# RATING REPORT

# FARAN SUGAR MILLS LIMITED

**REPORT DATE:**
December 29, 2023

**RATING ANALYST:**

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| RATING DETAILS | | | | |
|---|---|---|---|---|
| **Rating Category** | **Latest Ratings** | | **Previous Ratings** | |
| | **Long-term** | **Short-term** | **Long-term** | **Short-term** |
| **Entity** | A- | A-2 | A- | A-2 |
| ***Rating Date*** | *December 29, 2023* | | *October 31, 2022* | |
| **Rating Action** | Maintained | | Reaffirmed | |
| **Rating Outlook** | Stable | | Negative | |

| COMPANY INFORMATION | |
|---|---|
| **Incorporated in 1981** | **External auditors:** Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants |
| **Public Limited Company** | **Chairman of the Board:** Muhammad Omar Amin Bawany |
| **Key Shareholding** | **Chief Executive Officer:** Ahmed Ali Bawany |
| Ahmed Ali Bawany – 23.80% | |
| Shahida Amin – 7.62% | |
| Gulshanra Amin – 8.14% | |
| Ayesha Amin – 8.52% | |
| Ruksana Omar Bawany- 8.14% | |
| National Investment Unit Trust - 8.48% | |
| Roshan Ara Mohammad Amin – 8.18% | |

## APPLICABLE METHODOLOGY

**VIS Entity Rating Criteria: Corporates**
**https://docs.vis.com.pk/docs/CorporateMethodology.pdf**

**VIS Rating scale**
**https://docs.vis.com.pk/docs/VISRatingScales.pdf**

# FARAN SUGAR MILLS LIMITED

## OVERVIEW OF THE INSTITUTION

*Faran Sugar Mills Limited (FSML) was incorporated in November 3, 1981 and commenced commercial operations on November 25, 1981. The principal business activity of the company is manufacturing and selling of White Refined Sugar.*

**Profile of the Chairman**

*Muhammad Omar Amin Bawany is the Chairman of Board of Directors at FSML. He went to American College of Switzerland to obtain Associate Degree. He is also on the board of Reliance Insurance Company, Unicol Limited and Uni Foods Industries Ltd.*

**Profile of the CEO**

*Mr. Ahmed Ali Bawany has been serving FSML as the Chief Executive since 1995. He has a Degree in Business Entrepreneurship from University of South California. He previously held directorship in Reliance Insurance Company, Unicol Limited and Uni Foods Industries Ltd*

***Financial Snapshot:***

**Tier-1 Equity:** end-9M'MY23: Rs. 2.5b; end-MY22: Rs. 1.8b; end-MY21: Rs. 1.8b

**Total Assets:** end-9M'MY23: Rs. 9.6b; end-

## RATING RATIONALE

Faran Sugar Mills Limited ('FSML' or 'the Company') commenced commercial operations in 1981. The principal business of the Company is manufacturing and selling of white refined sugar. The registered office of the Company is located in Karachi, Sindh and manufacturing unit is located at Shaikh Bhirkio District Tando M. Khan. The company is part of the Amin Bawany Group (ABG) with interest spanning over sugar and allied products, power, modaraba and insurance.

**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 Federal Bureau of Revenue (FBR), as of August 15, 2023 the country has 2.27million metric tons (MT) of sugar stock available. More than 1.7m MT surplus sugar was available at the start of crushing season MY23.

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 export quota 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.

MY22: Rs. 7.3b; end-MY21: Rs. 5.7b

**Profit After Tax:** 9M'MY23: Rs. 696.3m; MY22: Rs. 27.4m; MY21: Rs. -370.7m

**Capacity Utilization and Production update:**

***Sugar Division***

During the review period, FSML's crushing capacity enhanced to 12,000 tpd (2021-22: 10,500 tpd; 2020-21: 10,500 tpd) due to the Balancing Modernization and Replacement (BMR) completed recently. Impact of floods were visible as the industry experienced a lower number of crushing days for the season. Resultantly, crushing season for 2022-23 lasted a total of 92 days (2021-22: 129 days; 2020-21: 98 days) starting on Nov 28, 2022 and ending on Feb 27, 2023. During the crushing season, the company crushed 764,606 MT (2021-22: 845,438 MT) of sugarcane. The sucrose recovery rate, although still adequate, stood lower at 10.39% (2022-21: 10.98%). As per the management, the company procures approximately 30% of its sugarcane from mill gate area. Sugar produced stood lower at 79,427 MT (2022-22: 92,862 MT; 2020-21: 63,691 MT). Total molasses production amounted to 35,562 MT (2021-22: 39,630 MT; 2020-21: 28,238 MT), while recovery rate of molasses decreased marginally to 4.65% (2022-21: 4.69%). A snapshot of production related information of sugar segment is tabulated below:

| Crushing Season | 2020-21 | 2021-22 | 2022-23 |
|---|---|---|---|
| **Crushing Capacity – tpd** | 10,500 | 10,500 | 12,000 |
| **Cane Crushed – tpd** | 6,140 | 6,554 | 8,310 |
| **Crushing Days** | 98 | 129 | 92 |
| **Capacity Utilization – %** | 58.47% | 62.42% | 69.25% |
| **Sucrose Recovery – %** | 10.59% | 10.98% | 10.39% |
| **Sugar Produced – tons** | 63,691 | 92,862 | 79,427 |
| **Molasses Produced-Tons** | 28,238 | 39,630 | 35,562 |
| **Molasses Recovery Rate-%** | 4.69% | 4.69% | 4.65% |

Property, plant and equipment amounted to Rs. 2.75b (MY22: Rs. 2.79b; MY21: Rs. 2.18b) at end-9M'MY23. Capital expenditure amounted to Rs. 987.1m during the review period, which was carried under the TERF financing scheme of State Bank of Pakistan (SBP). During MY22, the company added spray continuous pan (SCP) amounting to Rs. 271.6m, which is used to optimize the evaporative crystallization of sugar solutions, falling film evaporator (FFE) amounting to Rs. 243.8m, turbine costing Rs. 186.6m, and batch refine centrifugal costing Rs. 54.5m, while the rest pertained to vehicles. During 9M'MY23, additions amounted to Rs. 19.0m, emanating majorly from VKT (vertical continuous pans) totaling at Rs. 15.5m, which is used to enhance sugar crystallization and separation processes contributing to improved sugar quality. Capital expenditure was mainly carried out for the purposes of cost savings. As a result, steam ratio was reduced and bagasse savings increased. As per the management, the company saved around 59,000 MT of bagasse. Furthermore, the company is currently in the process of establishing a 248.52 KW solar farm, which, after commencement of operations, will sell energy to HESCO as well as meet the energy requirement of the workers colony established near the mill. Going forward, the management does not intend to carry major capex; however, regular capex may continue as per requirement.

Long term investments were recorded higher at Rs. 1.86b (MY22: Rs. 1.17b; MY21: Rs. 1.09b) by end-9M'MY23. The company currently holds equity investments in Unicol limited to the tune of Rs. 1.84b (MY22: Rs. 1.15b; MY21: Rs. 1.03b), while investment in Uni Energy limited stood muted at Rs. 20.6m (MY22: Rs. 20.6; MY21: Rs. 20.2m). The company had also invested Rs. 0.1m in M/s Faran Power Limited (FPL); however due to non-signing of the agreement by CPPA, the company decided to shelf the project as it was no longer financially viable. Below is a brief description of all the investments currently held and disposed of by the company:

**UniFood Industries Limited (UFIL):** The company sold UFIL, recording gain on disposal amounting Rs. 188.4m on the investment during the period ending March'23.

**Unicol Limited (UL):** UL is jointly and equally owned by Mehran, Faran, and Mirpurkhas sugar mills each contributing approximately 33.3% to the ownership. The distillery is in Mirpurkhas, spread over an area of 225 acres, with an installed capacity amounting to 200 liters per day (lpd). The partnership in UL is a strategic investment aimed at diversification of FSML's business risk. UL's core activity is producing ethanol from sugarcane molasses. On the back of continuous higher profitability, UL recently bought Popular Sugar Mills Limited (PSML), which shall be operating its sugar mill for the season 2023-24.

**Uni Energy Limited (UEL):** UEL was incorporated to establish a wind power project in Jhimpir, Sindh. The project has remained dormant due to the non-approval of tariffs, and there are no intentions from the management to pursue it further. In this regard, no plant or machinery has been acquired for the project.

**B.F. Modaraba:** The company holds 12.5% shareholding in B.F. Modaraba ('the Modaraba'). The principal business activity of the Modaraba is trading of sugar, investment in quoted securities, leasing, Musharaka and Murabaha transactions.

**Revenues and Profitability:** During MY22, net sales were recorded higher at Rs. 6.67b (MY21: Rs. 4.86b), with sugar contributing 85.5% of the net sales and molasses contributing 12.8%. Molasses is sold entirely to the subsidiary, UL. Sales are made to both corporate clients and open-market dealers, in about equal proportions. Credit terms extended to corporate clients are set at 15 days, while for larger corporate entities, the company provides a credit duration of 30 days, while the sugar is priced above the prevailing market rate. For dealers, the terms range between 7 to 15 days following the delivery of sugar.

| Product | Sugar | Molasses | Bagasse |
|---|---|---|---|
| **MY22** | | | |
| **Units-MT** | 77,446.77 | 39,630.79 | 31,511.40 |
| **Amounts – (Rs. in m)** | 5,703.6 | 850.8 | 117.3 |
| **Avg. Selling Price** | **73,646.71** | **21,469.23** | **3,722.50** |
| **9M'MY23** | | | |
| **Units-MT** | 60,793.1 | 35,562.4 | 48,230.76 |
| **Amounts – (Rs. in m)** | 5,056.36 | 1,098.8 | 121.95 |
| **Avg. Selling Price** | **82,927.7** | **30,898.7** | **2,528.54** |

Cost of sales were recorded higher at Rs. 6.19b (MY21: Rs. 4.82b) during MY22. During the same period (i.e., MY22) the company procured sugarcane at an average rate of Rs. 298/maund (MY21: Rs. 322.11/maund). Gross margins improved to 9.5% (MY21: 0.5%) during MY22, which in the previous years were impacted by advance sales agreements and volatility in pricing, wherein FSML's pre-existing pricing was on the lower side. During the same period, selling and distribution expenses amounted to Rs. 69.7m (MY21: Rs. 52.7m), largely consisted of transportation expenses. Administrative and general expenses were recorded slightly higher at Rs. 172.8m (MY21: Rs. 161.2m). During MY22, other income stood at Rs. 55.2m (MY21: Rs. 24.6m), emanating largely from amortization of deferred government grant and sale of scrap, while other expenses were minimal. Share of profit from associates increased significantly to Rs. 357.3m (MY21: Rs. 18.9m), with profit from UL and UEL amounting Rs. 439.9m (MY21: Rs. 167.5m) and 0.3m (MY21: Rs. 0.08m) respectively. Loss amounting Rs. 82.9m (MY21: Rs. 148.6m) was recorded from UFIL. Finance cost incurred during the outgoing year increased to Rs. 469.6m (MY21: Rs. 259.8m), primarily on account of increase in average borrowings coupled with higher markup rate. Accounting for taxation, FSML reported a net profit of Rs. 27.4m in MY22 vis-à-vis a net loss of Rs. 370.6m in the previous year.

During 9M'MY23, net sales amounted to Rs. 6.3b (9M'MY22: Rs. 4.96b). The average rate of procurement of sugarcane for the season 2022-23 was Rs. 336/maund. Export quota allowed to the company stood at 2,500 MT, which was sold at an average price of Rs. 160,000 /MT. During the same period, gross margins improved to 10.3% mainly due to the sale of carryover sugar stock at better prices. Distribution cost and administrative expenses amounted to Rs. 121.0m

(9M'MY22: Rs. 43.8m) and Rs. 159.0m (9M'MY22: Rs. 120.7m) respectively, while other expenses continued to remain negligible. FSML recorded other income higher at Rs. 259.9m (9M'MY22: Rs. 39.7m), mainly due to the income recognized from the sale of subsidiary UFIL. The company incurred finance cost amounting to Rs. 617.9m (9M'MY22: Rs. 307.4m), mainly due to an increase in short-term borrowings coupled with higher markup rates. Share from profit of associates was recorded higher at Rs. 867.9m, mainly on the back of higher contribution from UL. Net profit stood higher at Rs. 696.3m (9M'MY22: Rs. 249.8m) mainly on the back of higher gross margin, other income and share of profits from associates. The company posted a net margin of 11.1% (9M'MY22: 5.04%).

The crushing season 2023-24 officially started on 25th Nov, 2023. Retail sugar prices, while remaining relatively elevated, have recently witnessed a downward trend due to government intervention aimed at reducing smuggling across the Afghan border. Meanwhile, given higher indicative support prices (i.e., Rs. 425/maund) of sugarcane for the crushing season and lower available sugar stocks in the country, it is expected that sugar prices may increase, going forward. However, MY24 is anticipated to be yet another challenge for various industries due to the escalating socio-political instability and macroeconomic hurdles.

**Liquidity Profile:** Despite higher net profitability, funds from operations (FFO) during 9M'MY23, stood at Rs. 102.2m (MY22: Rs. 272.2m; MY21: Rs. 248.4m) on account of non-cash adjustments of share of profit from equity accounted investments, as well as the difference between finance cost incurred and paid. Cash flow coverages deteriorated. FFO to long-term debt stood at 0.13x (MY22: 0.23x; MY21: n/a) while FFO-to total debt stood lower at 0.03x (MY22: 0.07x; MY21: n/a) due to lower FFO and higher borrowings. Debt service coverage ratio (DSCR) deteriorated to 0.81x (MY22: 1.36x; MY21: n/a) on account of lower FFO and higher long-term loan repayments.

Stores, spares, and loose tools were recorded at Rs. 126.9m (MY22: Rs. 119.0m; MY21: Rs. 89.0m) by end-9M'MY23. Stock-in-trade stood higher at Rs. 3.55b (MY22: Rs. 2.0b; MY21: Rs. 1.05b), these mainly included finished sugar stock. Stock position as of September 30, 2023 reduced to around 2,000 MT. Trade debts amounted to Rs. 275.6m (MY22: Rs. 228.7m; MY21: Rs. 143.9m). At end-9M'MY23, ageing of trade debts is considered sound as all debtors are within 3-6 months bracket. Trade debts, as a percentage of sales, remained modest at 4.4% (MY22: 3.4%). Loans, advances, deposits, and prepayments were recorded higher at Rs. 771.6m (MY22: Rs. 665.4m) at end-9M'MY23. These mainly included freight subsidy receivables against export of sugar and sales tax receivables, coupled with advances made to suppliers and contractors. Cash and bank balances were recorded at Rs. 135.0m (MY22: Rs. 132.7m) by end-9M'MY23.

Trade and other payables increased considerably to Rs. 1.34b (MY22: Rs. 714.9m; MY21: Rs. 248.6m) by end-9M'MY23 mainly due to higher contract liabilities against sugar sales booked but not yet dispatched amounting to Rs. 929.0m (MY22: Rs. 210.0m), coupled with trade creditors and sales tax payable. By end-9M'MY23, deferred liabilities were recorded higher at Rs. 508.9m (MY22: Rs. 465.6m; MY21: Rs. 369.7m), which mainly included deferred taxation, deferred government grants and sales tax payables. Despite higher short-term financing and trade & other payables, the current ratio improved marginally to 0.83x (MY22: 0.78x; MY21: 0.87x) due to higher sugar stock inventory. However, short-term borrowings coverage dropped to 0.98x (MY22: 0.76x; MY21: 0.51x).

**Capitalization:**

Tier-1 equity was recorded higher at Rs. 2.5b (MY22: Rs. 1.8b) by end-9M'MY23 on the back of profit retention. Resultantly, gearing and debt leverage, though still elevated, were recorded slightly lower at 2.00x (MY22: 2.32x; MY21: 1.87x) and 2.88x (MY22: 3.09x; MY21: 2.25x) respectively.

Long-term financing (including current maturity) stood at Rs. 1.05b (MY22: Rs. 1.18b). Total financing obtained in MY22 amounted to Rs. 416.2m, while the company mobilized a loan of Rs. 84.0m for capital expenditure relating to BMR and solar plant facility during 9M'MY23. LTloans include TERF financing under the SBP scheme, from Faysal Bank Limited (FBL) priced at a markup rate of 2.75% p.a, and from Bank Islami Pakistan Limited (BIPL) priced at 4% p.a. Purpose of these loans were to carry out BMR to increase process efficiencies. The tenure of each loan is 10 years, with a 2-year grace period from the date of distribution of funds and are payable in 32 equal installments. The company has also obtained diminishing musharka financing for the procurement of plant and machinery and vehicles, priced at 3-6 Month KIBOR + 0.5–1.0%, with installment frequency varying from monthly to semi-annually. Total tenure on this facility ranges between 2-5 years. Short-term borrowings were sizably higher amounting to Rs. 3.9b (MY22: Rs. 2.96b) by end-9M'MY23. This represents amount availed in terms of Islamic finance facilities provided by various Islamic banks. These finances are secured against pledge of refined sugar and first pari passu charge over fixed assets of the Company including land, building, and plant & machinery carrying markup at the rate of KIBOR + 0.50% to 1.25% per annum. Total financing limits available to the company is Rs. 5.0b; however, it may be extended to Rs. 6.0b on need basis. Going forward, the management does not intend to mobilize any long-term loans. Leverage indicators are expected to strengthen on the back of augmentation to equity base and timely repayments of long-term loans.

**Corporate Governance Framework:** At present, there are nine board members including one female representation and three independent directors, four non-executive directors and two executive directors. None of the directors is serving on the board of more than seven listed companies including FSML. There are two Board level committees namely Audit Committee and Human Resource and Remuneration Committee, (HR&RC) which are being chaired by independent directors. Financial statements for MY22 were audited by Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants, which are classified in 'Category A' of SBP's panel of auditors. The auditors retired and being eligible, offered their services for reappointment. On the recommendation of the Audit committee, the auditors were rehired and the financial statements for MY23 are currently being audited by the same.

**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 impact of the imposed penalty aggregating to Rs. 280.0m on FSML would be significant. The Company has filed a petition before Sindh High Court, Sindh against the impugned order dated 12 August 2021 by the Competition Commission of Pakistan (CCP) in which a penalty of Rs. 280.0m was imposed on the Company for distorting competition in the market by sharing sensitive commercial stock information. The Sindh High Court, Sindh vide order dated 08 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.

## Faran Sugar Mills Limited Appendix I

| Financial Summary (amounts in PKR millions) | | | | Appendix I |
|---|---|---|---|---|
| **BALANCE SHEET** | **MY20** | **MY21** | **MY22** | **9M'MY23** |
| Property, Plant and Equipment | 1,884.9 | 2,184.2 | 2,789.6 | 2,746.3 |
| Long term Investment | 1,141.8 | 1,086.7 | 1,171.6 | 1,864.3 |
| Stores, spares and loose tools | 84.0 | 89.0 | 119.0 | 126.9 |
| Stock-in-Trade | 384.6 | 1,046.3 | 2,008.4 | 3,548.7 |
| Trade Debts | 183.3 | 143.9 | 228.7 | 275.6 |
| Loans, advances, deposits and prepayments | 676.7 | 889.3 | 665.4 | 771.6 |
| Taxation-net | 36.0 | 107.3 | 113.1 | 89.0 |
| Cash & Bank Balances | 160.3 | 138.8 | 132.7 | 135.0 |
| Other assets | 11.6 | 13.7 | 49.0 | 62.4 |
| Total Assets | 4,563.2 | 5,699.3 | 7,277.4 | 9,619.9 |
| Long Term Financing (inc. current maturity) | 247.6 | 943.7 | 1,176.9 | 1,051.5 |
| Deferred Liabilities | 395.5 | 369.7 | 465.6 | 508.9 |
| Trade and other payables | 360.3 | 248.6 | 714.9 | 1,335.0 |
| Accrued markup | 30.4 | 41.0 | 173.2 | 338.9 |
| Unclaimed dividends | 10.8 | 10.8 | 10.7 | 10.7 |
| Short-term financing | 1,394.0 | 2,330.0 | 2,955.4 | 3,898.0 |
| Total Liabilities | 2,438.7 | 3,943.9 | 5,496.7 | 7,143.1 |
| Paid Up-Capital | 250.1 | 250.1 | 250.1 | 250.1 |
| Tier-1 Equity | 2,123.3 | 1,752.7 | 1,780.1 | 2,476.4 |
| Total Equity | 2,124.5 | 1,755.4 | 1,780.7 | 2,476.8 |
| | | | | |
| **INCOME STATEMENT** | **MY20** | **MY21** | **MY22** | **9M'MY23** |
| Net Sales | 5,751.4 | 4,860.3 | 6,671.8 | 6,277.1 |
| Gross Profit | 268.5 | 40.4 | 476.9 | 645.6 |
| Other income | 21.8 | 24.6 | 55.2 | 259.9 |
| Finance Cost | 301.3 | 259.8 | 469.6 | 617.9 |
| Other Expenses | 6.3 | 0.7 | 0.7 | 1.2 |
| Share of Profit from Associate | 41.2 | 18.9 | 357.3 | 867.9 |
| Profit Before Tax | (151.8) | (390.4) | 176.6 | 874.3 |
| Profit After Tax | (171.3) | (370.7) | 27.4 | 696.3 |
| FFO | 14.1 | (248.4) | 272.2 | 102.2 |
| | | | | |
| **RATIO ANALYSIS** | **MY20** | **MY21** | **MY22** | **9M'MY23** |
| Gross Margin (%) | 4.7% | 0.8% | 9.5% | 10.3% |
| Net Margin | -3.0% | -7.6% | 0.5% | 11.1% |
| Current Ratio | 0.80 | 0.87 | 0.78 | 0.83 |
| Net Working Capital | (389.9) | (350.5) | (950.4) | (1,022.3) |
| FFO to Total Debt (%) | 0.9% | -7.6% | 6.6% | 2.7%* |
| FFO to Long Term Debt (%) | 5.7% | -26.3% | 23.1% | 12.9%* |
| Debt Servicing Coverage Ratio (x) | 0.81 | (0.04) | 1.36 | 0.81 |
| ROAA (%) | -3.4% | -7.2% | 0.3% | 12.1%* |
| ROAE (%) | -7.7% | -19.1% | 1.3% | 43.9%* |
| Gearing (x) | 0.8 | 1.9 | 2.3 | 2.0 |
| Leverage (x) | 1.1 | 2.3 | 3.1 | 2.9 |
| Net Operating Cycle | 22.3 | 59.6 | 113.7 | N/A |
| Inventory plus receivables/ST Borrowings | 0.41 | 0.51 | 0.76 | 0.98 |

**Annualized*

## REGULATORY DISCLOSURES — Appendix II

| | |
|---|---|
| **Name of Rated Entity** | Faran Sugar Mills Limited |
| **Sector** | Sugar Industry |
| **Type of Relationship** | Solicited |
| **Purpose of Rating** | Entity Ratings |
| **Rating History** | see table below |
| **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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**Rating History**

| Rating Date | Medium to Long Term | Short Term | Rating Outlook | Rating Action |
|---|---|---|---|---|
| **RATING TYPE: ENTITY** | | | | |
| 29-10-2023 | A- | A-2 | Stable | Maintained |
| 31-10-2022 | A- | A-2 | Negative | Reaffirmed |
| 11-08-2021 | A- | A-2 | Negative | Maintained |
| 20-03-2020 | A- | A-2 | Stable | Reaffirmed |
| 20-02-2019 | A- | A-2 | Stable | Initial |

**Due Diligence Meeting Conducted**

| Name | Designation | Date |
|---|---|---|
| Mr. Muhammad Ayub | Chief Financial Officer & Company Secretary | **19th October 2023** |
| Mr. Atif Dhedhi | Manager Finance | |