

ALLIANCE SUGAR MILLS LIMITED

Analyst:

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RATINGS CATEGORY	Latest Rating
	Short-term
SUKUK RATING	A1 (Plim)
RATING ACTION	Preliminary
RATING DATE	November 04, 2025

Shareholding (5% or More)	Other Information
RYK Mills Limited – 99.99%	Incorporated in 2011
	Public Limited Company (unlisted)
	Chief Executive: Mr. Farrukh Naseem Akhtar Naik
	External Auditor: Ijaz Tabussum & Co

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>
 Instrument Rating
<https://docs.vis.com.pk/Methodologies-2025/IRM-Apr-25.pdf>

Rating Scale

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

Rating Rationale

Alliance Sugar intends to issue a Short-Term Sukuk (STS) of PKR 2,000 million, with an additional green-shoe option of PKR 500 million, to finance sugarcane procurement for the upcoming crushing season. The assigned short-term Sukuk rating reflects ASML's sound financial risk profile, supported by improved profitability, strengthened capitalization, and adequate liquidity. The company continues to benefit from firm sugar prices, operational efficiency, and prudent cost management, resulting in stable cash flow generation. Capitalization has improved owing to equity accretion and asset revaluation, while gearing and coverage indicators remain at comfortable levels. The Sukuk proceeds will primarily be utilized to meet seasonal working capital requirements and are expected to support liquidity management. Further comfort is derived from the presence of structural safeguards, including the Debt Payment Account (DPA) and corporate guarantee from the sponsor group. Overall, the outlook on the assigned rating is stable. The company continues to benefit from firm sugar prices and stable demand, resulting in healthy margins and strong cash flow generation. Operational performance is expected to strengthen further with planned capacity enhancements. Assigned rating 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.

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'), M-14 Cement Limited ('M14CL'), and Consortium Cement Limited ('CCL').

Sukuk Structure

The proposed short-term Sukuk carries enhanced structural protection features aimed at ensuring timely debt servicing and mitigating repayment risk.

	Details
Transaction / Issue	Rated, Unsecured and Privately Placed Short Term Sukuk (STS)
Issue Amount	PKR 2,500 million (inclusive of a green shoe option of PKR 500 million)
Tenor	Six (06) months from the Issue Date
Profit Rate	Base Rate + up to 125 bps p.a. Base Rate is defined as six (6) months Karachi Inter-Bank Offered Rate ("KIBOR"). The Base Rate will be set 1 (one) Business Day prior to the issue date.
Principal Redemption	Sukuk will be redeemed in bullet at the expiry of Tenor
Minimum Inventory Level	During the Sukuk tenure, the Company shall ensure to maintain inventory quantity having worth of at least 33% of Sukuk issue. The Company will be bound to intimate the Investment Agent if inventory level at any period of time during the Sukuk tenure reduces below 33% value of Sukuk issue.

Payment Account	Issuer shall establish and maintain a Payment Account with the Account Bank. The payment account will be held under exclusive lien for the benefit of the Investors / Financiers. The Issuer shall fill up the payment account with the Issue Amount and Profit ("Payment") in the following manner: • 25% of the Payment amount on the last day of the 4th month after the Issue Date. • 25% of the Payment amount on the last day of the 5th month after the Issue Date. • Remaining 50% of the Payment amount 10 business days prior to the Maturity Date. Note: For abundant clarity 100% of the Payment amount should be credited in the payment account 10 business days prior to Redemption date.
Profit Payment	Profit will be paid at maturity.
Shariah Advisor	ALHAMD SHARIAH ADVISORY SERVICES (PRIVATE) LIMITED.
Investment Agent	Pak Brunei Investment Company Limited
DPA	Cash Control Arrangement
Others	Corporate Guarantee from RYK Sugar Mills Ltd

Management and Governance

OWNERSHIP/SPONSOR/CHAIRMAN/CEO PROFILE

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 and Irfan Qamar in addition to Chief Financial Officer, Mr. Saqib Raza. Governance is supported through Board-level committees on audit, risk management, and human resources, which oversee internal controls, risk management, and operational oversight.

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	MY23	MY24	FY25M
Crushing Capacity	TCD	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	%	10.20%	10.40%	10.20%
Molasses Produced	Tons	57,846	57,853	52,280
Molasses Recovery	%	4.80%	4.60%	4.30%

During the 2024–25 crushing season, Alliance Sugar Mills Limited operated with a crushing capacity of 14,500 tons per day (TCD) over 104 days, processing 1.21 million tons of sugarcane (MY24: 1.25 million tons). Sugar production stood at 123,435 tons with a sucrose recovery rate of 10.2% (MY24: 10.4%). Despite marginally lower throughput, operational efficiency remained intact, supported by stable domestic sugar prices averaging around PKR 175,000 per ton.

As per the latest management accounts for September 2025, net sales increased to PKR 20.66 billion, up 69% year-on-year, while gross margin improved to 17.6% (MY24: 8.5%). The company recorded net profit of PKR 1.11 billion, translating to a net margin of 5.4%, reflecting sustained price strength and cost discipline. Operational cash flow improved to PKR 1.93 billion compared to PKR 229 million in MY24. The planned debottlenecking project to expand crushing capacity to 16,000 TCD remains on track for MY26. As of September 2025, closing inventory stands at PKR 3.6 billion, providing a reasonable liquidity buffer. Operational performance through September 2025 evidences ASML's ability to maintain consistent throughput and improved profitability despite cyclical industry constraints.

PROFITABILITY:

Profitability indicators continued to depict improvement during the review period. Gross margins improved from 8.5% in MY24 to 17.6% by September 2025 (MY25M), mainly on account of higher selling prices and better cost absorption. Operating margins increased from 6.97% in MY24 to 15.9%, supported by efficiency gains and lower overhead costs. Consequently, net margins strengthened to 5.4%, translating into profit after tax of PKR 1.11 billion showcasing efficient recovery. Although finance costs remained elevated at PKR 1.87 billion, improved earnings provided adequate coverage. Prevailing sugar prices of PKR 165–175/kg continue to exceed estimated gross and net production costs of PKR 105/kg and PKR 130/kg, respectively, thereby sustaining favorable price-cost dynamics. Overall profitability remained sound, aided by firm domestic prices, efficient plant operations, and prudent cost control.

Financial Risk

CAPITAL STRUCTURE:

In September 2025, ASML's capitalization profile reflected a marked improvement, supported by higher equity and moderate gearing. Gearing and leverage ratios declined to 1.8x and 4.17x, respectively, from 2.69x and 4.80x in MY24, owing to enhanced equity following a PKR 6.55 billion revaluation surplus and a PKR 1.11 billion profit retention. Total debt stood at PKR 6.3 billion (MY24: PKR 6.5 billion), largely comprising short-term bank borrowings for working capital financing. The company plans to issue a short-term Sukuk to diversify its funding sources and ease reliance on conventional bank lines. The Sukuk proceeds will primarily be utilized for seasonal working capital requirements, thereby supporting liquidity and financial flexibility. Overall capitalization remains adequate, underpinned by a strengthened equity base and moderate leverage indicators.

DEBT COVERAGE & LIQUIDITY:

Debt coverage and liquidity indicators depicted improvement by September 2025, supported by higher profitability and improved working capital management. Cash flow from operations increased to PKR 1.93 billion (FY24: PKR 229 million), leading to a debt service coverage ratio (DSCR) of around 1.46x in September MY25M (MY24: 0.48x). The current ratio improved to 1.1x from 0.85x in MY24, reflecting better alignment of short-term assets and liabilities. Short-term borrowings reduced to PKR 4.29 billion in MY25M (MY24: PKR 6.37 billion) owing to timely repayment and improved internal cash generation. The planned short-term Sukuk issuance will further support liquidity by providing cost-effective funding for seasonal working capital requirements. Overall liquidity position is considered satisfactory, underpinned by positive cash flow generation and adequate banking lines.

Financial Summary		Appendix I	
Balance Sheet (PKR Millions)	MY23A	MY24A	MY25M
Property, plant and equipment	4,266.08	4,337.71	13,516.07
Intangible Assets	89.60	-	-
Long-term Investments	-	-	-
Stock-in-trade	1,881.06	5,965.01	3,636.46
Trade debts	2,065.52	677.54	3,003.64
Short-term Investments	-	-	3.12
Cash & Bank Balances	176.73	105.89	112.33
Other Assets	974.23	2,961.87	4,524.06
Total Assets	9,453.22	14,048.02	24,795.68
Creditors	2,422.03	114.69	4,842.44
Long-term Debt (incl. current portion)	314.23	148.35	2,037.65
Short-Term Borrowings	2,565.98	6,365.66	4,294.05
Total Debt	2,880.21	6,514.01	6,331.70
Other Liabilities	706.16	4,995.68	3,542.35
Total Liabilities	6,008.40	11,624.38	14,716.49
Paid up Capital	1,439.00	1,439.00	1,439.00
Revenue Reserve	2,005.79	984.61	2,093.13
Equity (excl. Revaluation Surplus)	3,44.79	2,423.61	3,532.13

Income Statement (PKR Millions)	MY23A	MY24A	MY25M
Net Sales	17,583.71	12,206.29	20,658.33
Gross Profit	2,686.14	1,040.35	3,633.40
Operating Profit	2,378.92	851.27	3,275.03
Finance Costs	1,462.02	1,814.31	1,870.98
Profit Before Tax	916.90	-1,114.16	1,404.05
Profit After Tax	702.40	-978.59	1,108.52

Ratio Analysis	MY23A	MY24A	MY25M
Gross Margin (%)	15.28%	8.52%	17.59%
Operating Margin (%)	13.53%	6.97%	15.85%
Net Margin (%)	3.99%	-8.02%	5.37%
Funds from Operation (FFO) (PKR Millions)	864.40	-508.73	1,446.25
FFO to Total Debt* (%)	30.01%	-7.81%	22.84%
FFO to Long Term Debt* (%)	275.09%	-342.93%	70.98%
Gearing (x)	0.84	2.69	1.79
Leverage (x)	1.74	4.80	4.17
Debt Servicing Coverage Ratio* (x)	1.42	0.48	1.46
Current Ratio (x)	0.88	0.85	1.08
(Stock in trade + trade debts) / STD (x)	1.68	1.09	1.63
Return on Average Assets* (%)	6.30%	-8.33%	5.71%
Return on Average Equity* (%)	22.71%	-33.35%	37.23%
Cash Conversion Cycle (days)	71.76	127.79	82.31

*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	Instrument Ratings					
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action	
	RATING TYPE: INSTRUMENT					
	11/04/2025	-	A1 (Plim)	-	Preliminary	
Instrument Structure	Instrument Name:			Details		
	Nature of Instrument			STS		
	Tenure of Instrument			6 Months		
	Size of the Issue			PKR 2,500 Mn		
	Principle Redemption Schedule			Bullet		
	Interest Redemption Schedule			At maturity		
	Issue Date			-		
	Grace Period			-		
	Redemption			6 Months from the date of issue		
	Rate			Base rate + 125 bps pa		
	Investment Agent			Pak Brunei Investment Company Limited		
	DPA			Cash Entrapment		
	Others			Corporate Guarantee from RYK Sugar Mills Ltd		
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	Name		Designation		Date	
	Mr. Makhdum Omar Shehryar		Group Managing Director		14 th October 2025	