

ALLIANCE SUGAR MILLS LIMITED

Analyst:

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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	July 03, 2026		June 17, 2025	

Shareholding (5% or More)

Mr. Makhdum Omar Shehryar – 99.99%

Other Information

Incorporated in 2011

Public Limited Company (unlisted)

Chief Executive: Mr. Saqib Raza

External Auditor: Ijaz Tabussum & Co

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 assigned ratings reflect Alliance Sugar Mills Limited ('ASML' or 'the Company') position in Pakistan's sugar sector and its association with a diversified business group having interests across sugar, ethanol, energy, and other industrial segments. The ratings draw support from the Company's improved operational performance, driven by higher cane procurement, enhanced production levels, and better recovery rates during the latest crushing season. Profitability strengthened significantly due to favorable sugar prices, inventory realization, and improved operating efficiency, resulting in a return to positive earnings. The ratings also incorporate the Company's strengthened capitalization profile following profit retention and improved cash flow generation. Liquidity and debt servicing indicators showed improvement, supported by stronger operating performance and cash generation.

The ratings remain constrained by the inherently cyclical and regulated nature of the sugar industry, which is exposed to fluctuations in cane availability, commodity prices, weather conditions, and government policies. The Company's financial risk profile is further influenced by its reliance on short-term borrowings to fund working capital requirements, particularly during crushing and inventory holding periods. The substantial increase in seasonal borrowings has elevated leverage levels and weakened capitalization metrics. Sustained profitability, timely inventory liquidation, prudent management of working capital borrowings, and maintenance of adequate liquidity will remain important rating considerations going forward.

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. The major shareholding of the Company is held by Mr. Makhdum Omar Shehryar following the transfer of shares completed in June 2026. The Company's registered and head office ('HO') is located at Lahore while the manufacturing unit is located at Ghotki, Sindh.

Sponsor Profile

Mr. Makhdum Omar Shehryar is the sponsor of Alliance Sugar Mills Limited. He has experience in the sugar, ethanol, and power sectors through his association with the RYK Group. He also has prior experience in the banking sector and holds a specialization in Finance from the Stern School of Business, New York University. His industry and financial expertise provide strategic oversight to the Company.

Management and Governance

The Company's governance framework is overseen by a four-member Board, which provides strategic direction and oversight of the Company's operations. Governance is supported through Board-level Audit, Risk Management, and Human Resource & Remuneration Committees, which oversee internal controls, risk management, and governance practices.

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 6,360,330 tons from 7,496,000 tons 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. The absence of predictable regulatory mechanisms continues to exacerbate volatility across the value chain. Looking ahead, sugar production is projected to recover to approximately 7,276,000 tons 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 92,020,000 tons, up roughly 4%, while domestic consumption is forecast around 7,497,000 tons, driven by population growth and steady demand from the food and beverage sector. Despite improved production, ending stocks are likely to decline to around 1,940,000 tons, indicating a structurally tight supply-demand balance. Retail prices are expected to remain firm yet 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:

Product Profile and Capacity	Units	MY24	MY25	MY26
Crushing Capacity	TCD	14,500	14,500	16,000
Crushing Period in days	Numbers	109	104	115
Cane Crushed	Tons	1,252,311	1,210,106	1,480,229
Sugar Production	Tons	130,230	123,435	157,370
Sucrose Recovery	%	10.40%	10.20%	10.63%
Molasses Produced	Tons	57,853	52,280	62,625
Molasses Recovery	%	4.60%	4.30%	4.23%

During the 2025–26 crushing season, ASML operated with a crushing capacity of 16,000 tons per day (TCD) over 115 days (MY25: 104 days), processing 1.48 million tons of sugarcane (MY25: 1.21 million tons). Consequently, sugar production increased to 157,370 tons (MY25: 123,435 tons), while sucrose recovery also improved to 10.63% (MY25: 10.20%). Molasses production also rose to 62,625 tons (MY25: 52,280 tons), although molasses recovery declined slightly to 4.23% (MY25: 4.30%).

PROFITABILITY:

Profitability indicators exhibited significant improvement during the review period. In MY25, net sales increased to PKR 20.66 billion, up 69% year-on-year, primarily driven by the sale of inventory carried forward from the previous year and improved sugar prices. Gross margins improved to 19.0% (MY24: 8.5%) in MY25, while operating margins also strengthened to 17.0% (MY24: 7.0%) on account of the trickle-down effect of higher gross profit. Consequently, net margins recovered to 4.9%, translating into a profit after tax of PKR 1.01 billion (MY24: Loss of PKR 978.59 million). As of 1HMY26, the Company reported net sales of PKR 4.53 billion and a profit after tax of PKR 5.30 million. While gross and operating margins remained healthy at 22.3% and 19.5%, respectively, profitability was constrained by elevated finance costs of PKR 822.73 million.

Financial Risk

CAPITAL STRUCTURE:

As of Sept'25, the Company's capitalization profile reflected a marked improvement, supported by higher equity and relatively moderate gearing. Gearing and leverage ratios declined to 1.74x and 4.36x, respectively, from 2.69x and 4.80x in MY24, owing to enhanced equity following profit retention of PKR 1.01 billion during the year. Total debt stood at PKR 6.0 billion (MY24: PKR 6.5 billion), largely comprising short-term borrowings utilized for working capital financing.

At end-Mar'26, total debt increased significantly to PKR 22.87 billion, primarily due to a substantial rise in short-term borrowings to support inventory build-up and working capital requirements, reflecting the seasonal nature of the sugar industry, which necessitates higher funding during the crushing season and inventory holding period. Consequently, gearing and leverage increased to 6.35x and 8.13x, respectively. Equity improved marginally to PKR 3.60 billion (MY25: PKR 3.43 billion) on the back of retained earnings generated during the period. Going forward, the Company's ability to reduce working capital borrowings through inventory liquidation and maintain a prudent leverage profile will remain important from a credit perspective.

DEBT COVERAGE & LIQUIDITY:

Debt coverage and liquidity indicators depicted improvement in MY25, supported by higher profitability and improved cash flow generation. Funds from operations (FFO) increased to PKR 1.34 billion (MY24: negative PKR 0.51 billion), leading to a debt service coverage ratio (DSCR) of around 1.45x in MY25 (MY24: 0.48x). The current ratio improved to 1.08x from 0.85x in MY24, reflecting better alignment of short-term assets and liabilities.

During 1HMY26, liquidity indicators remained adequate, with the current ratio standing at 1.04x. However, the significant increase in borrowings resulted in weaker coverage metrics, with FFO-to-Total Debt declining to 2.0% (MY25: 22.5%), despite the DSCR remaining at 1.52x. Nevertheless, the Company maintained higher cash and bank balances of PKR 927.66 mn at end Mar'26 (Sept'25: PKR 156.54 mn). Going forward, timely inventory liquidation and the resultant reduction in short-term borrowings will remain important for sustaining liquidity and debt servicing capacity.

Financial Summary	Appendix I			
Balance Sheet (PKR Millions)	MY23A	MY24A	MY25A	6MMY26M
Property, plant and equipment	4,266.08	4,337.71	13,424.09	13,386.16
Intangible Assets	89.60	-	-	-
Long-term Investments	-	-	-	-
Stock-in-trade	1,881.06	5,965.01	3,931.72	18,934.70
Trade debts	2,065.52	677.54	2,489.65	2,326.03
Short-term Investments	-	-	-	-
Cash & Bank Balances	176.73	105.89	156.54	927.66
Other Assets	974.23	2,961.87	4,227.73	3,021.10
Total Assets	9,453.22	14,048.02	24,229.73	38,595.65
Creditors	2,422.03	114.69	248.22	2,205.13
Long-term Debt (incl. current portion)	314.23	148.35	2,036.91	2,388.23
Short-Term Borrowings	2,565.98	6,365.66	3,918.76	20,480.77
Total Debt	2,880.21	6,514.01	5,955.67	22,869.00
Other Liabilities	706.16	4,995.68	8,738.34	4,228.72
Total Liabilities	6,008.40	11,624.38	14,942.23	29,302.85
Paid up Capital	1,439.00	1,439.00	1,439.00	1,439.00
Revenue Reserve	2,005.79	984.61	1,987.86	2,164.94
Equity (excl. Revaluation Surplus)	3,44.79	2,423.61	3,426.86	3,603.94

Income Statement (PKR Millions)	MY23A	MY24A	MY25A	6MMY26M
Net Sales	17,583.71	12,206.29	20,657.79	4,530.05
Gross Profit	2,686.14	1,040.35	3,927.21	1,010.55
Operating Profit	2,378.92	851.27	3,515.34	884.66
Finance Costs	1,462.02	1,814.31	1,893.06	822.73
Profit Before Tax	916.90	-1,114.16	1,622.28	61.93
Profit After Tax	702.40	-978.59	1,011.92	5.30

Ratio Analysis	MY23A	MY24A	MY25A	6MMY26M
Gross Margin (%)	15.28%	8.52%	19.01%	22.31%
Operating Margin (%)	13.53%	6.97%	17.02%	19.53%
Net Margin (%)	3.99%	-8.02%	4.90%	0.12%
Funds from Operation (FFO) (PKR Millions)	864.40	-508.73	1,341.86	115.96
FFO to Total Debt* (%)	30.01%	-7.81%	22.53%	2.02%
FFO to Long Term Debt* (%)	275.09%	-342.93%	65.88%	19.42%
Gearing (x)	0.84	2.69	1.74	6.35
Leverage (x)	1.74	4.80	4.36	8.13
Debt Servicing Coverage Ratio* (x)	1.42	0.48	1.45	1.52
Current Ratio (x)	0.88	0.85	1.08	1.04
(Stock in trade + trade debts) / STD (x)	1.68	1.09	1.73	1.06
Return on Average Assets* (%)	6.30%	-8.33%	5.29%	0.06%
Return on Average Equity* (%)	22.71%	-33.35%	34.59%	0.60%
Cash Conversion Cycle (days)	72	128	132	626

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES		Appendix II			
Name of Rated Entity	Alliance Sugar Mills 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				
	07/03/2026	A-	A2	Stable	Reaffirmed
	06/17/2025	A-	A2	Stable	Reaffirmed
	04/07/2025	-	-	-	Suspended
	02/07/2024	A-	A2	Stable	Reaffirmed
	12/30/2022	A-	A2	Stable	Reaffirmed
	12/17/2021	A-	A2	Stable	Reaffirmed
	11/12/2020	A-	A2	Stable	Reaffirmed
1/20/2020	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		
	Mr. Saleh Hameed	Finance Manager	06 May 2026		