VIS
Credit Rating Company Limited

ALLIANCE SUGAR MILLS LIMITED

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APPLICABLE METHODOLOGY(IES):
VIS Entity Rating Criteria Methodology – Corporate Rating
(https://docs.vis.com.pk/docs/CorporateMethodology.pdf)

Rating Scale:
(https://docs.vis.com.pk/docs/VISRatingScales.pdf)

Rs. Million	MY23A	MY24A	1HMY25M
Net Sales	17,583.7	12,206.3	10,678.2
Profit Before Tax	916.9	-1,114.2	435.1
Profit After Tax	702.4	-978.6	310.9
Paid up Capital	1,439.0	1,439.0	1,439.0
Equity (excl. Revaluation Surplus)	3,444.8	2,423.6	2,734.5
Total Debt	2,880.2	6,514.0	13,023.7
Leverage (x)	1.7	4.8	6.2
Gearing (x)	0.8	2.7	4.8
Funds From Operations (FFO)	864.4	-508.7	-89.7
FFO/Total Debt (x)	0.3	-0.1	-0.0
Net Margin (%)	4%	-8%	3%

**Annualized, if required*
A - Actual Accounts
M - Management Accounts

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		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	June 17, 2025		February 07, 2024	

RATING RATIONALE

The entity ratings of A-/A2 with a Stable Outlook have been reaffirmed. Despite pressure on the financial risk profile during MY24, reaffirmation of ratings reflect improvement observed in 1HMY25. While margins remain constrained in MY24 due to subdued sugar prices and elevated costs, recovery in coverage metrics supported by declining interest rates and stable liquidity has provided comfort to the ratings. The expected recovery in profitability in MY25, in line with increasing sugar prices during the ongoing period, further supports the assigned ratings. Industry risk remains medium, shaped by seasonal production patterns and cane procurement challenges, though easing regulatory pressures and stable demand trends provide some risk mitigation. Moreover, continous financial support from the sponsors has also been a key factor in the ratings reaffirmation.

Going forward, ratings will remain sensitive to the Company's ability to manage gearing and leverage levels in light of elevated short-term borrowings. Improvements in coverage and liquidity metrics, along with developments in working capital management, will also be monitored from the ratings perspective. Assigned ratings will also remain underpinned by the availability of financial support from the parent company, as and when required.

CORPORATE PROFILE

Alliance Sugar Mills Limited (‘ASML’ or ‘the Company’) is a public unlisted company incorporated in Pakistan in 2011. The Company is engaged in the production and sale of sugar and its by-products. ASML operates as a wholly owned subsidiary of RYK Mills Limited (‘RYKML’ or ‘the Holding Company’). The Company’s registered and head office (‘HO’) is located at Lahore while the manufacturing unit is located at Ghotki, Sindh.

GROUP STRUCTURE

RYK Group ("the Group" or “RYKG”) is a Pakistan-based agribusiness conglomerate with primary operations in sugar manufacturing, power generation, cement, and ethanol production. Established in 2007, the Group has developed an integrated business model across its core segments. The Group has also diversified into biomass-based energy generation, with an operational installed capacity of 61 MW. In the ethanol segment, RYKG is among the largest domestic producers with backward integration into molasses supply, which supports uninterrupted operations of its ethanol production facility. RYK Group conducts its operations through various entities like RYKML, ASML, Alliance Power (Private) Limited (‘APL’), Janpur Energy Limited (‘JEL’), RYK Energy Limited (‘RYKEL’), RYK Commodities (Private) Limited (‘RYKCL’), Jan Solar (Private) Limited (‘JSL’), 31-A Estate Limited (’31-AEL’), M-14 Cement Limited (‘M14CL’), and Consortium Cement Limited (‘CCL’).

GOVERNANCE

ASML is a wholly owned subsidiary of RYKML and operates as a public unlisted company. The Company’s governance framework is overseen by a four-member Board of Directors, comprising Farrukh Naseem Akhtar Naik (Chief Executive Officer/Chairman), Munir Hussain, Fahad Naeem (Chief Financial Officer), and Irfan Qamar. Governance is supported through Board-level committees on audit, risk management, and human resources, which oversee internal controls, risk management, and operational oversight.

INDUSTRY PROFILE & BUSINESS RISK

The business risk profile of the sugar sector in Pakistan is assessed as medium, shaped by seasonal and cyclical production patterns, competitive procurement pressures, government intervention, and exposure to price and interest rate risks. Sugarcane production is concentrated within a 3–4-month window (Nov – Mar), while sugar stocks must be carried throughout the year, exposing mills to price and interest rate risks. Low crop yields and variations in sucrose recovery rates persist due to the absence of R&D and mechanized farming. Despite these inefficiencies, sugar demand remains inelastic, driven by population growth and demand from ancillary industries.

The perishable nature of sugarcane necessitates proximity between farms and sugar mills, resulting in high competition for procurement and exerting pressure on raw material costs. This is further compounded by the minimum procurement price set by the government, which particularly affected smaller players. However, in line with IMF conditionalities, this policy has been discontinued from the 2024-25 season onward.

Sugar demand is primarily driven by population growth and increasing demand from the food processing and beverage industries, which account for approximately 7% of total production. Sugar, being a commodity, competition risk on the demand side is medium to low though the demand vs supply situation affects all players. However, it remains high on the supply side due to the clustering of mills near sugarcane-growing areas.

During the crushing season 2023-24, total sugarcane crushed was 67,380,000 MT compared to 65,135,310 MT in the previous year. The government increased the minimum support price (MSP) for sugarcane to Rs. 400 per 40 kg in Punjab (from Rs. 300) and Rs. 425 per 40 kg in Sindh (from Rs. 302). It should be noted that the actual procurement price for sugar mills is usually higher depending upon proximity of other sugar mills. Sugar production was 6.5 million tons as per the US Department of Agriculture (USDA) report (2022-23: 6.8 million tons). Sucrose recovery remained largely consistent with the previous season, recorded at 10.23%.

With a carryover stock of 1.129 million tons at the start of the crushing season on November 1, 2023, total available sugar supply for the year was about 7.9 million tons. Domestic sugar consumption is estimated at 6.4 MMT in 2024 which resulted in excess carryover stocks in the market. As a result of pressure from sugar mills, government allowed exports of up to 750,000 MT between Jun-Dec 2024 according to industry sources, the major chunk of which went to Afghanistan with actual exports happening late in the year.

As of the end of November 2024, sugar stocks were estimated at approximately 1.08 million tons, including unutilized export quotas of 604,000 tons. By early December, industry estimates suggested that leftover stocks—excluding exportable quantities—stood at around 554,959 tons, incorporating fresh stocks entering the market.

Sugar prices in FY24 averaged PKR 143.92/kg, reflecting a 24% increase from PKR 115.97/kg in FY23. Prices peaked at PKR 157/kg before stabilizing at PKR 134/kg. Currently, retail prices range between PKR 165/kg and PKR 170/kg due to a reported supply shortfall of nearly one million metric tons.

As of April 2025, total sugar production in Pakistan for the 2024–25 crushing season is estimated at approximately 5.7 million metric tons, representing a notable decline from the previous year's output of 6.84 million metric tons. This has resulted in a supply-demand gap, with domestic consumption projected at 6.6 million metric tons according to USDA estimates. Earlier forecasts had anticipated production to reach 6.8 million metric tons; however, actual output remained lower due to factors including lower sucrose recovery and adverse weather conditions.

Sponsor Support

The ratings incorporate the RYKML's financial profile and the track record of sponsor support. ASML benefits from full ownership by RYKML, which has historically extended both operational and financial support to the Company.

Operational Profile

Product Profile and Capacity	Units	MY23	MY24	MY25
Crushing Capacity	TPD	14,500	14,500	14,500
Crushing Period in days	Numbers	103	109	104
Cane Crushed	Tons	1,216,291	1,252,311	1,210,106
Sugar Production	Tons	123,585	130,230	123,435
Sucrose Recovery	%	10.2%	10.4%	10.2%
Molasses Produced	Tons	57,846	57,853	52,280
Molasses Recovery	%	4.8%	4.6%	4.3%

ASML operates with an installed crushing capacity of 14,500 tons of cane per day (TCD). In MY24, the Company reported an increase in the crushing period due to improved sugarcane availability. Total cane crushed increased to 1,252,311 metric tons (MT) (MY23: 1,216,291 MT) in MY24. The increase was largely attributed to the normalization of agricultural activity following the disruption caused by flooding prior to MY23. Higher can crushing coupled with marginal improvement in sucrose recovery to 10.4% (MY23:10.2%), reflecting better cane quality, led to increase in sugar production to 130,230 tons (MY23: 123,585 tons) in MY24.

In MY25, the operational performance of the Company witnessed marginal decline but remained relatively better in comparison to other sugar mills. The crushing season was comparatively shorter, with an average operational period of 104 days. Consequently, total cane crushed declined to 1,210,106 MT, primarily due to a lower average yield per cane. Sugar production decreased to 123,435 tons, while the sucrose recovery rate declined slightly to 10.2%. The year-on-year decline in both production and recovery was attributed to reduced crushing volume and a deterioration in cane quality.

FINANCIAL RISK

The assigned ratings factor in the Company's financial risk profile for MY24 and 1HMY25. A net loss was recorded in MY24 due to elevated sugarcane costs, low sugar prices, and high finance costs in a challenging monetary environment. Profitability improved in 1HMY25, supported by gains on carryover sugar inventory amid rising sugar prices and declining interest rates. Leverage and gearing increased over the period, driven by higher borrowings from banks, while the Holding Company provided operational and working capital support. Coverage metrics weakened in MY24 but showed partial recovery in 1HMY25 due to lower finance costs. Liquidity remains adequate and aligned with the assigned ratings. Favorable sugar pricing and declining interest rate trends are expected to improve profitability going forward.

Profitability Profile

In MY24, ASML reported a 30.6% year-on-year (YoY) decline in net sales, despite a 32.2% increase in average sugar sale prices. The decline in revenue was primarily driven by reduced local and export volumes amid a strategic decision by industry participants, including ASML, to carry forward sugar inventory in anticipation of future price gains further limited sales during the period. Elevated sugarcane procurement costs and holdup in sale contributed to a decline in gross margin to 8.5% (MY23: 15.3%) in MY24. At the net level, the Company reported a net margin of -8.0% (MY23: 4.0%) in MY24, with bottom-line performance further pressured by higher finance costs in a high interest rate environment.

In 1HMY25, profitability showed improvement relative to MY24. Gross margin improved to 14.8%, supported by inventory gains on the carryover sugar stock, which was realized at higher market prices. Net margin rose to 2.9% driven by improved performance on operational levels and a lower finance cost burden following a downward adjustment in policy rates.

Going forward, overall profitability is expected to improve, supported by an increase in sugar prices relative to the previous year. Market prices have reached PKR 160/kg, compared to gross and net production costs of approximately PKR 105/kg and PKR 130–135/kg, respectively. The resulting price-cost differential is expected to contribute to improved margins.

Capital Structure

In MY24, despite repayment of long-term debt, the Company's capitalization profile weakened, with gearing and leverage ratios increasing to 2.7x (MY23: 0.8x) and 4.8x (MY23: 1.7x), respectively. The deterioration was primarily driven by a higher reliance on short-term borrowings from the Banks as well as from the Holding Company to address operational challenges during the year. Additionally, a decline in the equity base, attributable to net loss, further contributed to the elevated leverage levels.

In 1HMY25, the capitalization profile continued to weaken despite an improvement in the equity base driven by retention of profits. Gearing and leverage ratios further increased to 4.8x and 6.2x, respectively. The rise in leverage was attributable to the drawdown of a new long-term loan and an increase in short-term borrowings to meet seasonal working capital and operational funding requirements.

Coverage & Liquidity:

ASML, in MY24, witnessed a decline in its coverage profile with debt service coverage ratio (DSCR) declining to 0.5x (MY23: 1.4x). This deterioration is primarily attributed to constrained operational profitability coupled with elevated finance costs, which increased due to higher prevailing interest rates during the year. In 1HMY25, the DSCR improved to 1.3x. Although operational profitability remained under pressure, the improvement in coverage was supported by a material reduction in interest rates relative to the prior year.

Over the past seven years, the Company's current ratio has averaged approximately 0.9x, reflecting a stressed liquidity profile. This ratio remained unchanged at 0.9x in MY24. In 1HMY25, the current ratio increased to 1.1x. The change was primarily attributable to a relatively higher buildup in stock-in-trade against the increase in short term borrowings.

Financial Summary — Appendix I

Balance Sheet (PKR Millions)	MY23A	MY24A	1HMY25M
Property, plant and equipment	4,266.1	4,337.7	4,191.4
Intangible Assets	89.6	0.0	0.0
Stock-in-trade	1,881.1	5,965.0	11,431.0
Trade debts	2,065.5	677.5	1,976.6
Short-term Investments	0.0	0.0	350.0
Cash & Bank Balances	176.7	105.9	116.6
Other Assets	974.2	2,961.9	1,703.8
Total Assets	9,453.2	14,048.0	19,769.3
Creditors	2,422.0	114.7	3,280.7
Long-term Debt (incl. current portion)	314.2	148.4	2,059.9
Short-Term Borrowings	2,566.0	6,365.7	10,963.8
Total Debt	2,880.2	6,514.0	13,023.7
Other Liabilities	706.2	4,995.7	730.5
Total Liabilities	6,008.4	11,624.4	17,034.9
Paid up Capital	1,439.0	1,439.0	1,439.0
Revenue Reserve	2,005.8	984.6	1,295.5
Equity (excl. Revaluation Surplus)	3,444.8	2,423.6	2,734.5

Income Statement (PKR Millions)	MY23A	MY24A	1HMY25M
Net Sales	17,583.7	12,206.3	10,678.2
Gross Profit	2,686.1	1,040.4	1,583.6
Operating Profit	2,378.9	851.3	1,304.9
Finance Costs	1,462.0	1,814.3	869.8
Profit Before Tax	916.9	-1,114.2	435.1
Profit After Tax	702.4	-978.6	310.9

Ratio Analysis	MY23A	MY24A	1HMY25M
Gross Margin (%)	15.3%	8.5%	14.8%
Operating Margin (%)	13.5%	7.0%	12.2%
Net Margin (%)	4.0%	-8.0%	2.9%
Funds from Operation (FFO) (PKR Millions)	864.4	-508.7	-89.7
FFO to Total Debt* (%)	30.0%	-7.8%	-1.4%
FFO to Long Term Debt* (%)	275.1%	-342.9%	-8.7%
Gearing (x)	0.8	2.7	4.8
Leverage (x)	1.7	4.8	6.2
Debt Servicing Coverage Ratio* (x)	1.4	0.5	1.3
Current Ratio (x)	0.9	0.9	1.1
(Stock in trade + trade debts) / STD (x)	1.7	1.1	1.3
Return on Average Assets* (%)	6.3%	-8.3%	3.7%
Return on Average Equity* (%)	22.7%	-33.4%	24.1%
Cash Conversion Cycle (days)	71.8	127.8	163.2

**Annualized, if required*

A - Actual Accounts
P - Projected Accounts
M - Management Accounts

REGULATORY DISCLOSURES — Annexure II

Name of Rated Entity	Alliance 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 Watch	Rating Action
RATING TYPE: ENTITY				
06/17/2025	**A-**	**A2**	**Stable**	**Reaffirmed**
04/07/2025				Suspended
02/07/2024	A-	A2	Stable	Reaffirmed
12/30/2022	A-	A-2	Stable	Reaffirmed
12/17/2021	A-	A-2	Stable	Reaffirmed
11/12/2020	A-	A-2	Stable	Reaffirmed
1/20/2020	A-	A-2	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.
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Due Diligence Meetings Conducted	(see table below)

Name	Designation	Date
Mr. Fahad Naeem	Chief Financial Officer (CFO)	June 3rd, 2025