RATING REPORT

Shahmurad Sugar Mills Limited

REPORT DATE:

August 23, 2023

RATING ANALYSTS:
Hannan Athar
hannan.athar@vis.com.pk

Tayyaba Ijaz, CFA
tayyaba.ijaz@vis.com.pk

RATING DETAILS				
Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A	A-2	A-	A-2
Rating Outlook	*Stable*		*Stable*	
Rating Action	Upgraded		Reaffirmed	
Rating Date	*23rd August '22*		*6th June'22*	

COMPANY INFORMATION	
Incorporated in 1979	**External auditors:** Kreston Hyder Bhimji & Co. Chartered Accountants.
Public Limited Company	Chairman of the Board: Mr. Noor Mohammad Zakaria Chief Executive Officer: Mr. Zia Zakaria
Key Shareholders (with stake 5% or more):	
Al-Noor Sugar Mills Limited – 15.62% CDC-Trustee National Investment Trust Fund – 6.50%	

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Corporates (May 2023)
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

VIS Rating scale (2023)
https://docs.vis.com.pk/docs/VISRatingScales.pdf

OVERVIEW OF THE INSTITUTION	RATING RATIONALE

Incorporated in 1979, Shahmurad Sugar Mills Limited (SSML) is a public limited company and is listed on Pakistan Stock Exchange. The company is involved in production of sugar and ethanol and is a part of Al-Noor Group.

Financial Snapshot

Tier-1 Equity: 1H'MY23: Rs. 6.5b; MY22: Rs. 4.8b ; MY21: Rs. 3.4b; MY20: Rs. 3.4b

Total Assets:

1H'MY23: Rs. 19.3b; MY22: Rs. 13.1b; MY21: Rs. 9.9b; MY20: Rs. 11.3b

Profit After Tax: 1H'MY23: Rs. 1.9b; MY22: Rs. 1.65b; MY21: Rs. 135.4m; MY20: Rs. 760.3m

Shahmurad Sugar Mills Limited (SSML) is a part of Al-Noor Group (ANG), involved in the manufacturing of sugar, rice, ethanol, power and board products along with limited presence in the financial sector. SSML is primarily engaged in the business of manufacturing and selling of sugar and ethanol. Production facilities of SSML include sugar and ethanol manufacturing units located at Jhok, District Sajawal in the province of Sindh. The ratings incorporate extensive sponsors experience in the sugar sector, satisfactory operating track records and financial flexibility in view of diversified revenue stream.

Total sugarcane production in 2022-23 season was reported lower at 82.4m MT vis-à-vis 89.0m MT preceding year on account of adverse impact on sugarcane crop due to floods Resultantly, sugar production reported a decrease of ~7% as per sources. However, total available sugar stocks are expected to remain largely intact vis-à-vis preceding year. Furthermore, due to surplus sugar stocks available in the country, the Government allowed 250,000 MT of sugar exports in the ongoing year. Resultantly, sugar prices have exhibited a rising trend lately. Meanwhile, the ratings do incorporate inherent cyclicality in crop levels and price vulnerability in sugar sector leading to competitive challenges for the company.

Revenue growth has been largely driven by higher ethanol export sales comprising nearly three-fourth of the revenue mix, on the back of higher volumetric sales and higher selling price in MY22. Positive demand dynamics of ethanol underpinned by competiveness in international market due to PKR devaluation has boded well for industry players. The same trend continued in the ongoing year. Sugar prices have also showed an upward trajectory post announcement of export quota in Jan'23. Hence, sugar segment margins are also expected to improve in full year. Further, the ratings draw support from adequate liquidity position underpinned by significant improvement in cash flows in relation to outstanding obligations during MY22 and the ongoing year. Leverage indicators have remained at manageable levels despite substantial increase in seasonal borrowings to fund working capital and regular dividend payments. The leverage indicators are expected to recede with majority of the stock being lifted by year-end. The ratings will remain sensitive to maintaining profitability and liquidity profiles at acceptable levels while improvement in capitalization indicators, going forward.

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. In 2022-23 season, the crushing season took off a bit late owing to disagreement between PMSA, 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.

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. 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. Sugar prices are expected to increase further which would benefit the industry players in realizing inventory gains. However, elevated markup rates would likely to suppress bottomline of companies with high leveraged capital structure.

Capacity Utilization & Production Update

Sugar Division

During the period under review production capacity of sugar division remained unchanged at 11,000 tpd. The company started 2022-23 sugarcane crushing season on Nov 29th, 2022 which lasted for a total of 97 days as compared to 113 days in the previous season, primarily as a result of contraction in sugarcane yield due to floods. Sugarcane crushed was reported lower at 567.9K MT (2021-22: 601.7K MT; 2020-21: 441.3K MT) while average sucrose recovery rate was lower at 10.60% (2021-22: 11.08%; 2020-21: 10.70%) due to the quality of sugarcane. Resultantly, sugar production was recorded lower at 60,303 MT (2021-22: 66,683 MT; 2020-21: 47,220 MT). On the other hand, molasses production was recorded higher at 26,720 MT (2021-22: 25,810 MT; 2020-21: 19,740 MT) in line with higher recovery rates of 4.70% (2021-22: 4.29%; 2020-21: 4.47%). Ethanol production during the ongoing season was recorded at 34,537 MT (2021-22: 69,752; 2020-21: 42,643 MT) as of Mar'23. The management contemplated to produce around 65.9K MT of ethanol in the ongoing year. A snapshot of production related information of sugar segment is tabulated below:

Crushing season	2019-20	2020-21	2021-22	2022-23
Crushing Capacity tpd	11,000	11,000	11,000	11,000
No. of days Mill Operated	96	90	113	97
Capacity based on Operating Days	1,056,000	990,000	1,243,000	1,067,000
Actual Crushing (MT)	444,430	441,293	601,695	567,913
Capacity Utilization	42.10%	44.60%	48.41%	53.23%
Sugar Produced (MT)	48,876	47,220	66,683	60,303
Sucrose Recovery Rate	11.00%	10.70%	11.08%	10.60%
Molasses Produced (MT)	19,715	19,740	25,810	26,720
Molasses Recovery Rate	4.44%	4.47%	4.29%	4.70%
Ethanol Produced	47,608	42,643	69,752	34,537

Ethanol Division

The company has two ethanol production units, each having production capacity of 100 MT per day. During the crushing season 2022-23, molasses production for the group (both ANSM and SSML) companies amounted to 65,000 MT, which is expected to meet around 17.4% of the total requirements, while the remaining molasses will be outsourced. Moreover, given its flammability, ethanol is a high-risk commodity and thus cannot be stored for long, and is exported regularly, with almost 6,000 MT of export on a monthly basis.

	MY20	MY21	MY22	1H'MY23
PLANT – I				
Days in Operation	191	210	346	162
Capacity per day (MT)	100	100	100	100
Total Capacity	19,100	21,000	34,600	16,200
Actual Production	17,566	17,103	34,001	16,903
Capacity Utilization	92.00%	81.44%	98.27%	104.34%
PLANT – II				
Days in Operation	322	303	347	169
Capacity per day (MT)	100	100	100	100
Total Capacity	32,200	30,300	34,700	16,900
Actual Production	30,042	25,540	35,751	17,634
Capacity Utilization	93.20%	84.29%	103.03%	104.34%
Total				
Capacity	51,300	51,300	69,300	33,100
Production	47,608	42,643	69,752	34,537
Utilization	92.80%	83.12%	100.65%	104.34%

Property, plant, and equipment stood at Rs. 5.6b (MY22: Rs. 5.6b; MY21: Rs. 5.3b) at end-1H'MY23. Additions amounting to Rs. 864.3m, mainly pertained to improvements related to energy and bagasse savings. In the full year (i.e., MY23), the company intends to conduct balancing, modernization and replacement (BMR) of around Rs. 500.0m in sugar and distillery operations to achieve cost efficiencies.

Growth in topline mainly led by higher ethanol export sales in the outgoing year, with higher volumetric and selling prices, resulting in higher margins; while the same is expected for the ongoing year.

During MY22, the company generated Rs. 17.8b (MY21: Rs. 9.9b) posting a YoY growth of ~80% growth in revenue owing to higher export sales of ethanol, which contributed around three-fourth (MY21: 60%) to the sales mix. Accordingly, the proportion of sugar segment in the revenues decreased to ~23% (MY21: 39%). The volumetric sales of sugar stood higher at 58,171 MT (MY21: 48,765 MT) while average selling prices remained lower at Rs. 71,199/MT (MY21: 80,222/MT) during the outgoing year due to excess stocks available in the country in line with bumper crop, whereas no exports were allowed by the government. The growth in ethanol sales was driven by 83% increase in volumetric sales coupled with ~25% increase in selling prices. The export revenue entirely constituted ethanol. A brief snapshot of sales of both sugar and ethanol is given below:

Rs. Million	MY20	MY21	MY22	1H'MY23
Sugar Sold (MT)	63,438	48,765	58,171	16,790
Sugar Price/MT	63,900	80,222	71,198	69,050
Ethanol Sold (MT)	45,808	39,660	72,397	33,463
Ethanol Price/MT	154,787	151,793	188,904	252,007

Cost of sales amounted to Rs. 14.4b (MY21: Rs. 9.2b) during MY22. Around 88% of the cost of goods manufactured comprised raw material cost. During the outgoing year, the company procured sugarcane at an average rate of Rs. 296.95/ maund as compared to Rs. 295/maund in the preceding year. Gross margins during the same period increased to 19.4% (MY21: 7.7%) as a result of higher contribution of ethanol. Distribution cost stood higher at Rs. 142.1m (MY21: Rs. 43.7m), mainly due to higher carriage outward charges and storage charges for the ethanol division. Administrative expenses increased to Rs. 304.2m (MY21: Rs. 255.6m) mainly in line with inflationary pressure. During the outgoing year, other expenses stood sizably higher at Rs. 591.9m (MY21: Rs. 87.0m), on account of loss recognized on foreign currency forward contracts amounting to Rs. 166.6m (MY21: nil), coupled with net exchange loss of Rs.

177.8m (MY21: nil). During the same period impairment allowance for export subsidy and employees fund contributions also increased. Other income was recorded lower at Rs. 41.2m (MY21: Rs. 288.6m), as there no liabilities written back during MY22 (MY21: Rs. 177.6m). Finance cost stood higher at Rs. 488.8m (MY21: Rs. 366.6m) on account of higher short-term borrowings coupled with higher markup rates. The net profitability augmented to Rs. 1.65b (MY21: Rs. 135.7m) with sizable increase in net margins to 9.3% (MY21: 1.4%) on the back of higher gross profitability led by distillery operations, rationalized operating costs and decrease in effective tax rate.

During 1H'MY23, net sales amounted to Rs. 9.6b (1H'MY22: Rs. 6.9b). SSML was allocated an export quota of 1,500 MT which was exported at an average price of $495/MT (Rs. 141,436/MT) in Q3'MY23. Average procurement price for sugarcane, in 2022-23 season, was recorded at Rs. 351/maund. As per the management cane procurement for SSML is more than Al-Noor sugar mills on account of higher transportation cost incurred as well as higher premium paid over and above the support price to procure quality cane. The company purchased molasses at an average rate of Rs. 29,978/MT (2021-22: 22,619/MT) during 2022-23, for its distillery operations. In full year, the management expects to purchase 309.5K MT of molasses Gross margins improved considerably to 25.4% (1H'MY22: 13.8%) resulting from higher contribution margin of ethanol, driven by favorable pricing supported by export competitiveness in international market due to massive devaluation of local currency. On the other hand, average rates of sugar remained depressed, leading to weakening in sugar segment profitability. SSML is holding sugar stock in view of favorable selling prices. Operating expenses were largely rationalized with inflationary pressure and scale of operations. However, other operating expenses increased to Rs. 122.8m (1H'MY22: Rs. 46.6m) in line with higher employees related fund contributions. During 1H'MY23, the company incurred finance cost amounting to Rs. 407.2m (1H'MY22: Rs. 193.9m) due to higher average markup rates and short-term borrowings. Other income was recorded higher at Rs. 411.1m (1H'MY22: Rs. 36.2m), mainly emanating from exchange gain on export amounting to Rs. 297.35m and profit on savings accounts amounting to Rs. 102.3m. Resultantly, net profit was recorded higher at Rs. 1.9b (1H'MY22: Rs. 455.5m), with notable improvement in net margins to 19.8% (1H'MY22: 6.58%). Going forward, the management projects to close MY23 with a topline of Rs. 22.0b with almost three-fourth contribution from ethanol sales. Albeit, profitability of sugar segment is also expected to improve given upward trend in its retail prices. However, the company is majorly focused on its distillery operations given various financing and tax incentives provided by the government to export-oriented industries along with benefit of favorable prices in international market due to competitiveness arising from local currency devaluation.

Adequate liquidity in terms of cash flow coverages and working capital management:
Liquidity position of the company improved during the outgoing year, on the back of higher profitability. Resultantly, funds from operations (FFO) were recorded sizably higher at Rs. 2.3b (MY21: Rs. 446.6m) during MY22. Cash flow coverages also trended upwards with, FFO to long-term debt and total-debt improved to 2.55x (MY21: 0.39x) and 0.42x (MY21: 0.10x), respectively. Debt service coverage ratio (DSCR) improved to 3.94x (MY21: 1.18x).

Stores and spares (net of impairment allowance) were recorded at Rs. 356.8m (MY22: Rs. 241.7m; MY21: Rs. 297.4m) at end-1H'MY23. Stock in trade were reported substantially higher at Rs. 10.9b (MY22: Rs. 3.54b; MY21: Rs. 3.57b) at end-1H'MY23. Sugar stock held by the company at end-1H'MY23 amounted to 60,698 MT; meanwhile, the same reduced to 41,000 MT during the first week of Jun'23. During the same period trade debts amounted to Rs. 1.05b (MY22: Rs. 1.06b; MY21: Rs. 415.5m), emanating largely from receivables from export sales. Ageing profile of trade debts is considered satisfactory given entire amount was outstanding for less than 60 days. Loans and advances were recorded higher at Rs. 568.2m (MY21: Rs. 155.6m) and majorly comprise advances against purchases and services at end-MY22, out of which, Rs. 237m (MY21: Nil) were related to advance given to Al-Noor Sugar Mills for purchase of molasses. Loans and advances increased to Rs. 1.2b by end-1H'MY23. The company also held short-term investments worth Rs. 1.05b (MY21: Rs. 0.4m) as at Sep 30, 2022. During the outgoing year, the company made investments in Special Sharikah Certificate amounting to Rs. 1.05b (MY21: nil), which provided profit ranging between 15% - 15.60% with a maturity of upto one month. As of Mar'23, short-term investments were reported lower at Rs. 24.2m. Cash and bank balances were recorded sizably higher at Rs. 1.02b (MY21: Rs. 53.8m), emanating mainly from balances in savings account amounting to Rs. 913.9m (MY21: Rs. 0.5m) with Shariah compliant financial institutions, carrying a profit at the rate ranging between 6.50% - 14.5% (MY21: 4.10% to 4.70%) per annum. The same have decreased to Rs. 205.7m by end-1H'MY23 due to surge in working capital requirements. Trade and other payables amounted to Rs. 1.56b (MY22: Rs. 1.3b MY21: Rs. 798.9m), where increase was largely related to higher outstanding creditors, advances from customers and employee related funds contributions. In MY22, these also included, loss realized on fair value of currency forward contracts amounting Rs. 166.6m (MY21: nil), which was reflected in other expenses.

As a result of augmentation in stock levels, current ratio has improved to 1.26x (MY22: 1.21x; MY21: 1.08x) despite considerable increase in short-term borrowings, by end-1H'MY23. Albeit faster inventory turnover, net operating cycle extended to 90 days (MY21: 85 days) owing to slower receivables and payables turnover. Accordingly, coverage of short-term borrowings via stock in trade and trade debts improved to 1.36x (MY22: 1.01x; MY21: 1.26x). Going forward, maintaining cash flow coverages and improvement in working capital management are considered key rating sensitivities.

Leverage indicators mounted upwards in the ongoing year due to seasonality of the sugar industry while the same are expected to largely recede by year-end.
Tier-1 equity grew to Rs. 6.5b (MY22: Rs. 4.80b; MY21: Rs. 3.35b) due to internal capital generation in 1H'MY23. In 1H'MY23, the company paid final cash dividend of Rs. 211.2m for MY22 @ Rs. 10.0 per share; in MY22, there was a total dividend payout of Rs. 274.8m (MY21: Rs. 253.4m). Long-term financing inclusive of current portion decreased to Rs. 776.0m (MY22: Rs. 895.1m (MY21: Rs. 1.13b) on account of principal repayments. These comprised, diminishing musharaka (DM) facilities priced at 3M KIBOR + 0.5% and long-term finance (LTF) charge at SBP rate + 0.75%. The DM and LTF facilities would be paid off completely by end-July'24 and Oct'28, respectively.

Short-term borrowings increased substantially to Rs. 8.8b (MY22: Rs. 4.5b; MY21: Rs. 3.2b) by end-1H'MY23. These majorly comprised export refinance facilities, priced at SBP Export Refinance (ERF) rate + 0.25-1.00%. In addition, the company also has sanctioned limits of Musawama / Islamic ERF / Murabaha and Cash/running finances facilities. Total working capital lines available to the company stood at Rs. 12.0b as of Mar'23. Loan from related parties stood at Rs. 18.0m (MY22: Rs. 41.1m; MY21: Rs. 48.1m), which is interest free related party loan and, is payable on demand. As a result of increase in short-term working capital loans, gearing and leverage (adjusted for the non-markup bearing related party loans) increased to 1.47x (MY22: 1.13x; MY21: 1.29x) and 1.78x (MY22: 1.47x; MY21: 1.57x) respectively by end-1H'MY23. However, despite increase, leverage indicators have remained manageable indicating adequate risk absorption capacity. The short-term financings are expected to majorly recede by year end in line with lifting of majority of the stocks held by the company. In the short to medium term, the management does not intend to obtain additional long-term financing in view of adequate cash flow generation and to reduce burden of finance cost. Therefore, capitalization indicators are expected to strengthen, going forward.

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 amounting Rs. 575.0m on SSML would be significant. The Company has filed a petition before Lahore High Court, Lahore against the impugned order dated 13 August 2021 by the Competition Commission of Pakistan (CCP) in which a penalty of Rs. 575.0m was imposed on the Company for distorting competition in the market by sharing sensitive commercial stock information. The Lahore High Court, Lahore vide order dated 07 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.

Sound Corporate Governance Framework: At present the Board comprises nine members including four non-executive, two executive, and four independent directors. There is also one female representation on Board, in the capacity of non-executive director. There are two committees namely Audit and HR and Remuneration committee, both of which are being chaired by independent directors. As per corporate governance best practices majority of the members of HR & Remuneration committee and audit committee should be non-executive directors and there should be at least one independent director as member. The audit committee meets every quarter to discuss internal controls while the HR & Remuneration Committee meets annually to review board compensation and HR policies and practices. Financial statements of MY22 were audited by M/s Kreston Hyder Bhimji and Company, Chartered Accountants, which are classified in 'Category A' of SBP's Panel of Auditors. At end-MY22 auditors were retired and being eligible, offered themselves for re-appointment, which were subsequently rehired by the board of Directors on the annual general meeting held on Jan, 26th 2023.

FINANCIAL SUMMARY *(amounts in PKR millions)*

BALANCE SHEET	MY20	MY21	MY22	1H'MY23
Property, Plant & Equipment	5,387.0	5,260.9	5,551.1	5,593.9
Stores, Spares. And Loose Tools	247.3	297.4	241.7	356.8
Stock-in-Trade	1,603.4	3,574.7	3,537.7	10,897.3
Trade Debts	207.2	415.5	1,059.1	1,048.6
Loan and Advances	1,467.8	155.6	568.2	1,167.9
Trade Deposits and Prepayments	0.5	1.5	5.9	13.7
Other Receivables	176.7	117.5	15.4	6.7
Short-term Investments	2,103.8	0.4	1,050.4	24.2
Income Tax Refundable	76.9	49.3	0.0	8.6
Cash and Bank Balances	36.4	53.8	1,016.2	205.7
Total Assets	11,311.5	9,931.3	13,050.7	19,330.1
Long-Term Borrowings *(Inc. current maturity)*	1,455.7	1,133.3	895.1	776.0
Deferred Taxation	17.2	70.3	162.1	196.3
Trade and Other Payables	1,328.7	798.9	1,319.9	1,564.6
Short-Term Borrowings	3,641.3	3,177.0	4,532.1	8,806.9
Loan from Related Party	48.1	48.1	41.1	18.0
Other Liabilities	41.4	42.3	85.7	268.6
Total Liabilities	6,484.4	5,269.9	7,036.1	11,630.3
Paid-Up Capital	**211.2**	**211.2**	**211.2**	**211.2**
Tier-1 Equity	3,437.5	3,352.3	4,802.4	6,522.0
Total Equity	**4,827.2**	**4,661.4**	**6,014.5**	**7,699.9**

INCOME STATEMENT	MY20	MY21	MY22	1H'MY23
Net Sales	11,143.6	9,934.5	17,806.9	9,578.1
Gross Profit	1,591.6	762.1	3,451.4	2,432.4
Finance Cost	344.0	366.6	488.8	407.2
Other Income	74.7	288.6	42.5	411.1
Profit Before Tax	931.6	298.2	1,966.8	2,047.9
Profit After Tax	760.3	135.4	1,651.0	1,895.1
FFO	1,263.0	446.6	2,285.3	2,280.7

RATIO ANALYSIS	MY20	MY21	MY22	1H'MY23
Gross Margin (%)	14.28%	7.67%	19.38%	25.40%
Net Margin (%)	6.8%	1.4%	9.3%	19.8%
Current Ratio (x)	1.12	1.08	1.21	1.26
Net Working Capital	616.39	361.09	1,277.56	2,833.23
FFO to Long-Term Debt**	0.9	0.4	2.6	5.9*
FFO to Total Debt**	0.25	0.10	0.42	0.48*
Debt Servicing Coverage Ratio (x)	2.71	1.18	3.94	7.44
ROAA (%)	7.01%	1.27%	14.37%	24.46%*
ROAE (%)	16.4%	2.9%	30.9%	55.3%*
Gearing (x)**	1.48	1.29	1.13	1.47
Debt Leverage (x)**	1.89	1.57	1.47	1.78
Inventory + Receivable/Short-term Borrowings (x)**	0.50	1.26	1.01	1.36

**Annualized*

***Adjusted for non-markup related party loans*

REGULATORY DISCLOSURES	Annexure III
Name of Rated Entity	Shahmurad Sugar Mills Limited
Sector	Sugar
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
Rating History	see table below

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
		RATING TYPE: ENTITY		
08/23/2023	A	A-2	Stable	Upgrade
06/06/2022	A-	A-2	Stable	Reaffirmed
06/30/2021	A-	A-2	Stable	Reaffirmed
04/02/2020	A-	A-2	Stable	Reaffirmed
02/27/2019	A-	A-2	Stable	Reaffirmed
11/30/2017	A-	A-2	Stable	Reaffirmed
04/28/2016	A-	A-2	Stable	Reaffirmed
2/11/2015	A-	A-2	Stable	Upgrade
11/25/2013	BBB+	A-2	Stable	Reaffirmed
08-30-2012	BBB+	A-2	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 2023 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

Due Diligence Meeting Conducted	Name	Designation	Date
	Mr. Mumtaz Hussain	Director Finance	June 5, 2023