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THE THAL INDUSTRIES CORPORATION LIMITED

Chief Executive: Muhammad Shamim Khan

RATING DETAILS

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A	A2	A	A2
RATING OUTLOOK/ WATCH	Stable		Positive	
RATING ACTION	Maintained		Reaffirmed	
RATING DATE	September 17, 2025		July 24, 2024	

APPLICABLE METHODOLOGY(IES):

Corporate Rating

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

Rating Scale:

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

RATING RATIONALE

The assigned ratings of A/A2 have been maintained for the entity, supported by continued adequate coverage metrics and a liquidity profile that remains sufficient for the current rating level. These factors provide necessary cushion despite pressures on profitability. The entity's operational profile benefits from integrated downstream demand within the group, which continues to support business stability. While the sugar segment experienced strain due to lower sucrose recovery and crop issues in specific regions, internal demand has partially mitigated revenue volatility.

The outlook revision to 'Stable' from 'Positive' reflects the current compression in margins and decline in profitability during the latest period. This has resulted in weakened coverages and increased reliance on short-term borrowings, impacting capitalization and liquidity metrics. Despite these challenges, coverages remain aligned with the current rating level.

Going forward, recent improvements in domestic sugar prices and the declining interest rate environment are expected to ease stress on margins and enhance financial flexibility. Ratings will remain dependent on the Company's ability to alleviate pressure on its financial risk profile through improvement in earnings and balance sheet indicators.

Rs. Million	FY23A	FY24A	6MFY25M
Net Sales	30,807.77	28,611.26	24,586.33
Profit Before Tax	2,951.77	1,477.56	390.12
Profit After Tax	1,966.06	1,135.97	60.49
Paid up Capital	150.23	150.23	150.23
Equity (excl. Revaluation Surplus)	9,158.94	10,209.45	9,753.77
Total Debt	2,084.38	11,941.46	19,713.32
Leverage (x)	0.75	1.73	2.82
Gearing (x)	0.23	1.17	2.02
Funds From Operations (FFO)	2,768.21	2,154.59	243.75
FFO/Total Debt (x)	1.33	0.18	0.02
Net Margin (%)	6%	4%	0%

*Annualized,
if required
A - Actual
Accounts

COMPANY PROFILE

The Thal Industries Corporation Limited ('TTICL' or 'the Company') is a public limited company listed on the Pakistan Stock Exchange. The Company's core operations comprise manufacturing and sale of sugar. The Company also supply excess electricity to the grid. TTICL operates two sugar manufacturing units located at Layyah and Chiniot, with a combined crushing capacity of approximately 30,000 tons per day ('TPD'). The Company has an integrated business model, utilizing bagasse-based co-generation facilities at both plants for electricity production. TTICL has a total installed power generation capacity of 79 megawatts ('MW'), with surplus electricity sold to the Central Power Purchasing Agency (CPPA).

GROUP PROFILE

TTICL is a part of the Al Moiz Group ("the Group" or "AMG"), which operates in beverages, sugar, steel, power, and textiles. The group's other companies include WizeTec Food Solutions (Private) Limited ('WTFSL'), Naubahar Bottling Company (Pvt.) Limited ('NBCL'), Al-Moiz Industries Limited (AMIL), and Moiz Textile Mills Limited (MTML). WTFSL operates as a food processing company while NBCL is the largest franchisee of PepsiCo in Pakistan catering to the district of Gujranwala. Among the other group companies, AMIL operates a sugar plant, steel mills and dehydration plant while MTML manages a spinning unit. The Group has an estimated enterprise valuation of around PKR 8 billion, reflecting its scale, diversified operations, and strategic positioning within Pakistan's industrial landscape.

GOVERNANCE

The governance framework of TTICL reflects regulatory compliance and a gradual move toward greater board independence and diversity. The Board has expanded to ten members, including three independent and three female directors, in line with applicable corporate governance requirements. Executive control remains with family members, with Mr. Muhammad Shamim Khan serving as CEO and Mr. Nauman Ahmed Khan as Managing Director. Mrs. Qaiser Shamim Khan continues as Chairperson of the Board, with expanded non-executive participation from within the sponsor family.

Board functioning is supported by four statutory committees—Audit, HR & Remuneration, Risk Management, and Nomination—each chaired by Mr. Muhammad Ashraf Khan Durrani, an independent director. External audit for MY24 was conducted by M/s Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants, a 'Category A' firm on SBP's panel.

INDUSTRY PROFILE & BUSINESS RISK

The sugar industry in Pakistan operates under a medium-risk profile influenced by seasonal production cycles, government intervention, and fluctuations in input and output prices. Sugarcane crushing is concentrated between November and March, requiring mills to maintain year-round inventories that expose them to price and interest rate risks. Despite a slight increase in sugarcane crushed during the 2023–24 season (67.4 MMT vs. 65.1 MMT in FY23), sugar production declined to 6.5 MMT (FY23: 6.8 MMT) as recovery rates held steady at 10.23%. The sector continues to face structural limitations due to low mechanization and underinvestment in research and development, which constrain crop yields and sucrose recovery.

Cost pressures intensified in FY24 as provincial governments implemented higher minimum support prices (MSP)—PKR 400 per 40 kg in Punjab and PKR 425 in Sindh. This particularly affected smaller mills with tighter cost margins. However, a significant policy shift is underway, with the discontinuation of MSP from the 2024–25 season in line with IMF conditionalities, signaling a transition to more market-based procurement mechanisms. Domestic sugar consumption remains relatively inelastic, recorded at 6.4 MMT in 2024, supported by steady population growth and demand from the food and beverage sector.

Despite lower production, carryover stocks of 0.766 MMT brought total availability to 6.562 MMT for 2024–25. An initial export quota of 750,000 MT was approved to manage the surplus, though actual shipments were delayed. Meanwhile, rising domestic prices—averaging PKR 143.92/kg in FY24 (FY23: PKR 115.97/kg) and currently ranging between PKR 165–170/kg—prompted the government to permit duty-free imports. After IMF objections, import volumes were scaled back to 50,000 tones. Most recently, a price-setting clause has been agreed which caps ex-mill prices at PKR 165/kg with incremental increases until October 2025. Further, the federal government has committed to allowing sugar exports only for stocks exceeding 7 MMT, comprising carryover and 2025–26 production, and only after 30 days from the close of the next crushing season. While the demand outlook remains stable, the industry's future performance will depend on its ability to adapt to evolving policy frameworks, manage cost pressures, and navigate regulatory scrutiny, especially regarding pricing mechanisms and export policy.

OPERATIONAL PERFORMANCE

Sugar Segment	Units	MY23A	MY24A	MY25A
Crushing Capacity	TDP	30,000	30,000	30,000
Crushing Period in days	Numbers	108	106	104
Cane Crushed	Tons	2,575,766	2,701,533	2,501,855
Sugar Production	Tons	277,664	260,696	241,471
Sucrose Recovery (%)	%Age	10.78%	9.65%	9.66%

During MY24, TTICL crushed 2.70 million tons of sugarcane (MY23: 2.58 million tons), supported by enhanced procurement amid increased regional crop availability. In MY25, cane crushing declined to 2.50 million tons, attributed to reduced cane supply resulting from whitefly and pest infestations, with more pronounced impact observed in Layyah compared to Chiniot.

Although crushing volumes were higher in MY24, the sucrose recovery rate declined to 9.65% (MY23: 10.78%) due to a reduction in crop quality. In MY25, the sucrose recovery rate remained at 9.66%, reflecting slight improvement in cane quality relative to the previous year.

FINANCIAL RISK

Capital Structure

The Company's capital structure experienced a shift in MY24, with gearing and leverage rising to 1.17x (MY23: 0.23x) and 1.73x (MY23: 0.75x), respectively. The elevation in both metrics was primarily on account of significant increase in short-term borrowings undertaken to finance elevated working capital requirements, largely arising from the accumulation of carryover sugar stock of around 135,995 MT. The elevation in capitalization persisted into 1HMY25, as gearing and leverage further rose to 2.02x and 2.82x, respectively. This elevation is due to higher short-term borrowings to meet seasonal working capital requirements.

Profitability

The profitability of the sugar industry, being commodity-linked, remains influenced by several key factors, including regional competition for sugarcane procurement, overall sugar supply-demand dynamics, and regulatory interventions such as government export policies. In MY24, a bumper sugarcane crop, the presence of substantial carryover inventory, and limited export permissions contributed to an overall supply surplus. This supply glut exerted downward pressure on market prices, adversely affecting profitability and margin levels.

During MY24, sugar prices peaked at approximately PKR 160/kg before declining to around PKR 115/kg, while average procurement costs for sugarcane escalated.

Local sugar prices averaged around PKR 140/KG (MY23: PKR 90/KG) in MY24. For the Company, sugarcane procurement costs rose by 29% in MY24, against a 23% increase in average sugar prices. Although topline growth was recorded on account of higher volumes and elevated price levels, gross margins experienced a slight contraction. Margins were partially supported by inventory gains derived from carryover inventory of 66,528 MT from MY23.

In contrast, during 1HMY25, average sugar prices remained under pressure. This led to inventory losses on the carryover stock, resulting in a pronounced compression in margins for the period.

TTCIL's profitability is partly supported by consistent demand from associated downstream customers, particularly Naubahar, which remains a key buyer. This support is expected to sustain, given Naubahar's acquisition of Shamin and Sons during MY25, which is anticipated to further strengthen demand support.

Going forward, the profitability profile of the Company is expected to benefit from a rising trend in sugar prices in recent months and easing of policy rates.

Debt Coverage & Liquidity

In MY24, TTCIL's coverage profile was impacted by low profitability and higher debt utilization in an elevated interest rate environment. This is reflected in a debt service coverage ratio (DSCR) of 1.43x (MY23: 2.82x). However, in 1HMY25, DSCR slightly recovered to 1.53x driven by reduction in the finance cost amid the lowering policy rates. The coverage profile, however, remain adequate for the assigned ratings

The Company has historically maintained an adequate liquidity profile, reflected in the five-year average current ratio of 1.37x. In MY23, supported by healthy profitability, it improved to 1.70x before normalizing around 1.37x in MY24. Further in 1HMY25, liquidity of the Company has been impacted by constrained profitability amid elevated finance cost.

Financial Summary

Balance Sheet (PKR Millions)	MY23A	MY24A	1HMY25M
Property, plant and equipment	6,061.48	6,145.98	7,624.93
Stock-in-trade	4,749.13	14,369.86	20,981.81
Trade debts	1,336.97	2,061.86	2,190.77
Short-term Investments	284.37	570.12	0.00
Cash & Bank Balances	744.08	1,042.16	2,445.20
Other Assets	2,845.34	3,631.10	3,999.69
Total Assets	16,021.37	27,821.08	37,242.40
Creditors	442.50	661.72	538.25
Long-term Debt (incl. current portion)	296.08	86.52	138.82
Short-Term Borrowings	1,788.30	11,854.94	19,574.50
Total Debt	2,084.38	11,941.46	19,713.32
Other Liabilities	4,335.54	5,008.45	7,237.03
Total Liabilities	6,862.42	17,611.63	27,488.60
Paid up Capital	150.23	150.23	150.23
Revenue Reserve	8,530.11	9,580.62	9,603.54
Other Equity (excl. Revaluation Surplus)	478.60	478.60	0.00
Sponsor Loan	478.60	478.60	0.00
Equity (excl. Revaluation Surplus)	9,158.94	10,209.45	9,753.77

Income Statement (PKR Millions)	MY23A	MY24A	1HMY25M
Net Sales	30,807.77	28,611.26	24,586.33
Gross Profit	6,118.94	4,582.31	2,227.77
Operating Profit	4,313.98	4,367.69	1,464.11
Finance Costs	1,362.18	2,890.13	1,073.99
Profit Before Tax	2,951.77	1,477.56	390.12
Profit After Tax	1,966.06	1,135.97	60.47

Ratio Analysis	MY23A	MY24A	1HMY25M
Gross Margin (%)	19.86%	16.02%	9.06%
Operating Margin (%)	14.00%	15.27%	5.95%
Net Margin (%)	6.38%	3.97%	0.25%
Funds from Operation (FFO) (PKR Millions)	2,768.21	2,154.59	243.75
FFO to Total Debt* (%)	132.81%	18.04%	2.47%
FFO to Long Term Debt* (%)	934.95%	2490.28%	351.17%
Gearing (x)	0.23	1.17	2.02
Leverage (x)	0.75	1.73	2.82
Debt Servicing Coverage Ratio* (x)	2.82	1.43	1.53
Current Ratio (x)	1.70	1.30	1.12
(Stock in trade + trade debts) / STD (x)	3.99	1.47	1.24
Return on Average Assets* (%)	12.39%	5.18%	0.37%
Return on Average Equity* (%)	23.86%	11.73%	1.21%
Cash Conversion Cycle (days)	84.37	158.50	155.16

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	The Thal Industries Corporation Limited				
Sector	Sugar Industry				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook/Rating Watch	Rating Action
	RATING TYPE: ENTITY				
	09/17/2025	A	A2	Stable	Maintained
	09/16/2024	A	A2	Positive	Reaffirmed
	08/22/2023	A	A2	Positive	Maintained
	04/26/2022	A	A2	Stable	Upgrade
	02/01/2021	A-	A2	Positive	Maintained
	02/27/2020	A-	A2	RW-Dev	Maintained
	10/29/2018	A-	A2	Stable	Initial
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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Due Diligence Meetings Conducted	Name		Designation		Date
	Mr. Wasif Mahmood		Chief Financial Officer		June 10, 2025
	Mr. Zohaib Anjum		Sr. Manager Finance		
	Mr. Shahid Nazir		AVP Finance & Accounts		