VIS
Credit Rating Company Limited

ALLIANCE SUGAR MILLS LIMITED

Analyst:
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RATINGS CATEGORY	Initial Rating
	Short-term
SUKUK RATING (STS-2)	A1 (plim)
RATING ACTION	Preliminary
RATING DATE	September 25, 2026

Shareholding (5% or More)	Other Information
Mr. Makhdum Omar Shehryar – 99.99%	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/Methodologies-2026/Corporate-Rating-2026.pdf
Instrument Rating
https://docs.vis.com.pk/Methodologies-2026/IRM-2026.pdf

Rating Scale

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

Rating Rationale

The assigned rating reflects the secured structure, supported by a ranking charge over current assets, maintenance of a Debt Payment Account (DPA) with periodic cash buildup, and availability of an unutilized working capital facility. The rating also incorporates the Company's enhanced production capacity, higher production during the season and improved sucrose recovery. However, profitability remains constrained by lower sugar prices amid surplus stocks in the domestic market. While the potential allowance of sugar exports under discussion is expected to provide support to market prices, the Company continues to generate adequate coverage for its borrowings at prevailing prices. The financial profile is also expected to benefit from the planned equity injection, which should support improvement in capitalization. Timely realization of inventory and corresponding reduction in working capital borrowings will remain important considerations for the rating.

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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.

Sukuk Structure

Instrument Name:	**Alliance Sugar Mill Limited Short-term sukuk-2**
Nature of Instrument	STS
Tenure of Instrument	6 Months
Size of the Issue	PKR 2,500 Mn (inclusive green shoe of 500 Mn)
Principle Redemption Schedule	Bullet
Issue Date	N/A
Grace Period	N/A
Redemption	N/A
Rate	6 Months KIBOR + 150 bps
Security	The Sukuk is secured by a ranking charge over all present and future current assets of the Company (including stock-in-trade and trade receivables).
Sukuk Payment Bank (SPA)	Issuer shall establish and maintain a Debt Payment Account ("DPA") with the Account Bank. The DPA will be held under exclusive lien for the benefit of the Investors / Financiers. The Issuer shall fill up the DPA with the Issue Amount and Profit ("Payment") in the following manner: • 25% of the Payment amount on the last day of the 5th month. • 25% of the Payment amount on the tenth day of the 6th month. • 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 DPA account 10 business days prior to Redemption date
Covenants	Undertaking that the PKR 2,500 million Running Finance/Running Musharakah facility sanctioned in aggregate to the Sponsor and Alliance Sugar Mills Ltd. by (Habib Bank Limited) shall remain unutilized throughout the Sukuk tenor.
Investment Agent	Pak Brunei Investment Company Limited
Shariah Advisor	Alhamd Shariah Advisory Services (Private) Limited

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.

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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).

During 9MMY26, the Company reported net sales of PKR 7.32 billion and a loss after tax of PKR 180.17 million. While gross and operating margins remained healthy at 20.5% and 17.64%, respectively, profitability was constrained by elevated finance costs of PKR 1.38 billion.

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Management projects net sales of PKR 16.88 billion in MY26, lower than the SPLY, primarily due to a decline in the selling price to PKR 137.5/kg (MY25: PKR 150.3/kg). The lower selling price is expected to significantly squeeze the gross margin to 9.12%, which would further translate into a contraction in the operating margin to 7.14%. Consequently, a net loss of PKR 1.1 billion is projected, mainly attributable to higher finance costs of PKR 1.9 billion.

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-Jun'26, total debt increased significantly to PKR 21.48 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 inventory holding period. Consequently, gearing and leverage increased to 6.13x and 7.91x, respectively. Equity reduced marginally to PKR 3.24 billion (MY25: PKR 3.43 billion) due to net loss reported during the period.

Going forward, as of Sept'26, the Company projects an equity injection of PKR 500 million to offset the reduction in retained earnings arising from the loss for the year. Despite the proposed injection, equity is expected to decline to PKR 2.8 billion as of Sep'26. Gearing and leverage is expected to improve to 3.97x and 6.17x respectively due to reduction in short-term borrowings. 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 while short-term coverage also improved to 1.64x (Sept'24: 1.04x), reflecting better alignment of short-term assets and liabilities.

As of Jun'26, liquidity indicators have weakened, with the current and short-term coverage ratios standing at 1.03x. The significant increase in borrowings has resulted in weaker coverage metrics, with FFO-to-Total Debt declining to 0.24% (MY25: 22.5%) and DSCR decreasing to 0.72x. Nevertheless, the Company maintained a higher cash and bank balance of PKR 1.02 billion (Sept'25: PKR 156.54mn) as of Jun'26.

Going forward, as of Sept'26, timely liquidation of inventory and the resultant reduction in short-term borrowings are expected to improve liquidity, with the current and short-term coverage ratios improving to 1.19x and 1.15x, respectively. However, cash flow coverage remains constrained due to the negative bottom line, with FFO reported at negative PKR 421.29 million.

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Financial Summary — Appendix I

Balance Sheet (PKR Millions)	MY23A	MY24A	MY25A	9MMY26M
Property, plant and equipment	4,266.08	4,337.71	13,424.09	13,326.24
Intangible Assets	89.60	-	-	-
Long-term Investments	-	-	-	-
Stock-in-trade	1,881.06	5,965.01	3,931.72	16,119.85
Trade debts	2,065.52	677.54	2,489.65	3,828.34
Short-term Investments	-	-	-	-
Cash & Bank Balances	176.73	105.89	156.54	1,023.59
Other Assets	974.23	2,961.87	4,227.73	2,494.79
Total Assets	**9,453.22**	**14,048.02**	**24,229.73**	**36,811.78**
Creditors	2,422.03	114.69	248.22	1,745.00
Long-term Debt (incl. current portion)	314.23	148.35	2,036.91	2,209.41
Short-Term Borrowings	2,565.98	6,365.66	3,918.76	19,276.38
Total Debt	2,880.21	6,514.01	5,955.67	21,485.79
Other Liabilities	706.16	4,995.68	8,738.34	4,473.64
Total Liabilities	**6,008.40**	**11,624.38**	**14,942.23**	**27,704.43**
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	2,065.37
Equity (excl. Revaluation Surplus)	3,44.79	2,423.61	3,426.86	3,246,69

Income Statement (PKR Millions)	MY23A	MY24A	MY25A	9MMY26M
Net Sales	17,583.71	12,206.29	20,657.79	7,323.84
Gross Profit	2,686.14	1,040.35	3,927.21	1,501.28
Operating Profit	2,378.92	851.27	3,515.34	1,291.90
Finance Costs	1,462.02	1,814.31	1,893.06	1,380.53
Profit Before Tax	916.90	-1,114.16	1,622.28	-88.63
Profit After Tax	702.40	-978.59	1,011.92	-180.18

Ratio Analysis	MY23A	MY24A	MY25M	9MMY26M
Gross Margin (%)	15.28%	8.52%	19.01%	20.50%
Operating Margin (%)	13.53%	6.97%	17.02%	17.64%
Net Margin (%)	3.99%	-8.02%	4.90%	-2.46%
Funds from Operation (FFO) (PKR Millions)	864.40	-508.73	1,341.86	39.37
FFO to Total Debt* (%)	30.01%	-7.81%	22.53%	0.24%
FFO to Long Term Debt* (%)	275.09%	-342.93%	65.88%	2.38%
Gearing (x)	0.84	2.69	1.74	6.13
Leverage (x)	1.74	4.80	4.36	7.91
Debt Servicing Coverage Ratio* (x)	1.42	0.48	1.45	0.72
Current Ratio (x)	0.88	0.85	1.08	1.03
(Stock in trade + trade debts) / STD (x)	1.68	1.09	1.73	1.03
Return on Average Assets* (%)	6.30%	-8.33%	5.29%	-0.79%
Return on Average Equity* (%)	22.71%	-33.35%	34.59%	-6.93%
Cash Conversion Cycle (days)	72	128	132	

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

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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				
09/25/2026	-	A1 (plim)	-	Preliminary

Instrument Structure

Particulars	Details
Instrument Name	Alliance Sugar Mill Limited Short-term sukuk-2
Nature of Instrument	Rated, Secured and Privately Placed Short Term Sukuk
Tenure of Instrument	6 Months from the Issue Date
Size of the Issue	PKR 2,500 Mn (Inclusive of a Green Shoe of PKR 500 Mn)
Principal Redemption Schedule	Bullet
Issue Date	N/A
Grace Period	N/A
Redemption	N/A
Rate	6 Months KIBOR + 150 bps
Security	The Sukuk is secured by a ranking charge over all present and future current assets of the Company (including stock-in-trade and trade receivables).
Sukuk Payment Bank (SPA)	Issuer shall establish and maintain a Debt Payment Account (“DPA”) with the Account Bank. The DPA will be held under exclusive lien for the benefit of the Investors / Financiers. The Issuer shall fill up the DPA with the Issue Amount and Profit (“Payment”) in the following manner: • 25% of the Payment amount on the last day of the 5th month. • 25% of the Payment amount on the tenth day of the 6th month. • 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 DPA account 10 business days prior to Redemption date
Covenants	Undertaking that the PKR 2,500 million Running Finance/Running Musharakah facility sanctioned in aggregate to the Sponsor and Alliance Sugar Mills Ltd. by (Habib Bank Limited) shall remain unutilized throughout the Sukuk tenor.
Investment Agent	Pak Brunei Investment Company Limited
Shariah Advisor	Alhamd Shariah Advisory Services (Private) 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.
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. Saqib Raza	CEO	September 22, 2026

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