VIS
Credit Rating Company Limited

Analysts:

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APPLICABLE METHODOLOGY(IES):
VIS Entity Rating Criteria Methodology – Industrial Corporates

Rating Scale:
(https://docs.vis.com.pk/docs/VISRatingScales.pdf)

Rs. Million	FY23A	FY24A	3MFY25M
Net Sales	72,343.1	116,049.9	36,648.3
Profit Before Tax	3,064.8	16,658.5	1,535.9
Profit After Tax	2,166.1	13,009.3	1,281.9
Paid up Capital	577.8	577.8	577.8
Equity (excl. Revaluation Surplus)	15,991.4	27,002.4	28,284.3
Total Debt	16,502.9	34,377.7	58,860.9
Leverage (x)	2.2	1.6	2.9
Gearing (x)	1.0	1.3	2.1
Funds From Operations (FFO)	4,229.5	18,952.8	975.1
FFO/Total Debt (x)	25.6%	55.1%	6.6%
Net Margin (%)	3.0%	11.2%	3.5%
Annualized, if required			
A - Actual Accounts			
M - Management Accounts			

JDW SUGAR MILLS LIMITED

Chief Executive: Mr. Raheal Masud

RATING DETAILS

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Long-term	Short-term	Long-term	Short-term
ENTITY	AA-	A1	AA-	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Upgrade	
RATING DATE	May 16, 2025		May 13, 2024	

RATING RATIONALE

The reaffirmation of the entity ratings at ‘AA-/A1’ with a Stable Outlook reflects a sustained business risk profile underpinned by inelastic demand dynamics and sectoral exposure to cyclical and regulatory risks. The Company benefits from group-level synergies, vertical integration, and diversified revenue streams including energy and agriculture segments. Profitability improved signficantly in MY24, with anticipated contribution from ethanol sales expected to support future revenue and margins. Capitalization was impacted by expansion-related borrowings, though the impact was mitigated to a certain extent due to equity expansion. Moreover, gearing on net debt basis was low at end-1QMY25. Liquidity and coverage metrics improved due to enhanced internal cash generation.

Going forward, ratings will remain sensitive to sector dynamics, including production levels, procurement costs, and policy developments affecting exports and pricing. Profitability will hinge on input-output price alignment and contribution from further revenue streams, including ethanol. The Company’s working capital management, sponsor support, and segment-wise operational stability will be key considerations. Any weakening in gearing, liquidity, or coverage metrics may exert pressure on the assigned ratings.

CORPORATE PROFILE

JDW Sugar Mills Limited (''JDWSML'' or "the Company") was incorporated in Pakistan in May 1990 as a private limited company and was subsequently converted into a public limited company in August 1991. The shares of the Company are listed on the Pakistan Stock Exchange Limited (''PSX''). The principal activities of the Company are production and sale of crystalline sugar including its by-products i.e., molasses, bagasse and mud, generation and sale of energy and managing corporate farms. The Company, as of MY24, has 4 subsidiaries.

GOVERNANCE

JDSWML is a publicly listed company, with 80.3% of its shareholding held by its directors and the remaining owned by the general public. The governance framework is anchored by an experienced leadership team, with Mr. Makhdoom Syed Ahmad Mahmud serving as Chairman of the Board and Mr. Raheal Masud as Chief Executive Officer, who has been associated with the Company since 1991. Oversight is supported through established Board-level committees, including audit, risk management, and human resource, which play a role in maintaining internal controls and enterprise risks, while monitoring key operational areas.

GROUP PROFILE

JDW Group (''the Group'') is a diversified industrial conglomerate primarily engaged in sugar manufacturing. The Group has integrated its operations with upstream and downstream activities, including farming techniques that support its core business. JDWSML serves as the parent entity, with four subsidiaries: Deharki Sugar Mills (Private) Limited (''DSML''), and Sadiqabad Power (Private) Limited (''SPL''), each fully owned by JDWSML, and Faruki Pulp Mills Limited (''FPML''), in which it holds a 57.7% stake.

Deharki Sugar Mills (Private) Limited (''DSML'' or "the Company") was incorporated in Pakistan in December 2016 as a private limited company. The principal activities of the Company are production and sale of crystalline sugar including its by-products i.e., molasses, bagasse, and mud. The Company's head office (HO) / registered office is located at Abid Majeed Road, Lahore Cantt with manufacturing facility located in Mirpur Mathelo, Ghotki, Sindh.

FPML, a public limited company, was established to manufacture paper pulp but remained non-operational due to high capital requirements and accumulated losses. In 2022-23, following member approvals, FPML liquidated all assets except land for PKR 1.6 bln.

In MY24, JDWSML divested its entire shareholding in Kathai-II Hydro (Private) Limited (KHL). The Group had initially acquired a 20.0% stake in KHL on November 12, 2019. KHL's principal business activity is the generation, distribution, and sale of electricity.

PENDING LITIGATION

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 is still pending. The impact of the imposed penalty amounting PKR 8.2 bln on DSML 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.

INDUSTRY PROFILE & BUSINESS RISK

The business risk profile of the sugar sector in Pakistan is assessed as medium, shaped by seasonal and cyclical production patterns, competitive procurement pressures, government intervention, and exposure to price and interest rate risks. Sugarcane production is concentrated within a 3–4-month window (Nov – Mar), while sugar stocks must be carried throughout the year, exposing mills to price and interest rate risks. Low crop yields and variations in sucrose recovery rates persist due to the absence of R&D and mechanized farming. Despite these inefficiencies, sugar demand remains inelastic, driven by population growth and demand from ancillary industries.

The perishable nature of sugarcane necessitates proximity between farms and sugar mills, resulting in high competition for procurement and exerting pressure on raw material costs. This is further compounded by the minimum procurement price set by the government, which particularly affected smaller players. However, in line with IMF conditionalities, this policy has been discontinued from the 2024-25 season onward.

Sugar demand is primarily driven by population growth and increasing demand from the food processing and beverage industries, which account for approximately 7% of total production. Sugar, being a commodity, competition risk on the demand side is medium to low though the demand vs supply situation affects all players. However, it remains high on the supply side due to the clustering of mills near sugarcane-growing areas.

During the crushing season 2023-24, total sugarcane crushed was 67,380,000 MT compared to 65,135,310 MT in the previous year. The government increased the minimum support price (MSP) for sugarcane to Rs. 400 per 40 kg in Punjab (from Rs. 300) and Rs. 425 per 40 kg in Sindh (from Rs. 302). It should be noted that the actual procurement price for sugar mills is usually higher depending upon proximity of other sugar mills. Sugar production was 6.5 million tons as per the US

Department of Agriculture (USDA) report (2022-23: 6.8 million tons). Sucrose recovery remained largely consistent with the previous season, recorded at 10.23%.

With a carryover stock of 1.129 million tons at the start of the crushing season on November 1, 2023, total available sugar supply for the year was about 7.9 million tons. Domestic sugar consumption is estimated at 6.4 MMT in 2024 which resulted in excess carryover stocks in the market. As a result of pressure from sugar mills, government allowed exports of up to 750,000 MT between Jun-Dec 2024 according to industry sources, the major chunk of which went to Afghanistan with actual exports happening late in the year.

As of the end of November 2024, sugar stocks were estimated at approximately 1.08 million tons, including unutilized export quotas of 604,000 tons. By early December, industry estimates suggested that leftover stocks—excluding exportable quantities—stood at around 554,959 tons, incorporating fresh stocks entering the market.

Sugar prices in FY24 averaged PKR 143.92/kg, reflecting a 24% increase from PKR 115.97/kg in FY23. Prices peaked at PKR 157/kg before stabilizing at PKR 134/kg. Currently, retail prices range between PKR 165/kg and PKR 170/kg due to a reported supply shortfall of nearly one million metric tons.

As of April 2025, total sugar production in Pakistan for the 2024–25 crushing season is estimated at approximately 5.7 million metric tons, representing a notable decline from the previous year's output of 6.84 million metric tons. This has resulted in a supply-demand gap, with domestic consumption projected at 6.6 million metric tons according to USDA estimates. Earlier forecasts had anticipated production to reach 6.8 million metric tons; however, actual output remained lower due to factors including lower sucrose recovery and adverse weather conditions.

Sponsor Profile

The Company being a part of JDW Group provides support to the ratings. Ample experience and track record in Pakistan's sugar industry bode well for the rating.

Diversified Business Segments

JDWSML has expanded its operational scope by integrating electricity generation into its business model. This initiative is structured around the Company's in-house power generation capabilities, designed to meet internal energy requirements while also generating additional revenue through electricity sales to the national grid. The Company operates two power plants with a combined generation capacity of 53.4 megawatts (MW). In MY24, these facilities collectively produced 402,559 MWh, of which 354,133 MWh was supplied to the Water and Power Development Authority (NATIONAL GRID) under a Energy PurchaseAgreement (EPA) regulated by the National Electric Power Regulatory Authority (NEPRA).

JDWSML's operational framework also includes a vertically integrated supply chain, supported by corporate-owned farms located in Sindh and Punjab. These farms contribute to the Company's raw material procurement strategy by ensuring a dedicated sugarcane supply, particularly during periods of market volatility.

Currently, approximately 15% of JDW's total sugarcane requirement is sourced from these farms, reducing exposure to supply chain disruptions and providing greater oversight on raw material quality.

Moreover, JDWSML is expanding its product portfolio with the development of a distillery/ethanol production facility. The project is designed with an initial production capacity of 230,000 liters per day. Utilizing molasses as a key feedstock, the facility is expected to produce ethanol for both domestic use and export markets. The commercial operation date (COD) for the new project, as communicated by the management of JDWSML, is expected in the 3QMY25.

Product Profile & Capacity

Sugar Segment	Units	MY23A	MY24A	MY25A
Crushing Period in days	Numbers	110	116	112
Cane Crushed	Tons	6,426,664	7,119,539	6,559,959
Sugar Production	Tons	694,973	743,799	679,901
Sucrose Recovery (%)	% Age	10.81%	10.45%	10.36%
Molasses Produced	Tons	289,812	312,498	289,389
Molasses Recovery (%)	% Age	4.51%	4.39%	4.41%
Power Segment	**Units**	**MY23A**	**MY24A**	**1QMY25**
Installed Capacity	MW	53.4	53.4	53.4
Electricity Generation Capacity	MWh	468,047	468,047	468,047
Electricity generated	MWh	420,500	402,559	104,865
Electric Sold	MWh	370,923	354,133	90,887

Sugar Segment:

The Company has a combined crushing capacity of 71,000 tons per day including Unit I (JDW Sugar) of 35,000 TCD, Unit II (Previously United Sugar Mills) of 22,000 TCD and Unit III (Previously Ghotki Sugar Mills) of 14,000 TCD. Additionally, Deharki Sugar Mills, a wholly owned subsidiary, has 13,000 TCD of capacity.

In MY24, the mill operated for 116 days (MY23: 110 days). The average daily crushing throughput increased slightly to 61,375 tons per day (TPD) (MY23: 58,424 TPD), resulting in a total crushing volume of 7,119,539 tons (MY23: 6,426,664 tons) in MY24. The increase in both the number of operational days and the volume of sugarcane crushed was attributed to the resumption of agricultural activity following the disruption caused by severe flooding just before MY23. Improved cane availability contributed to higher mill utilization levels during the crushing season. As a result of increased operational throughput, sugar production increased to 743,799 tons (MY23: 694,793 tons) in MY24. However, despite the higher volume of sugarcane processed, the sucrose recovery rate was slightly lower at 10.4% due to no material improvement in cane quality with reduced juice content and a higher fiber concentration compared to the cane procured in the 2023 season.

During the MY25 crushing season, the mills operated for an average of 112 days, recording a daily processing capacity of approximately 58,571 tons of sugarcane. This operational throughput resulted in a total crushed volume of 6.56 mln tons during the season. Consequently, sugar production for the season amounted to 679,901 tons. Despite the decline in both sugarcane crushed and sugar output compared to prior periods, the sucrose recovery rate remained unchanged at 10.6%. The stable recovery ratio is attributed to the consistent quality of sugarcane procured and processed during the period.

Power Segment:

JDWSML operates bagasse-based power plants with a cumulative capacity of 53.4 MW. These plants are primarily utilized to meet internal energy requirements, with surplus power supplied to the NATIONAL GRID system under a EPA. During the 1QMY25, the installed generation capacity remained unchanged. The actual energy delivered to the Central Power Purchasing Agency – Guarantee (CEPA-G) was contingent upon plant availability.

FINANCIAL RISK

Assigned ratings also consider the financial risk profile of the Company. Profitability was supported by gains on carryover inventory and higher sugar prices, along with revenue from the power and farming segments. However, margins contracted in early 1QMY25 due to higher procurement costs. Ethanol production is expected to support profitability going forward. Capitalization was supported by equity expansion, though increased borrowings for distillery development and working capital requirements led to higher gearing and leverage in 1QMY25. Liquidity indicators improved during the period under review due to higher internal cash flow generation, though working capital requirements remained elevated. Coverage metrics strengthened in MY24 due to improved profitability and higher fund flows from operations, though some moderation was observed in the subsequent period.

Profitability Profile

In MY24, the Company reported a 37.7% year-on-year growth in net sales, primarily driven by better performance across the sugar, power, and corporate farming segments. The sugar segment's growth was supported by an increase in the domestic selling price, alongside incremental sales of by-products such as molasses and agricultural inputs. Bagasse sales declined due to higher internal consumption for energy generation, despite a rise in average price.

The power segment revenue grew mainly on account of a one-off tariff adjustment related to a long-standing dispute with CEPA-G, resulting in the receipt of arrears primarily related to the fuel cost component and O&M adjustments as approved by NEPRA. In the corporate farming segment, revenue growth was driven by higher sugarcane supply to the Company's subsidiary, DSML, and sales of agricultural inputs.

Gross margins increased to 21.7% (MY23: 14.3%), supported by inventory gains on carryover stock and higher average sugar prices. However, in 1QMY25, gross margins declined to 9.2% due to inventory losses, as the increase in sugarcane procurement cost exceeded the realized selling price of inventory built in MY24 and sold in early MY25.

With the ethanol plant becoming operational in 3QMY25, ethanol sales are expected to contribute towards net sales, and support profitability, going forward.

Capitalization Structure

In MY24, the Company's capital structure reflected an increase in the gearing ratio to 1.3x (MY23: 1.0x), despite a 68.9% expansion in the equity base. The rise was mainly due to the acquisition of a syndicated Musharakah facility from Meezan Bank Limited, MCB Islamic Bank Limited, and The Bank of Punjab, primarily to fund distillery expansion. Short-term borrowings also increased by 237.2% due to higher working capital needs amid inventory build-up. Leverage declined to 1.6x (MY23: 2.2x), mainly due lower other liabilities.

In 1QMY25, the capitalization profile weakened as gearing increased to 2.1x and leverage rose to 2.9x, driven by a 71.2% increase in total debt. The additional borrowings were primarily utilized for seasonal working capital and short-term investments, including mutual funds and other instruments, to benefit from spread opportunities. On net debt basis, gearing stood lower at 0.4x at end-1QMY25. The gearing is projected to remain low on the back of relatively lower borrowing and enhanced equity base, going forward.

Liquidity and Coverage

The Company's liquidity profile showed improvement in MY24, with the current ratio increasing to 1.2x (MY23: 0.8x), supported by reduced reliance on short-term borrowings and increased use of internal resources to meet working capital needs. The current ratio remained relatively stable at 1.1x in 1QMY25.

Coverage metrics also strengthened in MY24, with the debt service coverage ratio (DSCR) improving to 3.0x (MY23: 0.8x), reflecting rise in funds from operations to PKR 19.0 billion (MY23: PKR 4.3 billion). However, DSCR moderated to 1.5x in 1QMY25 amid lower FFO.

Financial Summary			Appendix I
Balance Sheet (PKR Millions)	MY23A	MY24A	1QMY25
Property, plant and equipment	19,512.8	24,391.4	27,817.6
Right-of-use Assets	2,540.5	2,919.7	2,666.6
Intangible Assets	608.7	608.3	608.3
Long-term Investments	1,049.8	1,049.8	1,049.8
Stock-in-trade	15,822.9	21,577.8	18,624.3
Trade debts	3,177.7	9,628.4	4,451.6
Short-term Investments	1,067.7	1,234.5	301.8
Cash & Bank Balances	158.6	684.5	15,726.9
Other Assets	7,962.0	8,375.7	39,753.4
Total Assets	51,900.6	70,470.0	111,000.2
Creditors	1,102.9	707.7	2,130.0
Long-term Debt (incl. current portion)	9,310.4	10,123.1	11,527.9
Short-Term Borrowings	7,192.5	24,254.6	47,333.1
Total Debt	16,502.9	34,377.7	58,860.9
Other Liabilities	18,303.5	8,382.2	21,724.9
Total Liabilities	35,909.2	43,467.6	82,715.9
Paid up Capital	577.8	577.8	577.8
Revenue Reserve	14,735.3	25,746.4	27,028.2
Other Equity (excl. Revaluation Surplus)	678.3	678.3	678.3
Equity (excl. Revaluation Surplus)	15,991.4	27,002.4	28,284.3
Income Statement (PKR Millions)	MY23A	MY24A	1QMY25
Net Sales	72,343.1	116,049.9	36,648.3
Gross Profit	10,311.0	25,150.6	3,379.2
Operating Profit	8,518.1	24,165.7	3,281.9
Finance Costs	5,453.3	7,507.2	1,745.9
Profit Before Tax	3,064.8	16,658.5	1,535.9
Profit After Tax	2,166.1	13,009.3	1,281.9
Ratio Analysis	MY23A	MY24A	1QMY25
Gross Margin (%)	14.3%	21.7%	9.2%
Operating Margin (%)	11.8%	20.8%	9.0%
Net Margin (%)	3.0%	11.2%	3.5%
Funds from Operation (FFO) (PKR Millions)	4,229.5	18,952.8	975.1
FFO to Total Debt* (%)	25.6%	55.1%	6.6%
FFO to Long Term Debt* (%)	45.4%	187.2%	33.8%
Gearing (x)	1.0	1.3	2.1
Gearing (based on net debt) (x)	1.0	1.2	0.4
Leverage (x)	2.2	1.6	2.9
Debt Servicing Coverage Ratio* (x)	0.8	3.0	1.5
Current Ratio (x)	0.8	1.2	1.1
(Stock in trade + trade debts) / STD (x)	3.0	1.4	0.5
Return on Average Assets* (%)	4.4%	21.3%	5.7%
Return on Average Equity* (%)	13.2%	60.5%	18.5%
Cash Conversion Cycle (days)	92.0	91.6	68.8
*Annualized, if required			
A - Actual Accounts			
P - Projected Accounts			
M - Management Accounts			

REGULATORY DISCLOSURES	Annexure II
Name of Rated Entity	JDW Sugar Mills Limited (JDWSML)
Sector	Sugar
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.
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Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
05/16/2025	**AA-**	**A1**	**Stable**	**Reaffirmed**
05/13/2024	AA-	A1	Stable	Upgrade
05/17/2023	A+	A1	Stable	Reaffirmed
04/15/2022	A+	A1	Stable	Upgrade
07/27/2021	A	A1	Stable	Reaffirmed
04/27/2020	A	A1	Stable	Reaffirmed
03/13/2019	A	A1	Stable	Downgrade
10/31/2017	A+	A1	Stable	Reaffirmed
04/13/2017	A+	A1	Stable	Upgrade
10/27/2015	A	A1	Positive	Reaffirmed
02/17/2015	A	A1	Positive	Maintained
10/7/2013	A	A1	Stable	Reaffirmed
09/5/2012	A	A1	Stable	Reaffirmed
08/16/2011	A	A1	Stable	Upgrade

Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Ali Saeed	Senior General Manager (GM) – Accounts	27th March 2025
Mr. Muhammad Jaffar	Deputy General Manager (DGM) - Accounts	