

ALLIANCE SUGAR MILLS LIMITED

Analyst:

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RATINGS CATEGORY	Latest Rating	Initial Rating
		Short-term
SUKUK RATING	A1	A1 (Plim)
RATING ACTION	Final	Preliminary
RATING DATE	May 15, 2026	November 04, 2025

Shareholding (5% or More)

RYK Mills Limited – 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>

Instrument Rating

<https://docs.vis.com.pk/Methodologies-2025/IRM-Apr-25.pdf>

Rating Scale

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

Rating Rationale

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

Instrument Name:	Details
Nature of Instrument	STS
Tenure of Instrument	6 Months
Size of the Issue	PKR 2,000 Mn
Principle Redemption Schedule	Bullet
Profit Payment Schedule	Bullet
Issue Date	26 th March 2026
Grace Period	N/A
Redemption	25 th September 2026
Rate	6 Months KIBOR + 200 bps
Investment Agent	Pak Brunei Investment Company Limited
Sukuk Payment Bank (SPA)	<p>The Issuer shall maintain the Sukuk Payment Account (SPA) with the Account Bank and create a lien (in terms of the Letter of Lien) on the Sukuk Payment Account (including any funds standing to the credit of the Sukuk Payment Account) in favor of the Issue Agent (for the benefit of the Certificate Holders) for the duration of the sukuk term. The Issuer shall transfer funds into the Sukuk Payment Account as follows:</p> <ol style="list-style-type: none"> Twenty five percent (25%) of the Buy Out Price shall be deposited into the Sukuk Payment Account on the last day of the fourth (4th) month following the Issue Date; Twenty five percent (25%) of the Buy Out Price shall be deposited into the Sukuk Payment Account on the last day of the fifth (5th) month following the Issue Date; The remaining fifty percent (50%) of the Buy Out Price shall be deposited into the Sukuk Payment Account no later than ten (10) Business Days prior to the Redemption Date, <p>Such that, by the date falling ten (10) Business Days prior to the Redemption Date, the funds standing to the credit of the Sukuk Payment Account are at least equal to the entire Buy Out Price including the relevant Provisional Profit Payment payable by the Issuer till the Redemption Date.</p>
Others	Corporate Guarantee from RYK Mills Limited

Management and Governance

OWNERSHIP/SPONSOR/CHAIRMAN/CEO PROFILE

RYKML has restructured its shareholding in Alliance Sugar Mills Limited via a Scheme of Arrangement and Reconstruction, under sections 282L and 284 to 287 of the Companies Act 2017, which has duly been approved by the Board of Directors. Alliance Sugar Mills Limited will be owned by Mr. Makhdum Omer Shehryar with the completion of all regulatory and court approvals.

ASML operates under a closely held ownership structure of sponsoring shareholders. The Company's governance framework is overseen by a four-member board providing overall strategic leadership in addition to operational management and execution of business objectives. Governance is supported through Board-level committees on audit, risk, 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	MY25
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%).

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. 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 PKR 978.59 million).

Financial Risk

CAPITAL STRUCTURE:

In MY25, 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 bank borrowings for working capital financing. The Company has issued a short-term Sukuk to diversify its funding sources and ease reliance on conventional bank lines. The Sukuk proceeds will primarily be utilized for 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 in MY25, supported by higher profitability and improved cash flow generation. Cash flow 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.

Short-term borrowings declined to PKR 3.92 billion in MY25 (MY24: PKR 6.37 billion), supported by improved internal cash generation and partial deleveraging. The short-term sukuk 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	MY25A	
Property, plant and equipment	4,266.08	4,337.71	13424.09	
Intangible Assets	89.60	-	-	
Long-term Investments	-	-	-	
Stock-in-trade	1,881.06	5,965.01	3931.72	
Trade debts	2,065.52	677.54	2489.65	
Short-term Investments	-	-	-	
Cash & Bank Balances	176.73	105.89	156.54	
Other Assets	974.23	2,961.87	4,227.73	
Total Assets	9,453.22	14,048.02	24229.73	
Creditors	2,422.03	114.69	248.22	
Long-term Debt (incl. current portion)	314.23	148.35	2036.91	
Short-Term Borrowings	2,565.98	6,365.66	3918.76	
Total Debt	2,880.21	6,514.01	5955.67	
Other Liabilities	706.16	4,995.68	8738.34	
Total Liabilities	6,008.40	11,624.38	14942.23	
Paid up Capital	1,439.00	1,439.00	1439	
Revenue Reserve	2,005.79	984.61	1987.86	
Equity (excl. Revaluation Surplus)	3,44.79	2,423.61	3426.86	
Income Statement (PKR Millions)				
	MY23A	MY24A	MY25A	
Net Sales	17,583.71	12,206.29	20,657.79	
Gross Profit	2,686.14	1,040.35	3,927.21	
Operating Profit	2,378.92	851.27	3,515.34	
Finance Costs	1,462.02	1,814.31	1,893.06	
Profit Before Tax	916.90	-1,114.16	1,622.28	
Profit After Tax	702.40	-978.59	1,011.92	
Ratio Analysis				
	MY23A	MY24A	MY25A	
Gross Margin (%)	15.28%	8.52%	19.01%	
Operating Margin (%)	13.53%	6.97%	17.02%	
Net Margin (%)	3.99%	-8.02%	4.90%	
Funds from Operation (FFO) (PKR Millions)	864.40	-508.73	1,341.86	
FFO to Total Debt* (%)	30.01%	-7.81%	22.53%	
FFO to Long Term Debt* (%)	275.09%	-342.93%	65.88%	
Gearing (x)	0.84	2.69	1.74	
Leverage (x)	1.74	4.80	4.36	
Debt Servicing Coverage Ratio* (x)	1.42	0.48	1.45	
Current Ratio (x)	0.88	0.85	1.08	
(Stock in trade + trade debts) / STD (x)	1.68	1.09	1.73	
Return on Average Assets* (%)	6.30%	-8.33%	5.29%	
Return on Average Equity* (%)	22.71%	-33.35%	34.59%	
Cash Conversion Cycle (days)	72	128	132	

*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				
	05/15/2026	-	A1	-	Final
	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 2,000 Mn		
	Principle Redemption Schedule		Bullet		
	Profit Payment Schedule		Bullet		
	Issue Date		26 th March 2026		
	Grace Period		N/A		
	Redemption		25 th September 2026		
	Rate		6- Month KIBOR + 200 bps		
	Investment Agent		Pak Brunei Investment Company Limited		
	SPA		Payment Account under lien with structured prefunding		
Others		Corporate Guarantee from RYK Mills Limited			
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. Saleh Hameed		Finance Manager		06 May 2026