

RATING REPORT

JDW Sugar Mills Limited (JDWS)

REPORT DATE:

March 04, 2024

RATING ANALYST:

Muhammad Subhan

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SUKUK RATING DETAILS

Rating Category	Final Rating	Initial Rating
	Short-term	Short-term
Sukuk-2	A-1	A-1
Rating Action	Final	Preliminary
Rating Date	04 th March 2024	07 th February 2024

COMPANY INFORMATION

Incorporated in 1990

External auditors: Riaz Ahmad, Saqib, Gohar & Co. Chartered Accountants.

Public Listed Company

Chairman of the Board: Mr. Mukhdoom Syed Ahmed Mahmud
Chief Executive Officer: Mr. Raheal Masud

Key Shareholders (with stake 5% or more):

Directors, CEO, and their spouse and minor children – 49.5%

General Public – 47.9%

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Industrial Corporates

<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale:

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

JDW Sugar Mills Limited (JDWS)

OVERVIEW OF THE INSTITUTION

RATING RATIONALE

JDW Sugar Mills Limited

was incorporated as a private limited company in May, 1990 under the Companies Ordinance, 1984 (Repealed with enactment of the Companies Act 2017) and was subsequently converted into a public limited company in August, 1991.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 and has served as a Governor of Punjab during 2012-2013.

Financial Snapshot

Tier-1 Equity: end-1QMY23: PKR. 16.5 bln; end-MY22: PKR 16.9 bln; end-MY21: PKR 14.4 bln

Assets: end-1QMY23: PKR 56.1 bln; end-MY22: PKR 46.5 bln; end-MY21: PKR 35.5 bln

Net Profit: 1QMY23: PKR 455 mln; MY22: PKR 4.0 bln; MY21: PKR 4.9 bln

Corporate Profile

JDW Sugar Mills Limited ('JDWS' or 'the Company') was incorporated in Pakistan on 31 May 1990 as a private limited company and was subsequently converted into a public limited Company on 24 August 1991. Shares of the Company are listed on the Pakistan Stock Exchange Limited (PSX). The registered office of the Company is situated at 17 - Abid Majeed Road, Lahore Cantonment, Lahore. The principal activities of the Company include production and sale of crystalline sugar, electricity and managing corporate farms.

Sponsor Profile

The Company is a part of JDW Group, which is a progressive industrial house of the country. Sugar manufacturing is the core business of the Group and is renowned for support of innovative farming techniques, which augment the core business.

Short-Term Sukuk 2 (STS-2)

JDWS has issued a rated, unsecured, privately placed short term Sukuk of PKR 5 bln on February 15, 2024. The issue has been subscribed by funds and Asset Management Companies. The Sukuk to the extent of 75% of the total proceeds will be utilized for sugarcane procurement and the remaining 25% will be used for the general working capital expenditure. The instrument has tenor of up to 6 months maturing for repayment in bullet on August 15, 2024. JDWS however, has option for prepayment of the entire outstanding facility amount or part thereof through Company's internal cash flows with fifteen (15) days prior written notice. Profit rate on the instrument is 6M KIBOR + 80 bps per annum and is payable at the time of redemption of Sukuk on the outstanding principal amount. Additionally, the structure of the Sukuk was developed under the advisory of Al- Hilal Shariah Advisors. The assigned rating is strongly contingent on the structure of the Sukuk and improving financial metrics.

JDW Sugar Mills Limited
Appendix I

FINANCIAL SUMMARY					
<i>(amounts in PKR millions)</i>					
<u>BALANCE SHEET</u>	MY21	MY22	MY23	1QMY24	MY24(P)
Property Plant and Equipment	19,671	19,335	19,513	19,929	24,493
Right-of-Use Assets	1,836	2,329	2,540	2,538	2,181
Investment Property	186	186	318	318	318
Long-term Investment	1,084	1,084	1,050	1,050	1,084
Intangibles	613	611	609	608	609
Stores, Spares, and Loose Tools	1,382	1,916	2,428	2,727	2,575
Stock-in-Trade	1,880	12,146	15,823	27,410	15,283
Trade Debts	4,196	3,552	3,178	4,080	5,729
Biological Assets	2,335	2,855	3,606	3,218	4,065
Short-term Investment	652	652	1,068	1,068	-
Cash & Bank Balances	247	290	159	11,452	185
Other Assets	1,420	1,540	1,609	1,196	1,415
Total Assets	35,546	46,496	51,901	75,594	57,937
Trade and Other Payables	2,200	3,028	3,024	9,846	9,340
Advances from Customers	1,064	2,518	15,336	19,932	-
Long-Term Debt <i>(including current maturity)</i>	14,477	11,887	9,310	3,803	11,296
Short-Term Debt	3,015	11,034	7,193	17,867	5,841
Total Debt	17,492	22,921	16,503	21,670	17,137
Other Liabilities	342	1,123	1,046	3,163	3,578
Total Liabilities	21,098	29,590	35,909	54,611	30,055
Tier-I/Total Equity	14,448	16,905	15,991	20,983	27,882
Paid Up-Capital	598	598	578	578	578
<u>INCOME STATEMENT</u>	MY21	MY22	MY23	1QMY24	MY24(P)
Net Sales	56,800	58,888	72,343	27,170	120,839
Gross Profit	10,136	9,150	10,311	9,495	27,157
Other Expense	3,693**	393	219.0	604	1,412
Other Income	2,211	1,968	1,033	760	1,715
Finance Cost	2,252	3,404	5,453	826	4,592
Profit Before Tax	4,447	5,113	3,065	8,122	20,085
Profit After Tax	4,878	3,951	2,166	4,992	13,595
FFO	8,024	6,742	3,523	7,941	18,808
<u>RATIO ANALYSIS</u>	MY21	MY22	MY23	1QMY24	MY24(P)
Gross Margin (%)	17.8	15.5	14.3	34.9	22.5
Net Profit Margin (%)	8.6	6.7	3.0	18.4	11.3
Net Working Capital	961	1,620	(5,941)	(934)	11,819
Current Ratio (x)	1.09	1.08	0.82	0.98	1.68
Cash Conversion Cycle (days)*	46	56	81	118***	40
FFO to Long Term Debt (x)*	0.55	0.57	0.38	8.35***	1.67
FFO to Total Debt (x)*	0.46	0.29	0.21	1.47***	1.10
Debt Servicing Coverage Ratio (x)*	1.76	1.26	0.97	2.99***	1.65
Gearing (x)	1.21	1.36	1.03	1.03	0.61
Leverage (x)	1.46	1.75	2.25	2.60	1.08
Inventory plus Receivables/Short-term Borrowings (x)	2.02	1.42	2.64	1.76	3.60

*Annualized

** Includes write-off amounting PKR 3.3 bln against receivable from CPP A-G

*** Abnormal improvement on account of annualization affect, projected to normalize in MY24.

REGULATORY DISCLOSURES			Appendix II
Name of Rated Entity	JDW Sugar Mills Limited (JDWS)		
Sector	Sugar		
Type of Relationship	Solicited		
Purpose of Rating	Entity Ratings		
Rating History	Rating Date	Rating	Rating Action
	RATING TYPE: SUKUK		
	03/04/2024	A-1	Final
	02/07/2024	A-1	Preliminary
Instrument Structure	JDWS's Sukuk, issued on 15th February 2024, is of PKR 5 bln with a tenor of 6 months. The principal shall be paid in bullet after 6 months of the issuance and JDWS may repay the entire outstanding facility amount or part thereof through Company's internal cash flows with fifteen (15) days prior written notice at a rate of 6M KIBOR + 75-80 bps per annum.		
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 Conducted	Meeting	N/A	