

## DEHARKI SUGAR MILLS (PVT) LTD

### Analyst:

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RATING DETAILS				
RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	A+	A1	A	A2
RATING OUTLOOK/WATCH	Stable		Stable	
RATING ACTION	Upgrade		Reaffirmed	
RATING DATE	10-Jun-26		16-May-25	

Shareholding (5% or More)	Other Information
JDW Sugar Mills Limited - 100%	Incorporated in 2016
	Private Limited Company
	CEO: Raheel Masud
	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

DSML being a wholly-owned subsidiary of JDW Sugar Mills Limited, the largest and most established player in Pakistan's sugar industry, is a key rating factor. The ratings also take into account improvement in the Company's financial risk profile and strengthening of its relative position among peers. DSML benefits from an experienced management team and sound corporate governance framework. The ratings also reflect inherent risks related to sugar sector, such as partial regulatory intervention in the form of supply management mechanisms and price controls.

The Company recorded higher net sales on account of uptick in sugar volumes in MY25. Gross margins decreased in MY25 due to lower sucrose recovery, though reduced finance costs improved net profit and sustained cash flow. Improvement in crushing output, sugar production, sucrose recovery and moderated finance costs are projected to support profitability and cash flow coverage during MY26. The ratings remain contingent on effective working capital management, particularly balances with growers, along with prudent debt management.

## Company Profile

Deharki Sugar Mills (Private) Limited ('DSML' or 'the Company') was incorporated in Pakistan on December 15, 2016 as a private limited company. The principal activities of the Company are production and sale of crystalline sugar including its by-products i.e., molasses, bagasse, and mud. The Company's head office is located at Abid Majeed Road, Lahore Cantt with manufacturing facility located at Mirpur Mathelo, Ghotki, Sindh.

## Governance

DSML is a wholly owned subsidiary of JDW Sugar Mills Limited ('JDWSML' or 'the Holding Company') and operates as a private limited company. The Board constitutes of three directors, Mr. Raheel Masud, Mr. Ijaz Ahmed, and Mr. Jahangir Khan Tareen. Governance is supported through Board-level committees on audit, risk management, and human resources, which oversee internal controls, risk mitigation, and operational oversight.

The financial statements for MY24 and MY25 were audited by Riaz Ahmad, Saqib, Gohar & Co., Chartered Accountants, an 'B' category firm on the SBP's panel of approved auditors.

## Business Risk

### INDUSTRY

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.

### OPERATIONAL UPDATE

MY25 witnessed a downturn on account of adverse environmental factors, with cane crushing volumes falling by 21% and sugar production dropping by 25% due to downtick in sucrose recovery.

Sugar production increased by 38.95% in MY26 crushing season, while sucrose recovery improved to 10.28% (MY25: 9.98%).

Operating results					
Sugar Segment	Units	MY23	MY24	MY25	MY26
Crushing Period in days	Numbers	106	112	108	120
Cane Crushed	Tons	1,585,548	1,694,224	1,340,374	1,806,271
Cane tons per day	Day	14,958	15,127	12,411	15,052
Sugar Production	Tons	165,410	177,720	133,704	185,777
<b>Sucrose Recovery</b>	<b>% Age</b>	<b>10.43%</b>	<b>10.49%</b>	<b>9.98%</b>	<b>10.28%</b>
Molasses Produced	Tons	72,025	74,605	61,024	79,470
<b>Molasses Recovery</b>	<b>% Age</b>	<b>4.54%</b>	<b>4.40%</b>	<b>4.55%</b>	<b>4.40%</b>

## SALES & PROFITABILITY

The increase in sugar revenue in MY25 was a result of higher volumes. In addition to sugar, molasses, bagasse and mud, DSML also provides pesticides and other services to growers, which are classified under agri-inputs. Net sales increased to Rs. 25.3b (MY24: Rs. 20b) in MY25 mainly on account of higher sugar sales revenue. In 1QMY26, with sugar sales decreased by 58.5%; topline decreased to Rs. 4.5b (1QMY25: Rs. 9.5b).

Rs. in m	MY24	% of total	MY25	% of total	1QMY25	% of total	1QMY26	% of total
Sugar	15,671.6	78%	21,368.2	84%	8,796.3	93%	3,459.9	77%
Molasses	2,261.5	11%	1,764.9	7%	375.0	4%	589.8	13%
Agri inputs	1,006.0	5%	1,085.3	4%	-	0%	132.3	3%
Mud	144.5	1%	142.0	1%	50.4	1%	64.4	1%
Bagasse	956.8	5%	955.7	4%	271.0	3%	218.7	5%
<b>Total</b>	<b>20,040.5</b>		<b>25,316.1</b>		<b>9,492.7</b>		<b>4,465.1</b>	

Gross margin decreased to 13.7% in MY25 (MY24: 15.9%), primarily due to lower sucrose recovery. Operating margin (MY25: 9.9%, MY24: 12.9%) came under pressure from higher salaries and wages. Despite these pressures, net margins were stable at 4.5% in MY25 compared to 4.4% in MY24, supported by lower finance costs.

Gross margins expanded to 21.3% in 1QMY26 (1QMY25: 9.3%), driven primarily by higher selling prices. This improvement, coupled with a continued reduction in finance costs, bolstered bottom-line, resulting in net margins of 7.8% (1QMFY25: 3.1%) in 1QMY26. Management expects net sales to moderate and margins to improve in MY26 on the back of higher selling prices and better overall sucrose recovery.

**Financial Risk****CAPITAL STRUCTURE**

The Company's equity increased to Rs. 6.2b at end-1QMY26 (end-MY25: Rs. 5.9b; end-MY24: Rs. 4.8b), supported by profit retention. Gearing and leverage improved at end-MY25 and remained favorable relative to industry peers, as DSML settled various cash finance facilities, which reduced short-term borrowings to Rs. 1.27b (end-MY24: Rs. 7.16b). However, short-term borrowings increased to Rs. 4.61b by end-1QMY26 mobilized for working capital requirements and short-term investments. Gearing stood at 0.34x at end-1QMY26 (end-MY25: 0.18x; end-MY24: 1.49x) on net debt basis. The ratings remain sensitive to maintenance of its relatively low leveraged capital structure vis-à-vis peers.

**DEBT COVERAGE & LIQUIDITY**

Funds from Operations (FFO) remained broadly stable at Rs. 1.54b in MY25 (MY24: Rs. 1.56b) and increased in 1QMY26, mainly due to lower finance costs paid. This, along with limited long-term borrowings, led to notable improvement in debt servicing coverage (DSCR) and FFO-to-long-term-debt coverage. However, reflecting higher short-term borrowings, FFO-to-total-debt moderated in 1QMY26 though remained sound. The current ratio also followed a similar trend, improving to 1.68x at end-MY25 (end-MY24: 1.17x) before decreasing slightly to 1.41x at end-1QMY26.

Liquidity remains influenced by balances with growers and the Holding Company. Payables to growers, related to sugarcane procurement, stood at Rs. 265.6m at end-1QMY26 (end-MY25: nil, end-MY24: Rs. 29.5m), while receivables from growers for agri-inputs decreased to Rs. 614.1m at end 1QMY26 (end-MY25: Rs. 1.1b, end-MY24: Rs. 571.6m). Short-term advances from the Holding Company, mostly comprising loans typically settled based on fund availability or upon demand of the Company, reduced significantly to Rs. 800m (end-MY25: Rs. 2.09b) at end-1QMY26, reflecting repayments. Overall, intergroup balances provide some sort of liquidity support.

<b>FINANCIAL SUMMARY</b>				
<b>BALANCE SHEET (Rs. in millions)</b>	<b>MY23A</b>	<b>MY24A</b>	<b>MY25A</b>	<b>1QMY26M</b>
Property, plant and equipment	3,120.8	3,246.3	3,405.7	3,391.5
Stock-in-Trade	2,503.1	6,510.9	2,203.9	5,345.3
Trade Debts	667.4	2,262.6	1,099.6	689.3
Cash & Bank Balances	24.4	213.4	342.7	2,631.9
<b>Total Assets</b>	<b>9,030.9</b>	<b>14,372.2</b>	<b>10,773.8</b>	<b>14,502.1</b>
Trade Payables	301.6	101.4	138.0	174.0
Long Term Debt	3.3	149.3	124.3	115.3
Short Term Debt	250.0	7,157.9	1,270.7	4,614.8
<b>Total Debt</b>	<b>253.3</b>	<b>7,307.2</b>	<b>1,395.1</b>	<b>4,730.0</b>
Total Liabilities	4,887.8	9,608.1	4,876.6	8,257.4
Paid Up Capital	1,050.0	1,050.0	1,050.0	1,050.0
<b>Total Equity</b>	<b>4,143.2</b>	<b>4,763.6</b>	<b>5,897.2</b>	<b>6,244.7</b>
<b>INCOME STATEMENT (Rs. in millions)</b>	<b>MY23A</b>	<b>MY24A</b>	<b>MY25A</b>	<b>1QMY26M</b>
Net Sales	21,574.3	20,040.5	25,305.1	4,465.1
Gross Profit	3,356.0	3,184.1	3,462.7	951.4
Operating Profit	2,698.4	2,592.5	2,512.7	621.5
Profit Before Tax	1,782.8	1,088.3	1,795.6	572.3
<b>Profit After Tax</b>	<b>1,038.1</b>	<b>883.0</b>	<b>1,133.5</b>	<b>347.6</b>
<b>RATIO ANALYSIS</b>	<b>MY23A</b>	<b>MY24A</b>	<b>MY25A</b>	<b>1QMY26M</b>
Gross Margin	15.56%	15.89%	13.68%	21.31%
Operating Margin	12.51%	12.94%	9.93%	13.92%
Net Margin	4.81%	4.41%	4.48%	7.78%
Funds from Operation (FFO)	1,348.7	1,560.7	1,536.6	644.5
FFO to Total Debt*	532%	21%	110%	55%
FFO to Long Term Debt*	41117%	1045%	1236%	2237%
Gearing (x)	0.06	1.53	0.24	0.76
Leverage (x)	1.18	2.02	0.83	1.32
Debt Servicing Coverage Ratio* (x)	2.70	1.71	3.49	6.76
Current Ratio (x)	1.20	1.17	1.68	1.41
(Stock in trade + trade debts) / STD (x)	12.68	1.23	2.60	1.31
Return on Average Assets* (%)	10%	8%	9%	3%
Return on Average Equity* (%)	29%	20%	21%	6%
Cash Conversion Cycle (days)*	83	120	95	112

Annualized\*

A: Audited accounts

M: Management accounts

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Deharki Sugar Mills (Private) 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
	<b>RATING TYPE: ENTITY</b>				
	10-Jun-2026	A+	A1	Stable	Upgrade
	16-May-2025	A	A2	Stable	Reaffirmed
	13-May-2024	A	A2	Stable	Reaffirmed
	17-May-2023	A	A2	Stable	Reaffirmed
	15-Apr-2022	A	A2	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.				
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Due Diligence Meetings Conducted	Name		Designation		Date
	Mr. Ali Saeed		Chief Accounting Officer		4 <sup>th</sup> March 2026
	Mr. Muhammad Jaffar		Deputy General Manager - Accounts		