VIS
Credit Rating Company Limited

RATING REPORT

THE THAL INDUSTRIES CORPORATION LIMITED

Analyst:
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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A	A2	A	A2
OUTLOOK/RATING WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Maintained	
RATING DATE	November 16, 2026		September 12, 2025	

Shareholding (5% or More)	Other Information
Mr. Muhammad Shamim Khan - ~40.58%	Incorporated in 1953
Mrs. Qaiser Shamim Khan - ~11.03%	Public Listed Company
Mr. Nauman Ahmed Khan - ~9.99%	Chief Executive: Mr. Muhammad Shamim Khan
Mr. Adnan Ahmed Khan - ~8.94%	External Auditor: M/s. Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants
Miss Maria Khan – ~8.13%	
Mrs. Farah Khan - ~8.13%	
Mrs. Sarah Hajra Khan - ~8.13%	

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/Methodologies-2026/Corporate-Rating-2026.pdf

Rating Scale

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

Rating Rationale

The ratings reflect The Thal Industries Corporation Limited's ('TICL' or 'the Company') association with the Al Moiz Group, which operates in beverages, sugar, steel, power and textiles.

The ratings also incorporate its medium business risk profile, underpinned by the cyclical and seasonal nature of the sugar industry and low research and development to improve and stabilize crop productivity. This is compounded by regulatory controls on import / export of the commodity affecting supply / demand dynamics with resultant impact on market price. The fixation of sugarcane support price has also been removed. The Company's bagasse-based cogeneration capacity mitigates the associated risk.

Profitability improved during MY25, mainly due to higher sales, better average sugar prices and lower financial charges despite lower sucrose recovery and higher cane procurement price. However, despite improvement in margins mainly due to higher sucrose recovery in 9MMY26, net profit came under pressure due to lower sales amid lower sugar prices. With the liquidation of inventory and simultaneous settlement of short-term borrowings by end-MY25, capitalization indicators improved. However, leverage increased at end-9MMY26 due to higher borrowings related to seasonal impact of higher working capital requirement. Debt service coverage and liquidity indicators have remained adequate on a timeline basis.

The ratings remain sensitive to improvement in leverage indicators with timely liquidation accumulated inventory while maintaining liquidity and coverages at adequate levels.

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Company Profile

TICL 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. TICL 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. TICL has a total installed power generation capacity of 79 megawatts ('MW'), with surplus electricity sold to the Central Power Purchasing Agency (CPPA).

GROUP PROFILE

TICL 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 divisions of Gujranwala and Multan. Among the other group companies, AMIL operates a sugar plant, steel mills and dehydration plant while MTML manages a spinning unit.

Management and Governance

The governance framework of TICL reflects regulatory compliance, board independence and diversity. The Board comprises 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 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 MY25 was conducted by M/s Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants, a 'Category A' firm on SBP's panel. The same auditors were reappointed for MY26.

Business Risk

INDUSTRY UPDATE

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 caused by adverse weather conditions. The government's decision to permit exports in 2023 and early 2024 allowed exporters to benefit from favorable international prices. However, this resulted in a low carry over stock leading into the 2024-25 crushing season, which when combined with the below expected production, resulted in retail sugar prices surging to PKR 165–170/kg by mid-2025 and peaking near PKR 180/kg. 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.

Sugar production for the 2025-26 crushing season is reported at around 7.5 MMT, while domestic consumption is around 6.5 MMT, indicating an excess stock of approximately 1.0 MMT. This is further supported by an improvement in sucrose recovery rates, which has reduced cost of production. Retail prices are currently on the lower side with sugar mills having to weigh between profitability and liquidity management. 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, with cyclical output combined with stable consumption, yet constrained by structural inefficiencies, high working capital intensity, and policy-driven volatility.

OPERATIONAL PERFORMANCE

Operational Capacity			
	MY24	MY25	MY26
Sugar			
Installed Crushing Capacity (tpd)	30,000	30,000	30,000
Capacity on basis of Operating Days (Tons)	3,180,000	3,120,000	3,708,000
Sugarcane Crushed tons	2,701,533	2,501,855	2,913,951
Percentage of Capacity Attained	84.954%	80.188%	78.586%
Sugar Production (tons)	260,695.850	241,471.300	304,943.700

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Recovery Rate (%)	**9.65%**	**9.65%**	**10.46%**
Molasses			
Molasses Sent Out (KGs)	113,984,104	103,952,185	120,867,019
Recovery Rate (%)	**4.22%**	**4.16%**	**4.15%**
Power Generation:	**MY24**	**MY25**	**MY26**
Capacity Based on Operating Days (MWH)	198,314	181,181	217,771
Actual Production (MWH)	117,005	102,855	146,048
Utilization	**59.00%**	**56.77%**	**67.07%**

Sugar:

Installed crushing capacity remained at 30,000 tpd. Capacity on the basis of operating days declined slightly to 3.12m tons in MY25 (MY24: 3.18m tons), before increasing to 3.71m tons in MY26. This implies an operating season of about 124 days in MY26, against about 104 days in MY25, as the main determinant of capacity.

Cane crushed to 2.91m tons in MY26 with capacity utilization decreasing further to 78.59% in MY26 (MY25: 80.19%; MY: 84.9%).

In line with industry trend, the recovery rate improved to 10.46% in MY26 from 9.65% in MY25. Sugar production Therefore increased to 304,944 tons (MY25: 241,471 tons), after declining in MY25 from 260,696 tons in MY24.

Molasses:

Molasses production increased to 120.9 million kgs in MY26 (MY25: 104.0 million kgs)The molasses recovery rate remained largely unchanged at 4.15% in MY26, against 4.16% in MY25 and 4.22% in MY24.

Power Generation:

Capacity based on operating days increased to 217,771 MWh in MY26 (MY25: 181,181 MWh This was driven primarily by a longer crushing season, higher cane availability and greater bagasse production in MY26. Actual production expanded to 146,048 MWh (MY25: 102,855 MWh). Utilization therefore improved to 67.07% in MY26 (MY25: 56.77%).

PROFITABILITY

Net sales declined by 7.1% to PKR 28.6bn in MY24, before rising sharply by 68.6% to PKR 48.2bn in MY25, supported by higher volumes and improved sugar prices due to lower production of sugar in the industry coupled with exports. During 9MMY26, the Company recorded sales of PKR 22.2bn, achieving 46% of full year figure of MY25.

In the current season, both sugarcane recovery and yield improved, with production rising notably in South Punjab and Sindh. Together with carryover stocks from the previous year, this resulted in high inventory levels and put downward pressure on sugar prices. The Government granted export permission of 200,000 MT at end-August. The industry is anticipating a further 400,000 MT to be allowed by the end of November which, if approved, would support overall sales in MY27.

Gross margin contracted from 16.0% in MY24 to 12.8% in MY25, as cost of sales increased mainly on account of elevated sugarcane procurement costs and lower sucrose recovery. Operating margin also declined to 8.9% in MY25 (MY24: 10.9%). Despite this, profit after tax increased to PKR 2.3bn in MY25 (MY24: PKR 1.1bn) and net margin improved to 4.8% (MY24: 4.0%), mainly due to a decline in finance costs from PKR 2.9bn to PKR 1.6bn.

During 9MMY26, despite lower average sugar prices, gross margins improved to 13.6% (MY25: 12.8%) mainly on the back of higher sucrose recovery. The improvement did not carry through to the bottom line as operating margin declined to 7.3% (MY25: 8.9%) driven primarily by an increased expense ratio of 6% at 9MMY26 (MY25:4%), while finance cost increased on account of higher finance costs Furthermore, the effective tax rate increased to around 41% at 9MMY26 (MY25: 26%). Consequently, net margin declined to 2.2% at 9MMY26 (MY25: 4.8%).

Going forward, the government export allowance will remain critical, else higher finished goods will keep the prices low while higher finance cost due to higher short-term borrowings will constrain bottom line profitability.

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Financial Risk

CAPITAL STRUCTURE

The capitalization indicators in the sugar sector move seasonally, and the Company's gearing and leverage reflect this pattern. Sugar companies typically raise short-term borrowings to fund cane procurement and sugar production during the crushing season, and repay these lines as sugar inventory is sold, so gearing peaks at the season's high and falls as stocks are liquidated.

This was evident at end-MY25, when gearing and leverage declined to 0.13x (MY24: 1.23x) and 0.57x (MY24: 1.86x), respectively. Short-term borrowings fell sharply from PKR 11.9bn MY24 to PKR 1.5bn in MY25, as carryover sugar stock was sold and the associated working capital funding was repaid. Equity also strengthened, with unappropriated profit rising from PKR 9.5bn to PKR 11.8bn, after a dividend payout of PKR 37.0m (MY24: PKR 74.1m). Long-term debt increased modestly to PKR 105m (MY24: PKR 87m).

In 9MMY26, gearing and leverage rose to 1.39x and 2.05x, respectively, as the Company again mobilized short-term borrowings, which increased to PKR 17.1bn (MY25: PKR 1.5bn), to finance seasonal working capital requirements, including the carrying of higher sugar inventory. Long-term debt rose to PKR 127m, while unappropriated profit increased to PKR 12.1bn (MY25: PKR 11.8bn). The increase in short-term debt represents a seasonal high, and borrowings are expected to return to MY25 levels by year-end as stocks are sold and the lines are repaid. Accordingly, the movement in gearing is viewed as cyclical in nature rather than indicating of a structural change in the Company's capital structure.

DEBT COVERAGE & LIQUIDITY

The Company's coverage profile improved in MY25, with the debt service coverage ratio (DSCR) rising to 3.05x (MY24: 1.43x), supported by stronger cash flows and a lower finance cost amid easing policy rates. Funds from operations (FFO) increased to PKR 2.7bn (MY24: PKR 2.2bn). In 9MMY26, DSCR moderated to 1.88x, while FFO declined to PKR 1.6bn, mainly on account of higher interest costs on short-term borrowings and lower profitability. FFO to long-term debt stood strong at 25.2x in MY25 (MY24: 24.9x) and 16.7x in 9MMY26.

The liquidity profile strengthened in MY25, with the current ratio improving to 1.95x (MY24: 1.30x), before easing to 1.25x in 9MMY26. This position reflects a build-up of stock as the crushing season progresses, which is offset by an increase in short-term borrowings. Overall, the five-year average current ratio of around 1.3x indicates adequate liquidity

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FINANCIAL SUMMARY (PKR Million)				
BALANCE SHEET	**MY23**	**MY24**	**MY25**	**9MMY26M**
Property, Plant, & Equipment	6,061	6,146	7,448	7,285
Stock-in-Trade	4,749	14,370	2,760	20,393
Trade Debts	1,337	2,062	843	1,455
Cash & Bank Balances	744	1,042	1,498	2,793
Other Assets	3,130	4,201	6,268	5,827
Total Assets	**16,021**	**27,821**	**18,816**	**37,753**
Trade and Other Payables	3,071	3,399	3,340	5,529
Long-Term Debt (Inc. CP)	296	87	105	127
Short-Term Debt	1,788	11,855	1,486	17,063
Total Debt	2,084	11,941	1,591	17,190
Other Liabilities	1,707	2,271	1,866	2,666
Total Liabilities	**6,862**	**17,612**	**6,796**	**25,384**
Paid Up Capital	150	150	150	150
Unappropriated Profit	8,436	9,487	11,776	12,125
Loan from directors	479	479		
General Reserve	94	94	94	94
Total Equity	**9,159**	**10,209**	**12,020**	**12,369**
INCOME STATEMENT	**MY23A**	**MY24A**	**MY25A**	**9MMY26M**
Net Sales	30,808	28,611	48,226	22,248
Gross Profit	6,119	4,582	6,178	3,032
Operating Profit	4,604	3,234	4,536	1,686
Profit After Tax	1,966	1,136	2,328	499
RATIO ANALYSIS	**MY23**	**MY24**	**MY25**	**9MMY26M**
Gross Margin (%)	19.9%	16.0%	12.8%	13.6%
Operating Margin (%)	14.9%	11.3%	9.4%	7.6%
Net Margin (%)	6.4%	4.0%	4.8%	2.2%
Net Working Capital	4,100	4,968	5,534	6,081
FFO	2,768	2,155	2,653	1,591
FFO to Total Debt (x) *	1.33	0.18	1.67	0.12
FFO to Long Term Debt (x) *	9.35	24.90	25.22	16.74
Debt Servicing Coverage Ratio (x) *	2.82	1.43	3.05	1.88
Current Ratio (x)	1.70	1.30	1.95	1.25
Gearing (x)	0.24	1.23	0.13	1.39
Leverage (x)	0.85	1.86	0.57	2.05
ROAA (%) *	12.4%	5.2%	10.0%	2.4%
ROAE (%) *	25.4%	12.3%	21.4%	5.5%
Net Operating Cycle *	41	193	1	230

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REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Thal Industries Corporations
Sector	Sugar
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
16-Nov-2026	A	A2	Stable	Reaffirmed
12-Sep-2025	A	A2	Stable	Maintained
16-Sep-2024	A	A2	Positive	Reaffirmed
22-Aug-2023	A	A2	Positive	Maintained
26-Apr-2022	A	A2	Stable	Upgrade
01-Feb-2021	A-	A2	Positive	Maintained
27-Feb-2020	A-	A2	Developing	Maintained
29-Oct-2018	A-	A2	Stable	Initial

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.
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Due Diligence Meetings Conducted

Name	Designation	Date
Wasif Mahmood	CFO	10/8/26
Muhammad Asad	Financial Analyst	10/8/26

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