VIS
Credit Rating Company Limited

RATING REPORT

JDW SUGAR MILLS LIMITED

Analysts:
Husnain Ali
(husnain.ali@vis.com.pk)

Mian Maheer Jamshaid
(maheer.jamshaid@vis.com.pk)

RATING DETAILS				
RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	**AA-**	**A1**	AA-	A1
RATING OUTLOOK/ WATCH	**Stable**		Stable	
RATING ACTION	**Reaffirmed**		Reaffirmed	
RATING DATE	**15-May-26**		16-May-25	

Shareholding (5% or More)	Other Information
Directors, CEO, and their spouse and minor children – 54.67%	**Incorporated in 1990**
General Public – 42.14%	**Public Listed Company**
	CEO: Raheal Masud
	Chairman: Makhdoom Syed Ahmad Mahmud
	External Auditor: Riaz Ahmad, Saqib, Gohar & Co., Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

Rating Scale

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

Rating Rationale

The reaffirmation of the entity ratings at 'AA-/A1' with a Stable Outlook reflects JDW Sugar Mills Limited's strong business profile, supported by its large operational scale, vertically integrated operations, and diversified revenue streams including sugar manufacturing, power generation, ethanol production, and corporate farming. The Company benefits from its sizeable crushing capacity and established position in the domestic sugar industry. The addition of the ethanol facility during MY25 further supports diversification and establish the exports footprint.

Profitability moderated during MY25, mainly due to margin pressure arising from higher sugarcane procurement costs, lower sucrose recovery and lower co-generation revenues. However, margins showed improvement in 1QMY26, supported by better price dynamics and the initial contribution from ethanol operations. Capitalization indicators remained adequate, as growth in equity through profit retention partially offset the increase in borrowings related to capital expenditure on the ethanol project. Coverage indicators weakened during MY25 due to lower internal cash generation but improved in 1QMY26.

Going forward, the ratings will remain sensitive to developments in the domestic sugar industry, including sugarcane availability, sugarcane procurement price, and government policies affecting exports and pricing.

The Company's ability to maintain profitability will depend on effective cost management and continued contribution from diversified revenue streams, particularly ethanol. Sustaining adequate capitalization, liquidity, and debt coverage indicators will remain important for the assigned ratings.

Company Profile

JDW Sugar Mills Limited ('JDWSML' or 'the Company') was incorporated in Pakistan in 1990 as a private limited company and was listed on the Pakistan Stock Exchange in August 1991. The Company is principally engaged in the manufacture and sale of crystalline sugar, ethanol and related by-products including molasses and bagasse, along with bagasse-based co-generation of electricity and corporate farming operations. JDWSML operates three sugar manufacturing units located in Rahim Yar Khan and Ghotki, in addition to an ethanol facility in Rahim Yar Khan. Additionally, the Company has four subsidiaries and its registered head office is located in Lahore Cantonment, Lahore. In 2025, JDW Sugar Mills transitioned into an integrated industrial complex, headlined by the launch of its 230,000 liters-per-day ethanol distillery which achieved commercial operations on August 1, 2025. While the Group continues to operate major subsidiaries like Deharki Sugar Mills (DSML), the management has initiated a strategy to lean out its corporate structure by approving the voluntary winding up of dormant subsidiaries namely Sadiqabad Power (SPL) and Ghotki Power (GPL), alongside the planned asset liquidation of Faruki Pulp Mills (FPML). The Group has signaled global ambitions by approving the establishment of a new wholly owned subsidiary in the UAE in 2026.

Governance

JDW Sugar Mills maintains a robust corporate governance framework, overseen by an eight-member Board of Directors led by Chairman Makhdoom Syed Ahmed Mahmud and CEO Mr. Raheal Masud. The management team is characterized by deep-rooted industry expertise. The Company's financial statements for MY25 are audited by Riaz Ahmad, Saqib, Gohar & Co., a firm appearing in Category 'B' on the State Bank of Pakistan's (SBP) panel of auditors.

Business Risk

INDUSTRY

SUGAR

The business risk profile of Pakistan's sugar industry remains medium, reflecting structural seasonality, high regulatory sensitivity, and persistent cost pressures, despite tentative signs of production recovery. During the 2024–25 crushing season, national sugar output declined to 5.77 million metric tons (MMT) from 6.8 MMT a year earlier, primarily due to lower sucrose recovery and adverse weather conditions. The sector's challenges were compounded by the government's inconsistent export policy, which allowed substantial sugar exports in 2023 and early 2024 despite forecasts of domestic shortfalls. Exporters benefited from favorable international prices, leaving local markets exposed to supply constraints and price volatility. As a result, retail sugar prices surged to PKR 165–170/kg by mid-2025, peaking near PKR 180/kg amid perceived scarcity. Policy risk remains elevated, as reforms introduced under the IMF program, including the removal of the minimum support price, have heightened market exposure for both growers and mills. Looking ahead, sugar production is projected to recover to approximately 6.6 MMT in 2025–26, representing a 13.7% year-on-year increase, supported by improved cane yields and higher sucrose recovery rates. Total sugarcane output is expected to rise to 83.5 million MT, up roughly 4%, while domestic consumption is forecast around 6.8 MMT, driven by population growth and steady demand from the food and beverage sector. Despite improved production, ending stocks are likely to decline to around 1.76 MMT, indicating a structurally tight supply–demand balance. Retail prices are expected to remain range-bound, averaging PKR 160–180/kg. Elevated input costs, including energy, fertilizer, and transport, alongside water scarcity and delayed cane payments will continue to constrain industry margins. Overall, the industry remains exposed to moderate but persistent business risk, underpinned by improving output and stable consumption, yet constrained by structural inefficiencies, high working-capital intensity, and policy-driven volatility.

ETHANOL

The business risk profile of Pakistan's ethanol sector is assessed as Medium to High, primarily due to its dependence on sugarcane-derived molasses. Feedstock availability remains the key risk, as lower sugarcane yields in the 2024–25 season constrained molasses supply, increased costs, and disrupted production. Since molasses is a by-product of sugar manufacturing, its availability and pricing are influenced by sugar market conditions and government policies. Restrictions on sugar exports or increases in sugarcane support prices may encourage mills to retain molasses, pressuring distillery margins. The sector is export-oriented, with around 80% of output sold internationally, exposing producers to fluctuations in global ethanol demand, biofuel blending mandates, and competition from large producers such as Brazil and the U.S. Ethanol prices are also sensitive to global oil prices, while domestic demand remains limited, with blending initiatives offering only gradual and uncertain support. Going forward, lower international prices and tighter feedstock availability are expected to constrain margins, particularly as additional distillation capacity intensifies competition for molasses. Installed ethanol capacity is estimated at about 4.13 million liters per day, and further additions without higher cane throughput may limit utilization. High working capital requirements across the sugar-ethanol value chain and exposure to global sugar price volatility further elevate risk. While ethanol exports provide diversification and foreign exchange earnings, overall business risk remains higher than most of the other local manufacturing sectors.

OPERATIONAL UPDATE

JDW Sugar Mills Limited operates as an integrated sugar producer with diversified operations across sugar manufacturing, power generation and ethanol production. The Company's core business remains sugar manufacturing, supported by three mills located at Jamal Din Wali (Unit I), Sadiqabad (Unit II) and Ghotki (Unit III). The Group's operational capacity is further supported by Deharki Sugar Mills (Private) Limited, a wholly owned subsidiary. JDWSML's operations are supported by a vertically integrated supply chain which includes corporate-owned farms in Sindh and Punjab that help secure sugarcane supply and improve control over raw material quality.

In addition to its core sugar operations, the Company has diversified into bagasse-based power generation and ethanol production. The power plants primarily meet internal energy requirements while surplus electricity is delivered externally. The newly established ethanol plant utilizes molasses as feedstock and allows the Company to convert a by-product of sugar production into a higher value product. This diversification supports JDWSML's revenue base and improves overall operational efficiency by maximizing the use of available resources.

Sugar Segment:

The Company has a combined crushing capacity of 71,000 tons per day (TCD), including Unit I (Jamal Din Wali) of 35,000 TCD, Unit II (Sadiqabad) of 22,000 TCD, and Unit III (Ghotki) of 14,000 TCD. Additionally, DSML has 13,000 TCD of capacity. During the MY25 crushing season, the mills operated for 114 days, recording a daily processing capacity of approximately 57,544 tons of sugarcane. This operational throughput resulted in a total crushed volume of 6.56 million tons during the season, lower than 7.11 million from last season. Consequently, sugar production for the season decreased to 679,901 tons (MY24: 688,117) in MY25. Subsequently, sucrose recovery decreased slightly to 10.36% (MY24: 10.57%) in MY25.

Ethanol Segment:
JDWSML has also expanded its product portfolio through the development of an ethanol production facility with a design capacity of 230,000 liters per day. The plant uses molasses as the primary feedstock and is designed to produce ethanol for both domestic use and export markets. The facility commenced trial production on 12 July 2025, and following successful testing, commercial production began on 01 August 2025. By 30 September 2025, the plant had produced 14,700 tons of ENA ethanol and is currently operating at a level exceeding 250,000 liters per day, reflecting operational efficiency above its designed capacity.

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. While the installed generation capacity remained unchanged, the plants generated and delivered 383,551 MWh energy in MY25.

Sugar Segment	**Units**	**MY23A**	**MY24A**	**MY25A**
Crushing Period	Days	117	114	114
Cane Crushed	Tons	6,426,664	7,119,539	6,559,959
Sugar Production	Tons	678,706	688,117	679,901
Sucrose Recovery	*%*	*10.56%*	*10.57%*	*10.36%*
Molasses Produced	Tons	296,528	294,779	296,827
Molasses Recovery	*%*	*4.61%*	*4.40%*	*4.53%*
Power Segment	**Units**	**MY23A**	**MY24A**	**MY25A**
Installed Capacity	MWh	53.4	53.4	53.4
Energy Generated	MWh	420,500	402,559	436,409
Energy Delivered	MWh	370,923	354,133	383,551
Ethanol Segment	**Units**	**MY23A**	**MY24A**	**MY25A**
Plant Capacity	Liters per day	–	–	230,000
Ethanol Production	Tons			14,700
Current Operating Capacity	Liters per day			250,000

SALES & PROFITABILITY

Net sales moderated to Rs. 114.73b (MY24: Rs. 116.05b) in MY25, amid evolving segmental dynamics. Within the sugar division, domestic sales registered a modest uptick, while export revenues expanded significantly by 2.72x in MY25. Molasses revenue contracted sharply by 47%, amidst internal diversion toward the ethanol segment, which, in turn, recorded revenue of Rs. 256.9m (MY24: nil) in MY25. Co-generation power revenue also declined during MY25 owing to the absence of one-off differential tariff adjustments recorded in MY24. The corporate farming revenue reduced, reflecting lower sugarcane sold to DSML. The slow rationalization of sugar prices increases, higher average sugarcane procurement price, lower sucrose recovery and decline in co-power generation compressed gross margins to 13.9% (MY24: 21.7%) in MY25. Driven by lower gross margins, net margins also decreased to 5.6% in MY25 (MY24: 11.2%), despite utilization of tax credit.

During 1QMY26, the topline contracted by 34% to Rs. 29.14b (1QMY25: Rs. 44.43b), mainly due to subdued sugar revenues. The Company's ethanol segment recorded Rs. 3.85b revenue in 1QMY26 (1QMY25: nil). In 1QMY26, despite higher sugarcane procurement price, gross margins normalized to 20.3% (1QMY25: 9.2%)

driven by higher selling prices and better sucrose recovery, resulting in net margins of 10.7% (1QMY25: 3.5%) in 1QMY26.

Margins are projected to remain largely stable over the remainder of the year with price controls offset by cost-optimization initiatives. These initiatives include the addition of Anhydrous plant, which commenced operations in August 2025 and the capacity to produce export-grade anhydrous ethanol, while CO2 plant which is planned to be installed in due course, is aimed at enhancing value addition within the ethanol segment.

Financial Risk

CAPITAL STRUCTURE

The expansion in equity base to Rs. 30.6b (end-MY24: Rs. 27.0b) by end-MY25, was primarily supported by profit retention. The dividend payout ratio increased to 45% in MY25 (MY24: 15%). Equity enhanced further to Rs. 33.5b by end-1QMY26. Despite higher borrowings related to capital expenditure on ethanol project during MY25, the expansion in equity resulted in a modest improvement in gearing (MY25: 1.19x; MY24: 1.27x) and debt leverage (MY25: 1.54x; MY24: 1.61x); however, capitalization indicators weakened by end-1QMY26 due to a notable increase in short-term borrowings. These funds were placed temporarily as bank deposits. Gearing on net debt basis remained largely intact (1QMY26: 1.21x, MY25: 1.17x, MY24: 1.20x).

The long-term borrowings are projected to increase further by end-MY26 to be mobilized for purchase of an aircraft, development JDW Tower - the Group's new corporate office in Gulberg, Lahore, and ongoing expenditures on distillery. However, leverage indicators are projected to improve on the back higher equity base and lower short-term borrowings by end-MY26.

DEBT COVERAGE & LIQUIDITY

Funds from operations (FFO) declined in MY25, primarily due to lower profitability and higher disbursements under the Workers' Profit Participation Fund (WPPF), leading to a contraction in the debt service coverage ratio (DSCR) to 1.34x (MY24: 2.88x). In 1QMY26, DSCR improved to 1.92x, supported by a recovery in FFO generation. Likewise, FFO-to-total debt and FFO-to-long-term debt coverage metrics weakened during MY25 but exhibited improvement in 1QMY26, with further strengthening expected over the remainder year.

The current ratio moderated to 1.11x (end-MY24: 1.24x) by end-MY25, largely reflecting an increase in trade payables alongside relatively lower inventory levels. This working capital adjustment contributed to an improvement in the cash conversion cycle (CCC), which shortened slightly to 89 days in MY25 (MY24: 92 days). Driven by an increase in short-term borrowings and trade creditors at the start of crushing season, current ratio dipped to 1.07x while the CCC improved slightly to 85 days in 1QMY26. Majority of trade receivables arise from CPPA-G (Central Power Purchasing Agency (Guarantee) Limited), a government-owned entity, and are secured by guarantee from Government of Pakistan under the Implementation Agreements.

FINANCIAL SUMMARY				
Balance Sheet (PKR Millions)	**MY23A**	**MY24A**	**MY25A**	**3MFY26M**
Property, plant and equipment	19,513	24,391	40,626	40,918
Right-of-use Assets	2,540	2,920	2,281	2,185
Intangible Assets	608	608	608	608
Long-term Investments	1,050	1,050	1,050	1,050
Stock-in-trade	15,823	21,578	12,625	23,159
Trade debts	3,178	9,628	9,348	4,696
Short-term Investments	1,068	1,234	285	285
Cash & Bank Balances	159	685	438	17,008
Other Assets	7,962	8,376	10,632	15,911
Total Assets	**51,901**	**70,470**	**77,894**	**105,819**
Creditors	1,103	708	1,824	2,762
Long-term Debt (incl. current portion)	9,310	10,123	19,530	19,094
Short-Term Borrowings	7,193	24,255	17,046	38,587
Total Debt	**16,503**	**34,378**	**36,576**	**57,680**
Other Liabilities	18,303	8,382	8,844	9,000
Total Liabilities	**35,909**	**43,468**	**47,244**	**72,328**
Paid up Capital	578	578	578	578
Equity (excl. Revaluation Surplus)	**15,991**	**27,002**	**30,650**	**33,491**
Income Statement (PKR Millions)	**MY23A**	**MY24A**	**MY25A**	**3MFY26M**
Net Sales	72,343	116,050	114,732	26,528
Gross Profit	10,311	25,151	15,969	5,375
Operating Profit	8,518	24,166	12,441	4,823
Finance Costs	5,453	7,507	5,567	1,258
Profit Before Tax	3,065	16,659	6,874	3,565
Profit After Tax	**2,166**	**13,009**	**6,413**	**2,841**
Ratio Analysis	**MY23A**	**MY24A**	**MY25A**	**3MFY26M**
Gross Margin	14.30%	21.70%	13.90%	20.30%
Operating Margin	11.80%	20.80%	10.80%	18.20%
Net Margin	3.00%	11.20%	5.60%	10.70%
Funds from Operation (FFO) (PKR Millions)	4,229	18,953	6,700	3,714
FFO to Total Debt*	25.60%	55.10%	18.30%	25.80%
FFO to Long Term Debt*	45.40%	187.20%	34.30%	77.80%
Gearing (x)	1.03	1.27	1.19	1.72
Net Gearing (x)	0.96	1.20	1.17	1.21
Leverage (x)	2.25	1.61	1.54	2.16
Debt Servicing Coverage Ratio* (x)	0.77	2.95	1.34	1.92
Current Ratio (x)	0.82	1.24	1.11	1.07
(Stock in trade + trade debts) / STD (x)	2.98	1.38	1.47	0.84
Return on Average Assets*	4%	21%	9%	12%
Return on Average Equity*	13%	61%	22%	35%
Cash Conversion Cycle (days)	92	92	89	85

Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES — Appendix I

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

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
RATING TYPE: ENTITY				
15-May-2026	**AA-**	**A1**	**Stable**	**Reaffirmed**
16-May-2025	AA-	A1	Stable	Reaffirmed
13-May-2024	AA-	A1	Stable	Upgrade
17-May-2023	A+	A1	Stable	Reaffirmed
15-Apr-2022	A+	A1	Stable	Upgrade
27-Jul-2021	A	A2	Stable	Reaffirmed

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.
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Ali Saeed	Chief Accounting Officer	4th March 2026
Mr. Muhammad Jaffar	Deputy General Manager - Accounts	