclusion, sugar prices experienced a noticeable increase in line with inflationary pressures. While this uptick may have positively impacted the gross profitability of companies, those with a heavily leveraged capital structure are likely to face challenges due to elevated interest rates, potentially affecting their bottom line.

Production Update

Sugar Division

During the period under review production capacity of sugar division remained unchanged at 18,000 tpd. The crushing season of 2022-23 for Unit-I & Unit-II started on Nov 28th, 2022, and concluded on Mar 14 and Mar 10, 2023 respectively, lasting a total of 106 days (2021-22: 129 days). Despite the shorter duration, sugarcane crushed was reported higher at 1.96m MT (2021-22: 1.89m MT; 2020-21: 1.47m MT) due to the recent BMR (Balancing, Modernization and Replacement) efforts, which has enhanced the overall capacity utilization of the mill. The company has invested Rs. 1.2b over a period of two year on BMR, which mainly pertained to replacement of existing roller of "40x80" with new roller of "42x84" to optimize crushing capacity, upgradation of boiler house, installation of falling film evaporator, and various other automations to enhance efficiency. The replacement of roller has improved extraction by reducing total losses of residual bagasse and enabled the mill to achieve better recovery rate. The BMR also resulted in improved consumption ratio of steam and yielded bagasse savings in MY23. As a result of the extensive BMR and quality of crop, average sucrose recovery rate also improved to 10.79% (2021-22: 10.34%; 2020-21: 9.92%), with higher sugar production of 211,871.2 MT (2021-22: 195,219.05 MT; 2020-21: 145,987.00 MT). Similarly, molasses production was recorded higher at 83,855 MT (2021-22: 82,066 MT; 2020-21: 62,826 MT) despite some decrease in recovery rate to 4.27% (2021-22: 4.36%; 2020-21: 4.29%). A snapshot of production related information of sugar segment is tabulated below:

Crushing Season	2020-21	2021-22	2022-23
Crushing Capacity – tpd	18,000	18,000	18,000
Cane Crushed	1,468,505	1,885,437	1,963,169
Crushing Days	104	129	106
Capacity Utilization – %	78.4%	81.2%	102.9%
Sucrose Recovery – %	9.92%	10.34%	10.79%
Sugar Produced – tons	145,987.00	195,219.05	211,871.20
Molasses Produced-Tons	62,826	82,066	83,855
Molasses Recovery Rate	4.29%	4.36%	4.27%

Ethanol Division

CSML's ethanol production facility operates at nearly full capacity, with a daily production capability of 125,000 liters. The ethanol produced is mainly exported to Europe and Middle East while only 1% to 2% of the total produce is consumed locally. The in-house molasses production meets around 40% of the overall raw material requirement for ethanol production, while the remaining is procured from the open market. The average procurement rate of molasses was recorded higher at Rs. 24,860/MT (MY22: Rs. 19,113/MT) for MY23. As per the management, the company produced approximately 42.4m liters (MY22: 40.9m liters) of ethanol in the MY23. Moreover, given its flammability, ethanol is a high-risk commodity and thus cannot be stored for long; hence it is exported regularly.

	MY'21	MY'22	MY23
Ethanol Capacity (LPD)	125,000	125,000	125,000
Number of Distillation Days	353	330	260
Total Ethanol Produced (Liter)	44,099,770	40,933,660	32,111,520
Ethanol Produced Per Day (Liter)	124,929	124,041	123,505
Capacity Utilization	99.9%	99.2%	98.8%

Long-Term Investments: CSML has invested in the following projects over the past few years:

Real Estate Project is related to a commercial plot purchased in Blue Area, Islamabad with cost of Rs. 2.5 billion, with an intent to construct a multistory corporate tower. Nearly three-fourth of the expenditure on land acquisition has been financed through long-term borrowings in MY22. The company plans to either sell or rent these corporate offices upon completion.

As per management, blue prints of the project have already been prepared by renowned architectural firm. However, the company may not be able to start the construction according to expected timeline, owing to unfavorable economic circumstances. Whereas necessary work like approval of maps is currently in process.

Ultimate Whole Food: As of Sep 30, 2023, total equity invested by CSML in this project amounted to Rs. 504.0m (MY22: Rs. 204.0m). Ultimate Whole Foods Pvt Ltd. (UWFL), incorporated in May 2017, is located in the vicinity of Ethanol Fuel Plant (CSM-II). The main activities of the UWFL include milling wheat, gram, other grains, allied products and by-products from flours. Total paid up capital of UWFL is Rs. 700.0m out of which 72% (MY22: 51%) is contributed by CSML while the remaining Rs. 196.0m was contributed by the directors of the aforesaid new subsidiary. UWFL has also mobilized a loan for the same amounting to Rs. 1.96b. The project has been completed with a total cost of Rs. 2.86b while it has recently started commercial operations in Oct'23. The project is expected to generate a profit of around Rs. 500m. Further, UWFL's power requirement of 1 MW has been met through surplus output of newly installed high-pressure power plant of CSM-II. The estimated sale of electricity supply to UWFL is estimated around Rs.200m.

Whole Food (private) Limited (WFL): CSML holds 100% stake in WFL, with an investment of Rs. 100m (at cost) as of Jun 30, 2023 (MY22 & MY21: Rs. 100m). In addition, CSML has also provided an interest free, subordinated loan to its subsidiary company to the tune of Rs. 240m (MY21: Rs. 246.2m) reported at amortized cost. WFL was incorporated in Oct'17 and is primarily involved in setup and supervision of storage facilities for agriculture produce. WFL has established wheat silos in Layyah and Bhakkar, having storage capacity of 20,000 tons for the purpose of earning rental income from governmental contracts. In MY22, management conducted an evaluation of the investment in WFL for impairment, in accordance with the criteria outlined in IAS 36, which is applicable to non-current assets. The triggering events taken into account encompassed the failure to commence operations as initially envisioned in the agreement between Punjab Foods Department, GoPb, and WFL. Additionally, various alternatives for utilizing storage operations were considered during this assessment. Meanwhile, no final timeline about the project becoming operational has been finalized yet.

Revenue and Profitability: During MY22, net sales were recorded higher at Rs. 17.1b (MY21: Rs. 16.04b). Around 26% of the net sales emanated from exporting ethanol, largely directed towards Spain and United Kingdom. Despite ~11% increase in volumetric sales, revenues from sugar sales was reported lower on account of subdued average sugar prices. On the other hand, ethanol sales remained largely stable at Rs. 4.9b (MY21: Rs. 4.8b) as higher average prices compensated the decrease in quantity sold. Sales amounting Rs. 1.1b constituted proceeds from sale of by-products. The breakdown of sugar and ethanol sales is tabulated below:

Sugar Division	MY'21	MY'22	MY23
Sugar Sold (MT)	148,718.0	165,634.6	198,895
Sugar Price (MT)	73,850.0	67,247	86,837
Ethanol Sold (Million Liters)	42.3	40.4	42.0
Ethanol Price/Liter	113	129	201

As a result of improved sucrose recovery rates, streamlined cost of sales and favorable ethanol prices, gross margins improved to 16.8% (MY21: 13.3%) during MY22. In addition, The company was able to procure sugarcane at lower average rates of Rs. 237.9/maund vis-à-vis Rs. 252.3/maund in preceding year, primarily on account of higher cane availability. Operating expenses, on the other hand, largely kept pace with inflationary pressures. Net impairment losses on financial assets were recorded at Rs. 34.1m (MY21: Rs. 81.0m) while other expenses, largely including workers' profit participation and workers welfare contributions amounted to Rs. 37.2m (MY21: Rs. 30.2m). During MY22, other income was recorded at Rs. 67.0m (MY21: Rs. 64.4m). These included gain on de-recognition on rights of use assets. Finance cost incurred increased almost two-folds to Rs. 1.1b (MY21: Rs. 656.3m), primarily due to increase in overall borrowings level coupled with higher markup rates. Resultantly, net profit was recorded lower at Rs. 43.5m (MY21: Rs. 310.4m), with net margins at 0.3% (MY21: 1.9%).

According to provisional numbers for MY23, the year concluded with a YoY growth of around 55% in topline, amounting to Rs. 26.4b. The sugar segment contributed ~70% while the rest pertained to ethanol contribution in the sales mix. The growth is largely driven by higher sugar inventory offtake of ~199K tons, along with nearly 29% increase in average sugar prices in the outgoing year. The company has also exported allocated quota of 7,128 MT of sugar in MY23. Additionally, revenue growth in ethanol was largely supported by favorable rates due to demand dynamics. This, along with higher sucrose recovery rates led to significant improvement in gross margins to 22.3%, despite the fact that sugarcane was procured at a higher average rate of Rs. 309.81/maund. Sugar prices were consistently under pressure throughout the outgoing crushing season. However, there was a significant surge after the season's conclusion, primarily in line with inflationary trends. Furthermore, average ethanol prices rose sharply in the ongoing year on account of competitiveness of local players amid massive currency devaluation. Resultantly, despite augmentation in finance cost, the company posted higher net profitability amounting Rs. 1.3b, yielding net margins of 4.4%.

The crushing season 2023-24 is expected to start in mid-November, however, cabinet approval is awaited on the same. Retail sugar prices, while remaining relatively elevated, have recently exhibited a downward trend due to government initiatives aimed at reducing smuggling across the Afghan border. Meanwhile, given higher indicative prices (i.e., Rs. 425/maund) of sugarcane for the upcoming crushing season and lower available sugar stocks in the country, it is expected that sugar prices will increase, going forward. In addition, the company would also benefit from efficiency gains from recent BMR. Furthermore, incremental income from sale of power to UWFL coupled with dividend income, is also projected to support bottom line, going forward. However, MY24 is anticipated to be yet another challenging for various industries due to the escalating socio-political instability and macroeconomic hurdles.

Liquidity Profile: Funds from operations (FFO) amounted to Rs. 1.8b (MY22: Rs. 1.8b; MY21: Rs. 1.3b) in 9M'MY23 mainly on the back of positive difference between finance cost incurred and paid along with higher non-cash adjustments. However, due to elevated short-term borrowings, FFO to total-debt decreased to 0.15x (MY22: 0.19x, MY21: 0.25x) in 9M'MY23. On the other hand, FFO to long-term debt remained adequate at 0.45x (MY22: 0.37x, MY21: 0.46x). Debt service coverage ratio (DSCR) has also remained adequate on a timeline basis (9M'MY23: 1.76x; MY22: 1.70x, MY21: 2.44x).

Stock in trade was recorded substantially higher at Rs. 11.2b (MY22: Rs. 3.4b; MY21: Rs. 1.4b), out of which sugar stock amounted to Rs. 7.4b (MY22: Rs. 1.85b; MY21: Rs.169.7m), representing 109,026 MT as of June 30, 2023. Subsequent to offtake in last quarter, the company held sugar stock amounting 45,141 MT as of Sep 30, 2023. Trade debts amounted to Rs. 103.8m (MY22: Rs. 44.2m; MY21: Rs.533.5m), which are considered good by the company. Ageing of trade debts is considered healthy given 99% receivables fall within 0-3 months. Loans and advances stood at Rs. 1.56b (MY22: Rs. 1.47b; MY21: Rs. 885.5m). These mainly included advances made to cane suppliers amounting to Rs. 1.2b (MY22: Rs. 460.87M; MY21: Rs.384.315m), while dues from related parties amounted to Rs. 362.3m (MY22: Rs. 267.0m; MY21: Rs. 117.4m). Trade deposits and other receivables increased to Rs. 333.2m (MY22: Rs. 255.65m; MY21: Rs. 257.6m); these mainly comprised export subsidy receivables which have remained unchanged at Rs. 305.5m (MY22 & MY21: Rs. 305.5m). At end-9M'MY23, cash and bank balances stood higher at Rs. 822.1m (MY22: Rs. 212.85m; MY21: Rs. 281.5m), out of which Rs. 450.0m is invested in Term deposits receipt (TDR), carrying a profit of 20% p.a, which eventually matured by Aug'23. By end-9M'MY23, trade and other payables amounted to Rs. 2.9b (MY22: Rs. 1.2b; MY21: Rs. 950.3m). Increase was mainly manifested in advances from customers. These also include Rs. 262.3m (MY22: Rs. 314.9m; MY21: Rs. 358.5m) due to creditors along with Rs. 356.2m (MY22: Rs. 156.5m; MY21: Rs. 245.8m) due to related parties.

The current ratio of the company has slightly improved to 0.93x (MY22: 0.87x; MY21: 0.96x) at end-9M'MY23, primarily on account of substantial increase in stock-in-trade during the period under review. Meanwhile, coverage of short-term borrowings via stock in trade and trade debts improved during the ongoing year to 1.01x (MY22: 0.76x; MY21: 0.77x). Improvement in cash flow coverages and overall strengthening of working capital management is considered imperative from rating purview.

Capitalization: As of Jun 30, 2023, company's tier-1 equity increased to Rs. 4.8b (MY22: Rs. 3.8b; MY21: Rs. 3.9b) on account of profit retention and adjustments related to transfer from surplus on revaluation of property, plant and equipment, net of deferred taxation. The company declared a cash dividend @ Rs. 5.0/share in MY22. Short-term running financing augmented to Rs. 11.1b (MY22: Rs. 4.5b; MY21: Rs.) in line with higher inventory held by the company. These represent cash finance and export re-finance facilities secured from multiple banks and are repayable in six months to one year period. The rate of mark-up ranges from SBP Rate+1% per annum to KIBOR + 1.75% per annum and are secured against pledge of sugar stock with margin ranging from 10% to 25%, lien on export contracts / LCs and import documents.

Long term financing (including current portion) stood higher at Rs. 4.91b (MY22: Rs. 4.57b; MY21: Rs. 2.3b) at end-9M'MY23. The company obtained long-term loan amounting Rs. 2.8b in MY22, out of which Rs. 1.87b has been mobilized to fund real estate project while the rest has been utilized for BMR in sugar division. In 9M'MY23, CSML obtained additional long-term financing to the tune of Rs. 898.4m to finance capital expenditure in sugar division. Out of the aggregate new financing obtained over the review period, Rs. 240.9m have been disbursed under SBP subsidized TERF (Temporary Economic Refinance Facility) loan, priced at SBP rate +1%. The long-term facilities represent term and demand finance obtained from the various banks and are repayable in 3-5 years with varied grace period. The rate of mark-up on loans other than TERF, ranges from KIBOR + 1.0% - 2.1% per annum. Lease liabilities (including current portion) were recorded at Rs. 226.4m (MY22: Rs. 236.8m; MY21: Rs.328.3m), which pertained to vehicles acquired under finance lease from commercial banks. The financing is repayable in equal monthly installments over a period of four years and carries finance charge ranging from 7.81% to 17.50% per annum. Loan from related parties (inc. current portion) amounted to Rs. 199.6m (MY22: Rs. 204m; MY21: Rs. 226.6m) as of Jun 30, 2023. These loans bear markup ranging from 1M KIBOR + 1-1.2%, with varying repayment frequency. All related party loans are secured against promissory note from the Group.

As a result of increase in short-term working capital loans and higher long-term debt levels, gearing and leverage increased substantially to 3.41x (MY22: 2.45x; MY21: 1.35x) and 4.66x (MY22: 3.59x; MY21: 2.02x), respectively by end-9M'MY23. Nonetheless, outstanding short-term loans have decreased notably in line with lifting of majority of sugar stocks by end-Sep'23; however, elevated long-term borrowing will keep the leverage indicators under pressure. Moreover, with a substantial portion of new financing being allocated to real estate project, which are known for their lengthy gestation periods and delayed cash flow realization, this will persist in exerting pressure on the bottom line due to incremental markup costs. Looking ahead, over the medium to long term, the management has no plans to raise any loans, except for a portion of the LC related to BMR, which will be retired in MY24.

Sound Corporate Governance Framework, with room for improvement: At present the Board comprises seven members including an executive director, two non-executive, and two independent directors. This also includes three female representations on Board. There are three Board committees in place namely Executive, Audit and HR and Remuneration committee. The Audit and HR &RC committee are both being chaired by independent directors, while the Executive Committee is chaired by the executive director. The audit committee meets to discuss internal controls and take preventive measures in safeguarding the company's assets, while also reviewing the interim and annual financial statements prior to the approval of board of directors. The HR & Remuneration Committee reviews board compensation and HR policies and practices. Financial statements of MY22 were audited by M/s. A.F. Ferguson & Co. Chartered Accountants, which are classified in 'Category A' of SBP's Panel of Auditors and have been reappointed for MY23 as well.

Update on regulatory matter involving penalty imposed by Competition Commission of Pakistan (CCP): 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. As per the management, the set penalty is currently a disputed amount due to error in calculation of actual turn of CSM-I and CSM-II in the set order. 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. 6.7b 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 pending adjudication. Nevertheless, the material impact of penalty imposed will still be significant and hence VIS will continue to monitor further development in this matter.

Chashma Sugar Mills Limited (Financial Summary) Annexure I

FINANCIAL SUMMARY	(amounts in PKR millions)			
BALANCE SHEET	**MY21**	**MY22**	**9M'MY23**	**MY23****
Property, Plant & Equipment	11,833.2	18,016.7	18,097.5	16,753.3
Right of use assets	339.6	283.5	310.8	160.0
Long-term Investment	424.0	424.0	724.0	424.0
Stores, Spares. And Loose Tools	522.6	509.4	489.5	509.4
Stock in Trade	1,354.5	3,379.9	11,174.6	2,253.2
Trade Debt	533.5	44.2	103.8	329.9
Loans and Advances	885.5	1,474.7	1,556.0	1,472.9
Trade Deposits, Prepayments and Other Receivables	257.6	255.7	333.2	257.4
Cash and Bank Balances	281.5	212.9	822.1	2,574.2
Other Assets	541.6	302.8	278.0	302.8
Total Assets	16,973.4	24,903.6	33,889.6	25,037.1
Long-Term Financing *(Inc. current maturity)*	2,290.4	4,498.6	4,906.5	4,308.5
Lease Liabilities (Inc. current portion)	328.3	236.8	226.4	-
Loans From Related Parties (inc. current portion)	226.6	204.6	199.6	-
Deferred Taxation	1,669.9	3,102.2	2,939.6	2,874.6
Trade and Other Payables	950.3	1,226.0	2,907.1	991.8
Short-term Borrowings	2,466.1	4,489.5	11,133.3	3,000.0
Other Liabilities	30.0	29.9	204.1	1,469.9
Total Liabilities	7,961.6	13,787.6	22,516.6	12,644.9
Paid-Up Capital	**286.9**	**286.9**	**286.9**	286.9
Tier-1 Equity	3,946.1	3,845.5	4,831.2	6.095.7
Total Equity	**9,011.8**	**10,780.0**	**11,373.0**	12,392.2
Total Debt	**5,311.4**	**9,429.5**	**16,465.7**	**7,308.5**
INCOME STATEMENT	**MY21**	**MY22**	**9M'MY23**	**MY23****
Net Sales	16,037.1	17,094.8	16,840.8	29,480.1
Gross Profit	2,124.8	2,866.7	3,637.1	5,888.1
Finance Cost	656.3	1,112.8	1,923.7	2,677.7
Other Income	64.4	67.0	100.7	38.3
Profit Before Tax	337.3	505.4	398.2	1,778.0
Profit After Tax	310.4	43.5	257.0	1,285.0
FFO	1,322.6	1,823.9	1,827.5	3,622.2
RATIO ANALYSIS	**MY21**	**MY22**	**9M'MY23**	**MY23****
Gross Margin (%)	13.2%	16.8%	21.6%	20.0%
Net Margin (%)	1.9%	0.3%	1.5%	4.4%
Current Ratio (x)	0.96	0.87	0.93	1.08
Net Working Capital	(154.63)	(864.56)	(1,045.35)	563.39
FFO to Long-Term Debt	0.46	0.37	0.45*	0.84
FFO to Total Debt	0.25	0.19	0.15*	0.50
Debt Servicing Coverage Ratio (x)	2.44	1.70	1.76	1.79
ROAA (%)	0.02	0.00	0.01*	0.04
ROAE (%)	0.09	0.01	0.09*	0.24
Gearing (x)	1.35	2.45	3.41	1.20
Debt Leverage (x)	2.02	3.59	4.66	2.07
Inventory + Receivable/Short-term Borrowings (x)	0.77	0.76	1.01	0.86
Net Operating Cycle (Days)	31	59	N/A	23

**Annualized **Unaudited*

REGULATORY DISCLOSURES — Appendix III

Name of Rated Entity	Chashma Sugar Mills Limited
Sector	Sugar
Type of Relationship	Solicited
Purpose of Rating	Entity Rating

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
11/06/2023	A-	A-2	Stable	Reaffirmed
10/28/2022	A-	A-2	Stable	Reaffirmed
11/23/2021	A-	A-2	Stable	Reaffirmed
11/10/2020	A-	A-2	Stable	Reaffirmed
10/18/2019	A-	A-2	Stable	Upgrade
11/15/2018	BBB+	A-2	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.
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Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Jawad Ahmad	Finance Manager	Sep 26,2023
Mr. Asad Ullah	Assistant Manager-Tax	Sep 26,2023