

TWO STAR INDUSTRIES (PVT) LIMITED

Analyst:

Musaddeq Ahmed
musaddeq@vis.com.pk

RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	BBB+	A2	BBB+	A2
RATING OUTLOOK/ WATCH	Stable		Negative	
RATING ACTION	Maintained		Maintained	
RATING DATE	May 21, 2026		April 21, 2025	

Shareholding (5% or More)

Mr. Mian Muhammad Shakeel Umer - 25%

Mr. Mohammad Umar - 25%

Mr. Makhdum Omar Shehryar - 25%

Ms. Riffat Zamani - 25%

Other Information

Incorporated in 2016

Private Limited Company

Chairman of the Board: Mian Muhammad Saleem

Chief Executive Officer: Muhammad Shakeel Umer

External Auditor: Mushtaq and Co. Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings

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

Rating Scale

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

Rating Rationale

The ratings assigned to Two Star Industries (Private) Limited ('TSIPL' or 'the Company') reflect its association with established sponsoring groups having longstanding presence in the sugar and allied sectors, along with adequate operational scale and integrated production infrastructure. The ratings also incorporate improvement in operational performance during the ongoing crushing season, supported by higher cane availability, improved recovery levels, and recovery in sugar production. Profitability indicators strengthened amid favorable sugar prices and reduction in finance costs, enabling the Company to return to profitability after losses in the preceding period. Liquidity indicators also showed improvement due to low short-term borrowings and better working capital management during off-season. The assigned ratings further derive comfort from continued sponsor support and management's focus on operational efficiencies and agricultural development initiatives aimed at improving cane quality and yields over the medium term.

The ratings remain constrained by the inherently cyclical and regulated nature of the sugar industry, which exposes the Company to volatility in sugar prices, procurement dynamics, and policy measures relating to exports and pricing. The financial risk profile, while improving, remains weak due to accumulated losses, elevated leverage, and dependence on borrowed funding. Debt servicing capacity and internal cash flow generation continue to remain under pressure despite recent improvement in earnings. Additionally, the business remains exposed to high working capital requirements and fluctuations in crop quality and recovery levels. Sustained improvement in profitability, coverage indicators, and capitalization metrics while maintaining operational efficiency will remain important for sustaining the assigned ratings.

Company Profile

Two Star Industries (Private) Limited ('TSIPL' or 'the Company'), formerly Kamalia Sugar Mills Limited, is a private limited company incorporated in 2016. The Company is principally engaged in the manufacturing and sale of white refined sugar, along with molasses and bagasse as by-products. TSIPL is jointly owned by Umer Group of Companies and RYK Group. Its production facility, located on Rajana Road, Tehsil Kamalia, District Toba Tek Singh, has a licensed sugarcane crushing capacity of 30,000 MT per day with two mills and process houses. The registered office of the Company is situated in Lahore, Punjab.

Sponsor Profile

TSIPL is jointly owned by Umer Group of Companies and RYK Group, both of which are family-owned diversified business conglomerates with interests across sugar, textiles, energy, agriculture, and allied sectors. RYK Group operates various businesses including RYK Sugar Mills Limited, while Umer Group's flagship entity, Bhanero Textile Mills Limited, is listed on the Pakistan Stock Exchange. The sponsoring groups support the Company through their established industry presence and operational experience.

Management and Governance

The Company's management is led by Mr. Mian Muhammad Shakeel Umer, who possesses over 40 years of industry experience. The management team comprises experienced professionals overseeing operational, financial, and technical functions of the Company. The finance function is headed by Mr. Ahmad Subhani, CFO, who carries around 19 years of relevant experience. TSIPL's production facility is supported by integrated processing infrastructure, including multiple boilers, steam lines, and power generation units. The Company is also certified under Food Safety System Certification (FSSC-22000).

The Company maintains an integrated IT infrastructure designed to support both operational and administrative functions within the sugar manufacturing process. The framework comprises segregated operational, administrative, and security networks supported through fiber optic connectivity and centralized monitoring systems. The ERP-based platform manages key functions including cane procurement, weighbridge integration, farmer payment systems, inventory control, payroll processing, sales management, and laboratory information management functions, while centralized Active Directory-based user access controls support system administration and monitoring.

Auditor's Opinion

Mushtaq and Co. Chartered Accountants, is on the State Bank of Pakistan (SBP) panel of auditors under Category 'B' and has received a "Satisfactory with Improvements Required" QCR rating from the Institute of Chartered Accountants of Pakistan (ICAP). The firm has issued an unmodified and unqualified opinion on the Company's MY25 financial statements.

Business Risk

INDUSTRY UPDATE

The business risk profile of Pakistan's sugar industry is characterized by structural seasonality, regulatory sensitivity, and persistent cost pressures, despite signs of production recovery. During the 2024-25 crushing season, national sugar output declined to 5.8 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. Total sugarcane output rose to 85 MMT while sugar production reached 7.6 MMT in MY26, marking a 31% year-on-year increase, primarily driven by improved sugarcane yields and enhanced sucrose recovery rates at mills in Punjab. Domestic sugar consumption is expected at around 6.6 MMT, supported by steady demand from the food and beverage sector alongside ongoing population growth. On the back of higher production and assuming the absence of exports, surplus stocks are estimated at 1.3 MMT for MY26, indicating a comfortable supply position in the domestic market. Therefore, sugar retail prices are expected to remain range bound. 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 PERFORMANCE

PRODUCTION DATA

CRUSHING SEASON

	MY23*	MY24	MY25	MY26
Capacity - MT per day	30,000*	30,000	30,000	30,000
Crushing Days	105	104	110	121
Cane Crushed – MT	1,563,383	1,394,568	1,402,811	1,609,849
Sugar Production – MT	154,959	136,172	128,659	154,944
Sucrose Recovery Ratio (%)	9.91%	9.76%	9.17%	9.63%
Molasses Produced – MT	71,831	62,577	69,667	76,316
Molasses Recovery (%)	4.60%	4.49%	4.97%	4.74%

*The company's capacity was previously understated pending approval from the concerned authorities and has been revised to 30,000 metric tons per day in MY23.

During MY25, crushing days increased to 110 days compared to 104 days in MY24, supporting relatively stable cane throughput during the season. Accordingly, sugarcane crushed remained broadly unchanged at around 1.4 million MT during MY25. However, sugar production declined to 128,659 MT (MY24: 136,172 MT) in MY25 due to lower sucrose recovery. During MY26, the Company's operational performance improved, reflected in higher crushing days of 121 days and increase in sugarcane crushed to approximately 1.6 million MT. Additionally sucrose recovery rate also improved to 9.63% consequently, sugar production improved to 154,944 MT during MY26.

In term of prevailing sugar prices, the average sugar prices increased to approximately PKR 151/kg during MY25 compared to PKR 135/kg in MY24, supporting revenue generation despite lower production volumes. However, prevailing market prices in MY26 have softened to around PKR 140/kg. Meanwhile, average sugarcane procurement prices declined to approximately PKR 408 per 40 kg during MY25 compared to PKR 465 per 40 kg in MY24. However, procurement prices have again increased to around PKR 460 per 40 kg in MY26 amid inflationary pressures and competitive procurement dynamics. The Company operates in a competitive environment alongside Tandlianwala Sugar Mills Limited, Kashmir Sugar Mills Limited, Hunza Sugar Mills, and other market participants in the area.

The management highlighted that export dynamics remain dependent on government-approved quotas. The industry has requested approval for export of 500,000 MT of sugar, following which an additional export quota of 750,000 MT may also be considered by the authorities. Export realizations remain competitive, with sugar prices in Central Asian markets averaging around USD 550/MT and approximately USD 500/MT in the Chinese market.

Molasses production increased to 69,667 MT (MY24: 62,577 MT) during MY25, as molasses recovery improved to 4.97% from 4.49% in MY24. During MY26, molasses production increased further to 76,316 MT, though molasses recovery moderated slightly to 4.74%. Molasses sales are primarily made in the local open market, particularly to nearby distilleries.

Furthermore, the Management has initiated a development program with planned funding of approximately PKR 1.8 billion aimed at improving cane quality and yields through provision of seeds and fertilizers to farmers. The initiative is expected to support better agricultural practices, enhance sugarcane productivity, and improve sucrose recovery levels over the next two years.

PROFITABILITY

During MY25, the revenue increased significantly to PKR 23.1 billion (MY24: PKR 16.0 billion), primarily supported by higher sugar prices and improved sales turnover during the year. Consequently, gross profit recovered to PKR 2.4 billion (MY24: PKR 1.7 billion) during MY25. However, gross margins remained largely stable at 10.5% (MY24: 10.8%).

Operating profit improved to PKR 2.3 billion during MY25 (MY24: PKR 1.6 billion), while operating margins remained broadly unchanged at 9.9% (MY24: 10.1%). Meanwhile, finance costs declined materially to PKR 1.9 billion during MY25 (MY24: PKR 3.0 billion), primarily due to lower average discount rate and substantial reduction in short-term borrowings during the year. Accordingly, the Company reported a profit after tax of PKR 176 million during MY25 compared to a net loss of PKR 1.4 billion during MY24. Net margins, however, remained thin at 0.8% during MY25. During Q1MY26, the Company reported net sales of PKR 3.0 billion and profit after tax of PKR 91 million, while margins improved compared to MY25, supported by better operational performance during the period.

Going forward, no major expansionary capex is currently planned, with management's focus remaining on operational efficiency, recovery enhancement, and process improvements.

Financial Risk

CAPITAL STRUCTURE

The capital structure, although improving due to the current year's positive bottom line, remains stressed because of accumulated losses. The Company's equity base also improved to PKR 2.9 billion (Sept'24: PKR 2.6 billion) at end-Sept'25, mainly supported by profitability during the year. Sponsor support remained evident through sponsor loans amounting to PKR 3.8 billion. Total debt declined to PKR 8.9 billion (Sept'24: PKR 13.1 billion) at end-Sept'25, primarily due to sharp decrease in short-term borrowings to PKR 542 million (MY24: PKR 8.9 billion). However, long-term debt increased to PKR 8.3 billion (Sept'24: PKR 4.1 billion) as of Sept'25, reflecting shift in debt profile towards longer tenor borrowings.

Accordingly, gearing and leverage, though still high, improved to 3.09x and 4.46x, (MY24: 5.06x and 6.43x) respectively, at end-Sept'25. As of Dec'25, total debt increased to PKR 10.8 billion primarily due to seasonal buildup in short-term borrowings for working capital requirements, resulting in gearing and leverage increasing to 3.64x and 4.96x, respectively.

DEBT COVERAGE & LIQUIDITY

Liquidity improved as of Sept'25, with current ratio increasing to 1.09x (Sept'24: 0.68x), supported by significant reduction in short-term borrowings during the year. Furthermore, short-term debt coverage also strengthened to 5.52x (Sept'24: 0.79x) at end-Sept'25. Cash conversion cycle improved materially to 75 days (MY24: 123 days), reflecting improved inventory turnover and working capital management.

Despite improvement in liquidity indicators, debt coverage metrics remained weak as of Sept'25. Funds from operations (FFO) remained negative at PKR 137 million (MY24: negative PKR 1.0 billion). Meanwhile, debt servicing coverage ratio (DSCR) improved to 0.71x (Sept'24: 0.46x) as of Sept'25, remains below minimum threshold levels, indicating continued pressure on internal cashflow generation.

As per management, long-term debt obligations due up to Sept'26 have reportedly been paid in advance, which is expected to provide some support to near-term debt servicing requirements. During Q1MY26, liquidity indicators moderated, with current ratio decreasing slightly to 0.99x and short-term debt coverage weakening to 1.43x. DSCR also remained constrained at 0.65x, while cash conversion cycle increased to 205 days, reflecting elevated working capital intensity during the period.

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Two Star Industries (Pvt) Limited				
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				
	05/21/2026	BBB+	A2	Stable	Maintained
	04/21/2025	BBB+	A2	Negative	Maintained
	11/17/2023	BBB+	A2	Stable	Reaffirmed
	10/18/2022	BBB+	A2	Stable	Reaffirmed
	08/11/2021	BBB+	A2	Stable	Reaffirmed
	05/16/2020	BBB+	A2	Stable	Downgrade
04/22/2019	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.				
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 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.				
Due Diligence Meetings Conducted	Name	Designation		Date	
	Mr. Ahmad Subhani	Chief Finance Officer (CFO)		May 08, 2026	