RATING REPORT

JDW Sugar Mills Limited (JDWS)

REPORT DATE:
May 17, 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-1	A+	A-1
Rating Outlook	*Stable*		*Stable*	
Rating Action	Reaffirmed		Upgrade	
Rating Date	*17th May'23*		*15th April'22*	

COMPANY INFORMATION	
Incorporated in 1990	**External auditors:** Riaz Ahmad, Saqib, Gohar & Co. Chartered Accountants.
Public Limited Company	**Chairman of the Board:** Mukhdoom Syed Ahmed Mahmud **Chief Executive Officer:** Mr. Raheel Masud
Key Shareholders (with stake 5% or more):	
Directors, CEO, and their spouse and minor children – 47.8%	
General Public – 44.4%	

APPLICABLE METHODOLOGY
VIS Entity Rating Criteria: Corporates (August 2021) *https://docs.vis.com.pk/docs/CorporateMethodology202108.pdf*

JDW Sugar Mills Limited (JDWS)

OVERVIEW OF THE INSTITUTION	RATING RATIONALE

JDWS was incorporated as a private limited company in May, 1990 under the Companies Ordinance, 1984 (Repealed with enactment of the Companies Act 2017) and was subsequently converted into a public limited company in August, 1991.

Profile of Chairman

Mr. Mukhdoom Syed Ahmed Mahmud is a renowned political figure. He served as Governor of Punjab during 2012-2013.

Financial Snapshot

Tier-1 Equity: end-1QMY23: Rs. 16.5b; end-MY22: Rs. 16.9b; end-MY21: Rs. 14.4b

Assets: end-1QMY23: Rs. 56.1b; end-MY22: Rs. 46.5b; end-MY21: Rs. 35.5b

Net Profit: 1QMY23: Rs. 455m; MY22: Rs. 4.0b; MY21: Rs. 4.9b

JDW Sugar Mills Limited (JDWS) is a part of JDW Group. The group has a presence in sugar, corporate farming and power generation. JDWS is principally engaged in manufacturing of sugar, production of electricity and managing corporate farms. The assigned ratings incorporate JDWS market position as the leading player in the country's sugar industry, significant experience of sponsors in the sugar and agriculture sector and a professional management team. The company has longstanding relationships with growers along with focus on research activities in sugarcane development. Business risk profile of the company draws support from diversification of operations into power sector.

Key Rating Drivers

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

The inherent cyclicality in crop yields and raw material prices is believed to have a substantial impact on the business risk profile of the sugar sector. Furthermore, there is a noticeable difference in pricing mechanisms, with the price of the end product, granulated sugar, being set by market forces whereas sugarcane cost being regulated by the government. A typical sugarcane crop has a 3- to 5-year production cycle, with government assistance to farmers and crop productivity playing a major role.

According to the most recent USDA semi-annual sugar report published on October 3, 2022, due to the damage brought on by the flood, the estimated harvested area is to contract by 4.7% to 1.23 million hectares. As a result, the forecast for sugarcane output in 2022–2023 has decrease to 82.4 million tons (2021-22: 89 million tons-2020-21: 81 million tons). Sugar output in 2022–2023 is expected to reduce to 6.657 million metric tons (MT). Meanwhile, due to population growth and demand from the developing food processing industry, sugar consumption is projected to rise by around 3% to 6.1 MT in 2022–2023. In view of accumulating sugar stocks, the Govt. has so far allowed 250,000 tons of sugar in the ongoing year. Recently, sugar prices have shown rising trend in line with inflationary pressure, which would benefit the industry players in realizing inventory gains and increase in gross margins. However, elevated markup rates would likely to suppress bottomline of companies with high leveraged capital structure.

Operations Update: The crushing season 2022-23 started on November 25, 2022 in units located in Punjab, and on November 28, 2022 in Sindh. On cumulative basis, the 2022-23 season lasted for 110 days as compared to 139 days in the preceding season, primarily as a result of contraction in cane yield due to floods. Resultantly, during 2022-23 season, total cane crushed was recorded lower at 6.43m MT (MY22: 7.81m MT; MY21: 5.58m MT). On the other hand, sucrose recovery rates improved to 10.81% (MY22: 10.01%; MY21: 9.98%) while sugar production lowered by ~11% at 694,973 MT (MY22: 781,634 MT; MY21: 556,142). Molasses production declined by ~27% to 280,087 MT (MY22: 383,491 MT; MY21: 256,262 MT) with average recovery rate of 4.36% (MY22: 4.91%; MY21: 4.60%). Please note that the crushing capacities of JDW unit-I and II were regularized in January 2023 in terms of section 11 of the Punjab industries (Control on Establishment and Enlargement) (Amendment) Act, 2022. The company has paid a requital fee amounting Rs. 570 million in lieu of this regularization. The revised crushing capacities will be reported in audited financials of MY23. A snapshot of production related information of sugar segment is tabulated below:

(In MT)	2020-21	2021-22	2022-23
Unit 1			
Sugar production	255,396	336,630	303,372
Unit 2			
Sugar production	159,800	235,506	212,016
Unit 3			
Sugar production	140,946	209,498	179,585
Season days	115	139	110
Total Cane Crushed (Tons)	5,570,956	7,811,556	6,120,727
Total Sugar Production (Tons)	556,142	781,634	694,973
Recovery Ratio (%)	9.98%	10.01%	10.81%
Molasses Produced (Tons)	256,262	383,491	280,087
Molasses Recovery (%)	4.60%	4.91%	4.36%

The company's total installed power generation capacity of both units stands at 468,047 MWh. Power requirement of JDWS is met through the internal generation and the company does not rely on any sanctioned load from the grid. The remaining unutilized energy is sold to the Central Power Purchasing Agency (Guarantee) Limited (CPPA-G). During MY22, the company generated 381,745 MWh (MY21: 389,112) energy while proportion of energy dispatched to national grid remained at 85.5% (MY21: 84.8%). Energy delivered to CPPA-G is dependent on plant availability.

Power Division	MY21	MY22
	MWh	
Unit II		
Installed capacity (based on 8,760 hours)	233,016	233,016
Energy generated/produced	218,299	195,649
Energy delivered to CPPA-G	188,399	166,201
Unit III		
Installed capacity (based on 8,760 hours)	235,031	235,031
Energy generated/ produced	170,813	186,096
Energy delivered to CPPA-G	141,530	160,044

The company is also involved in corporate farming; total land area stood at 24,970 acres (MY21: 25,835 acres) out of which around four-fifth of the land is under cultivation. Total crop harvested amounted to 19.04m maunds (MY21: 17.08m maunds) which majorly comprised sugarcane crop. In addition, the company also harvests wheat, Rhode grass, mustard and rice on its corporate farms. JDW research farm has exhibited notable progress in introducing promising varieties of sugarcane. The company is striving for production of disease-free seed for its corporate farms and local growers and production of certified seed. JDW is working with foreign consultants has developed Harvesting Best Practice (HBP) guidelines to reduce cane loss, improve cane quality, and reduce stool damage.

The value of long-term investments remained unchanged at end-MY22. The company also had classified its investment in Faruqi Pulp Mills Limited (FPML) by Rs. 652.0m. According to management, there has been a recent development in this regard. JDW has signed a deal with a party for sale of plant and equipment of FPML while land will be sold separately. The management expects to realize reversal in provision and also a gain on its disposal in the ongoing year.

Profitability profile expected to strengthen largely in tandem with rising trend in sugar prices during the ongoing year: During MY22, the company reported a modest growth in topline to Rs. 58.9b

(MY21: 56.8b) primarily on account of ~6% decrease in average selling prices of sugar coupled with subdued volumetric growth. Net sugar sales were reported lower at Rs. 42.2b (MY21: Rs. 44.4b) during the outgoing year while its contribution in the revenue mix also decreased to 72% (MY21: 78%). The company majorly sell sugar in open market while proportion of institutional clients decreased to 8% (MY21: 22%) in MY22. Molasses sales were recorded higher at Rs. 7.9b (MY21: 5.3b) on account of nearly 50% increase in quantity sold while average selling prices were rerecorded marginally lower. Proportion of molasses in the sales mix increased to 13% (MY21: 9%). Revenue from agri inputs, accounting for 5% (MY21: 4%) in the sales mix, increased to Rs. 3.0b (MY21: Rs. 2.0b) mainly due to higher average selling prices. Agri inputs include fertilizers, seeds, agri implements sold to farmers. Net revenue of power segment remained largely unchanged while corporate farms reported 29% increase in sales on the back of higher selling prices of agricultural produce along with increase in quantity sold. Breakdown of product mix with quantity sold and total value is tabulated below:

	MY21		**MY22**	
Rs. in million	**QTY**	**Revenue**	**QTY**	**Revenue**
Sugar (MT)	599,623	44,373	606,674	42,167
Molasses (MT)	256,262	5,307	383,491	7,913
Agri Inputs (MT)	628,653	1,994	674,588	3,011
Mud (MT)	219,676	254	267,986	333
Bagasse (MT)	15,488	64	104,918	314
Power (MWh)	329,929	3,631	326,245	3,641
Corporate Farms (Maunds)	5,048,408	1,176	5,682,111	1,518
Total Sales	Rs. 56,800.3m		Rs. 58,887.9m	

Cost of crops consumed (including procurement and other costs) accounted for around 84% (MY21: 83%) of the cost of goods manufactured during the outgoing year. Albeit average procurement cost of sugarcane was slightly lower at Rs. 251/maund (MY21: Rs. 256/maund), gross margins decreased to 15.5% during MY21 vis-à-vis 17.8% in the preceding year mainly owing to decrease in average sugar prices. Sugarcane support prices, during 2021-22 crushing season, were higher at Rs. 225 per 40 Kg in Punjab (2020-21: Rs. 200 per 40Kg) Rs. 250 per 40 Kg in Sindh (2020-21: Rs. 202 per 40 Kg), however, the premium paid by majority of the mills, over and above this support prices, was relatively lower owing to abundant crop availability. Increase in administrative expenses was largely manifested in salaries, wages and other benefits along with increase in charity and donations and depreciation charge. Selling expenses were also reported higher due to growth in salaries, wages and benefits primarily in line with inflationary adjustments. Other income decreased to Rs. 2.0b (MY21: 2.2b) owing to decrease in delayed payment markup from CPPA-G. Around two-third of the other income comprised fair value gain on initial recognition of agricultural produce and net fair value gain on biological assets. The company also reported gain of Rs. 102.6m (MY21: 36.1m) on disposal of operating fixed assets comprising motor vehicles. Other expenses were reported notably lower at Rs. 393.3m (MY21: Rs. 3.7b) as in the previous year, the company wrote off fixed energy receivables amounting Rs. 3.3b. Finance cost surged by 51% to Rs. 3.4b (MY21: Rs. 2.3b) mainly due to sharp hike in average markup rates and higher average short-term borrowings. Tax charged during the outgoing year was also considerably higher (MY22: Rs. 1.2b; MY21: Rs. (431.0m)) mainly as a result of reversal of tax credits and imposition of super tax at rate of 4%. Resultantly, profit after tax was recorded lower at Rs. 4.0b (MY21: Rs. 4.9b) with lower net margin of 6.7% (MY21: 8.6%) during MY22.

During 1QMY23, the company recorded net sales of Rs. 14.7b (1QMY22: Rs. 10.3b) with YoY growth of ~42%, which was largely driven by higher volumetric sales. However, gross margins declined to 11.3% as compared to 15.2% in the CPLY mainly owing to depressed sugar prices amidst higher sugar stocks available in the country. Meanwhile, after the Government decision to allow exports by end of Nov'22, sugar prices started to stabilize in the following month *(circular for allowing export of sugar was issued on Jan 20, 2023)*. Operating expenses were largely rationalized with inflationary pressure during 1QMY23 whereas other income was reported considerably lower mainly due to decrease in fair value gain at the point of harvest. Finance cost during 1QMY23 almost doubled vis-à-vis CPLY on account of further hike in markup rates and higher short-term borrowing to fund sugar inventory. Resultantly, net margins declined to 3.1% (1QMY22: 8.9%) in the first quarter. During MY23, the management projects growth of around 22% in topline largely driven by higher average sugar prices and some increase in volumetric sales and approval of export by the Govt. in the ongoing year. Gross margins are also expected to improve owing to favorable sugar prices while inflated markup rates are likely to put drag on bottomline.

Group Taxation: JDWS has filed an application in Dec'21 to Securities and Exchange Commission of Pakistan (SECP) for Group Taxation under regulation 8 of the Group Companies Registration Regulations 2008. The above mentioned application has been considered by SECP in dec'21 and issued a designation letter to JDWS for the group taxation of JDWS and its subsidiary. Resultantly, the Group will be taxed as one fiscal unit from the tax year 2023 and onwards. Further, as per relevant clauses of the Income Tax Ordinance, 2001, any income derived from inter-corporate dividend and applicability of relevant section of the Ordinance on inter-corporate profit on debt within the group companies entitled group taxation is exempt from tax subject to the condition that return of the Group has been filed for the tax year.

Current and deferred income taxes are recognized by each entity within the group, regardless of who has the legal rights for recovery of the tax. However, current tax liability/receivable is shown by the company as its legal obligation/right of recovery of tax upon submission of group annual tax return. Balances among the group entities as a result of group taxation is shown under tax recoverable/payable to respective group entity. Any adjustments in the current and deferred taxes of the company on account of group taxation are credited or charged to statement of comprehensive income in the year in which they arise.

Adequate liquidity in terms of cash flow coverages: During MY22, funds from operations (FFO) amounted to Rs. 6.7b (MY21: 8.0b) while decrease was mainly due to lower non-cash adjustments related to other expenses as compared to preceding year. Liquidity profile of the company is underpinned by adequate cash flows in relation to outstanding obligations. FFO to long-term debt improved marginally to 0.57x (MY21: 0.55x) owing to decrease in long-term financing by end-MY22. FFO to total debt, albeit decreased to 0.29x (MY21: 0.46x) on account of elevated short-term borrowings, have remained adequate. Debt service coverage decreased to 1.21x (MY21: 1.70x) mainly due to notably higher principal repayments (MY22: Rs. 5.1b; MY21: Rs. 3.7b) during the outgoing year.

Stock in trade was reported sizably higher at Rs. 12.1b (MY21: Rs. 1.9b) primarily on account of augmentation in carry over sugar stocks by the end-MY22. Trade receivables amounting Rs. 3.6b (MY22: Rs. 4.2b) included outstanding receivables from CPPA to the tune of Rs. 2.3b (MY21: Rs. 3.2b) against sale of electricity. These are secured by a guarantee from the GoP under the Implementation Agreement; however, a delayed payment markup is charged in case the amounts are not paid within due dates. Subsequent to signing Master Agreement and EPA Amendment Agreement in 2021 with the CPPA-G regarding revision in tariff, there has been considerable improvement in sales collection from CPPA-G. The trade receivables also included net carrying amount of Rs. 1.0b (MY21: Rs. 699.4m) due from growers against sale of agri inputs. Advances, deposits prepayments and other receivables stood higher at Rs. 1.1b (MY21: Rs. 596.9m) mainly due to increase in advances to suppliers and contractors, receivables from Deharki Sugar Mills Ltd. (DSML), a subsidiary company and advances to growers. The fair value of biological assets at the end-MY22 stood higher at Rs. 2.9b (MY21: Rs. 2.3b) while the increase largely pertained to further cost charged on standing crop of sugarcane during the outgoing year. Cash and bank balances were reported at Rs. 289.7m (MY21: Rs. 247.3m). Current ratio remained at 1.11x (MY21: 1.09x). Despite slower inventory turnover, net operating cycle remained manageable at 56 days (MY21: 46 days) owing to improvement in receivable turnover. The coverage of short-term borrowings via stock in trade and trade debts remained adequate at 1.42x (MY21: 2.02x) on a timeline basis. Liquidity profile is expected to improve further in full year on the back of projected growth in profitability.

Manageable leverage indicators on the back of growth in equity base: Equity base augmented to Rs. 16.9b (MY21: Rs. 14.4b) by the end-MY22, on account of internal capital generation. During the outgoing year, the company paid Rs. 597.8m in final dividend for MY21 and paid interim dividend amounting Rs. 896.6m for 6M & 9M'22. In addition, the Board has recommended a final cash dividend at the rate of 12.50% per share for MY22. Equity base decreased to Rs. 16.5b by the end-1QMY23, owing to payment of Rs. 890m against cancellation of company's own shares. The company, with the approval of its shareholders in extraordinary general meeting held on Nov 3, 2022 and in compliance of Section 88 of the Companies Act, 2017 in line with relevant regulations, to but back upto a maximum of two million ordinary shares through stock exchange (PSX) at the spot/current price prevailing during the purchase period. The company duly completed buy back of two million shares at an average price of Rs. 446.10 per share on Jan 20, 2023.

Long-term borrowing including current portion stood lower at Rs. 11.9b (MY21: 14.5b) in line with repayments made during the outgoing year. Short-term borrowings augmented to Rs. 11.0 (MY21: Rs. 3.0b) to finance huge carryover sugar stocks. Trade and other payables increased to Rs. 3.0b (MY21: Rs. 2.2b) largely due to accumulation of higher sales tax payables and increase in trade and other creditors; payables to growers against purchase of sugarcane amounted to nil (MY21: nil) at end-MY22. Advances from customers, primarily relating to advance consideration received from customers against sale of sugar or molasses stood higher at Rs. 2.5b (MY21: Rs. 1.1b). Accrued markup increased to Rs. 813.0m (MY21: Rs. 251.3m) in line with higher average markup rates and short-term borrowings. Despite significant increase in short-term financing gearing remained manageable at 1.36x (MY21: 1.21x) on the back of growth in equity. Increase in leverage indicators at end-1Q'23 is due to seasonal nature of sugar segment, the same are expected to recede by the year end. The capitalization profile of the company is projected to strengthen on account of expansion in equity base and lower financing requirement due to offtake of sugar stocks.

Regulatory matter update related to the imposed penalty: 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 amounting Rs. 8.2b on JDWS would be significant. However, the company has filed an appeal before the Competition Appellate Tribunal against the order of CCP. The Appellate Tribunal has restrained the CCP from adopting any coercive measures against the company for recovery of the fine. The company also challenged the same order of CCP before the Lahore High Court (LHC) in a writ petition. The operation of the said order has been suspended and CCP has been restrained from recovering penalty imposed in terms of the order of the LHC dated Oct 18, 2021. The matter is pending adjudication before the LHC. Given uncertainty and materiality of the outcome, VIS will continue to monitor further developments in this matter.

Corporate Governance: The Board comprises seven members including Chairman and CEO. There are two independent members on the Board and a female representation. During MY22, nine Board meetings were held. The minutes of the meetings were appropriately recorded and circulated while the attendance of Board members remained satisfactory. The Board has constituted Audit Committee, Human Resource & Remuneration Committee, Nomination Committee and Risk Management Committee in line with Code of Corporate Governance for adequate Board oversight.

JDW Sugar Mills Limited Annexure I

FINANCIAL SUMMARY *(amounts in PKR millions)*				
BALANCE SHEET	**MY20**	**MY21**	**MY22**	**1QMY23**
Property Plant and Equipment	20,772	19,671	19,335	19,382
Right-of-Use Assets	1,176	1,880	2,329	2,217
Investment Property	186	186	186	186
Long-term Investment	1,083	1,084	1,084	1,084
Intangibles	615	613	611	610
Stores, Spares, and Loose Tools	1,541	1,382	1,916	2,449
Stock-in-Trade	3,985	1,880	12,146	19,280
Trade Debts	8,452	4,196	3,552	3,034
Biological Assets	1,820	2,335	2,855	2,527
Short-term Investment	570	652	652	652
Cash & Bank Balances	129	247	290	3,224
Other Assets	764	1,420	1,540	1,492
Total Assets	**41,093**	**35,546**	**46,496**	**56,138**
Trade and Other Payables	2,252	2,200	3,028	5,254
Advances from Customers	2,678	1,064	2,518	8,068
Long-Term Debt *(including current maturity)*	15,765	14,455	11,887	11,338
Short-Term Debt	9,308	3,015	11,034	14,547
Total Debt	25,073	17,470	22,921	25,885
Other Liabilities	1,473	342	1,123	461
Total Liabilities	31,520	21,098	29,590	39,668
Tier-I/Total Equity	**9,573**	**14,448**	16,905	16,470
Paid Up-Capital	598	598	598	598
INCOME STATEMENT	**MY20**	**MY21**	**MY22**	**1QMY23**
Net Sales	52,270	56,800	58,888	14,680
Gross Profit	7,402	10,136	9,150	1,663
Other Expense	584	3,693**	393	14
Other Income	860	2,211	1,968	88
Finance Cost	3,550	2,252	3,404	899
Profit Before Tax	2,421	4,447	5,113	257
Profit After Tax	1,399	4,878	3,951	455
FFO	3,404	8,024	6,742	220
RATIO ANALYSIS	**MY20**	**MY21**	**MY22**	**1QMY23**
Gross Margin (%)	14.47	17.8	15.5	11.3
Net Profit Margin (%)	2.7	8.6	6.7	3.1
Net Working Capital	(932)	961	2,350	1,798
Current Ratio (x)	0.95	1.09	1.11	1.06
Cash Conversion Cycle (days)	96	46	56	102
FFO to Long Term Debt (x)	0.22	0.55	0.57	0.08*
FFO to Total Debt (x)	0.14	0.46	0.29	0.03*
Debt Servicing Coverage Ratio (x)	0.60	1.70	1.21	0.68
Gearing (x)	2.62	1.21	1.36	1.57
Leverage (x)	3.29	1.46	1.75	2.41
Inventory plus Receivables/Short-term Borrowings (x)	1.34	2.02	1.42	1.53

**Annualized*

*** includes write-off amounting Rs. 3.3b against receivable from CPPA-G*

ISSUE/ISSUER RATING SCALE & DEFINITIONS Annexure II

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.vis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details.www.vis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.vis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES — Annexure III

Name of Rated Entity	JDW Sugar Mills Limited (JDWS)
Sector	Sugar
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
05/17/2023	A+	A-1	Stable	Reaffirmed
04/15/2022	A+	A-1	Stable	Upgrade
07/27/2021	A	A-2	Stable	Reaffirmed
04/27/2020	A	A-2	Stable	Reaffirmed
03/13/2019	A	A-2	Stable	Downgrade
10/31/2017	A+	A-1	Stable	Reaffirmed
04/13/2017	A+	A-1	Stable	Upgrade
10/27/2015	A	A-1	Positive	Reaffirmed
02/17/2015	A	A-1	Positive	Maintained
10/7/2013	A	A-1	Stable	Reaffirmed
09/5/2012	A	A-1	Stable	Reaffirmed
08/16/2011	A	A-1	Stable	Upgrade

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
Mr. Ali Saeed	Sr. GM Accounts	April 6, 2023
Mr. Muhammad Jaffar	DGM Accounts	April 6, 2023