

RYK MILLS LIMITED

Analyst:

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RATING DETAILS

RATINGS CATEGORY	Initial Rating
	Short-term
STS RATING	A1 (plim)
RATING ACTION	Preliminary
RATING DATE	March 06, 2026

Shareholding (30% or More)

Mr. Makhdum Omer Shehryar ~ 33.5%

Other Information

Incorporated in 2007

Public Limited Company

Chief Executive: Mr. Shaharyar Khan

External Auditor: Ijaz Tabassum & Co. Chartered Accountants

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-Apr25.pdf>

Rating Scale

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

Rating Rationale

The rating draws support from RYK Mills Limited's presence in the domestic sugar sector, which carries relatively low exposure to economic cyclicality given the essential nature of sugar consumption, though it remains sensitive to fluctuations in sugarcane production, recovery rates, and regulatory interventions. The Company benefits from an established operational footprint, integrated business model, sizeable asset base, and relatively large crushing capacity, which collectively strengthen its competitive positioning. Strategic emphasis on operational efficiency, improved cane sourcing, and cost optimization supports stability across crop cycles. Furthermore, diversification into ethanol and power generation provides an additional revenue stream, partially insulating earnings from volatility inherent in the core sugar business. The rating also reflects the Company's established market presence and efforts to improve operational stability through better working capital management and financial discipline. The rating also takes comfort from the security structure of the instrument, which includes a ranking charge over current assets and the establishment of a Debt Payment Account (DPA) under exclusive lien in favour of investors, supporting timely repayment. While capitalization indicators remain elevated relative to industry benchmarks, demonstrated sponsor support provides comfort and partially mitigates financial risk concerns. The proceeds from the proposed Sukuk are expected to be utilized for meeting working capital requirements and optimizing the short-term borrowing profile, thereby supporting liquidity management. The rating remains underpinned by the Company's ability to maintain adequate liquidity buffers, manage leverage prudently, and sustain operational performance in the face of sector-specific risks.

Company Profile

RYK Mills Limited ('RYKML' or the 'Company') is a public limited company incorporated in 2007 and forms part of the RYK Group. RYKML's business activities include the production and sale of sugar, ethanol, related by-products, as well as the generation and sale of electricity. The Company's registered office is located in Lahore Cantt, while its manufacturing complex is situated in Rahim Yar Khan, Punjab.

The Company operates a sugar mill with a crushing capacity of 20,000 tons per day (TPD). The sugar segment remains the core business, contributing approximately 75% of total sales in MY25.

To enhance revenue diversification, RYKML commissioned an ethanol distillery plant at Sadiqabad, which commenced commercial operations in January 2023. The plant has an installed capacity of 125,000 liters per day. In addition, the Company operates a 30 MW bagasse-based independent power plant. The facility primarily meets RYKML's internal energy requirements, while surplus electricity is sold to the Central Power Purchasing Agency (CPPA).

Group 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.

Management and Governance

OWNERSHIP & MANAGEMENT

RYKML operates under a closely held ownership structure of sponsoring shareholders. The Board of Directors provides overall strategic leadership, while the management team led by Chief Executive Officer, Mr. Shaharyar Khan, is responsible for operational management and execution of business objectives.

Business Risk

INDUSTRY

Sugar

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 5.77 million metric tonnes (MMT) from 6.8 MMT 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. Looking ahead, sugar production is projected to recover to approximately 6.6 MMT 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 83.5 million MT, up roughly 4%, while domestic consumption is forecast around 6.8 MMT, driven by population growth and steady demand from the food and beverage sector. Despite improved production, ending stocks are likely to decline to around 1.76 MMT, 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.

Ethanol

The business risk profile of Pakistan's ethanol sector is assessed as Medium to High, primarily due to its dependence on sugarcane-derived molasses. Feedstock availability remains the key risk, as lower sugarcane yields in the 2024–25 season constrained molasses supply, increased costs, and disrupted production. Since molasses is a by-product of sugar manufacturing, its availability and pricing are influenced by sugar market conditions and government policies. Restrictions on sugar exports or increases in sugarcane support prices may encourage mills to retain molasses, pressuring distillery margins.

The sector is export-oriented, with around 80% of output sold internationally, exposing producers to fluctuations in global ethanol demand, biofuel blending mandates, and competition from large producers such as Brazil and the U.S. Ethanol prices are also sensitive to global oil prices, while domestic demand remains limited, with blending initiatives offering only gradual and uncertain support.

Going forward, lower international prices and tighter feedstock availability are expected to constrain margins, particularly as additional distillation capacity intensifies competition for molasses. Installed ethanol capacity is estimated at about 4.13 million liters per day, and further additions without higher cane throughput may limit utilization. High working capital requirements across the sugar-ethanol value chain and exposure to global sugar price volatility further elevate risk. While ethanol exports provide diversification and foreign exchange earnings, overall business risk remains higher than most other local manufacturing sectors.

OPERATIONAL UPDATE:

Production Capacity and Utilization	MY23	MY24	MY25
Sugar			
Installed Capacity (MT)	2,164,500	2,164,500	2,164,500
Actual Production (MT)	2,032,978	2,032,677	1,949,995
Utilization (%)	94%	94%	90%
Total Days Actual Crushing	111	111	111
Total Sugar Made (M tons)	215,217	204,934	176,129
Recovery Sugar %	10.59%	10.08%	9.03%
Ethanol			
Installed Capacity (Litres)	26,625,000	36,375,000	38,750,000
Actual Production	27,634,391	36,351,768	38,294,226
Utilization (%)	104%	100%	99%
Recovery Molasses %	4.57%	4.35%	4.65%
Power Generation			
Installed Capacity (MWh)	262,800	262,800	262,800
Utilized Capacity (MWh)	110,040	103,137	60,425
Energy Delivered (MWh)	91,227	84,783	49,522

RYK Mills Limited operates an integrated setup encompassing sugar manufacturing, ethanol distillation, and bagasse-based power generation. The Company's operations have remained stable across the past three years, with all plants functioning close to rated capacity. However, marginal declines in recovery rates and lower cane availability in MY25 have constrained growth in sugar output, while ethanol and power divisions continue to provide steady support to overall operations.

Sugar Segment

RYK Mills has an installed cane-crushing capacity of 19,500 tons per day, which continues to be efficiently utilized. In MY25, the mill crushed 1.95 million tons of sugarcane, slightly lower than 2.03 million tons in MY24, as reduced rainfall and high temperatures during key crop stages affected overall cane yields. Crushing days remained steady at 111 and no major downtime. Hence, capacity utilization declined marginally to 90% from 94% in MY24. Furthermore, sucrose recovery rate also reduced to 9.9% in MY25 against 10.08% previously. Total sugar production decreased to 194,538 tons compared to 204,934 tons in MY24.

Ethanol Segment

Ethanol operations remained a key strength, consistently running at or above installed capacity. Output increased from 27.63mn liters in MY23 to 36.35mn liters in MY24 following capacity expansion to 36.38mn liters, with utilization sustained at 100%. Production further improved to 38.29mn liters in MY25 with an expansion in capacity base to 38.75mn liters, resulting in utilization of 99%, supported by better molasses recovery (4.65% in MY25 vs. 4.35% in MY24).

Power Segment

Power generation tracked cane availability and bagasse production. With the installed capacity of 262,800 MWh, output declined from 110,040 MWh in MY23 to 103,137 MWh in MY24. A sharper decline occurred in MY25, with production dropping to 60,425 MWh, driven by lower cane throughput and resulting bagasse limitations. Correspondingly, grid dispatch fell from 84,783 MWh in MY24 to 49,522 MWh in

MY25. The power segment continues to primarily serve internal requirements, with external sales fluctuating with sugar-season dynamics and fuel availability.

PROFITABILITY:

RYKML demonstrated a notable recovery in profitability in MY25, despite a contraction in revenues. Net sales declined by 26.6% to PKR 26,176.8 million in MY25 (MY24: PKR 35656.7 million), primarily due to a reduction in export volumes. However, improved sugar price realizations and higher prices in the ethanol segment supported margin expansion, offsetting cost pressures arising from increased cane prices. As a result, gross margins improved to 26.54% (FY24: 20.14%). Profit after tax increased sharply to PKR 989.8 million in MY25 (MY24: PKR 247.8 million), as the impact of elevated finance costs that had compressed earnings in the prior year has eased. This improvement also led to a significant rise in net margin to 3.78% in FY25 (FY24: 0.70%).

During the two-month period from Sep'25 to Nov'25, the Company's margins moderated, with gross margin declining to 12.33% and operating margin to 8.24%, compared to elevated levels in Sep'25. Despite this, the Company remained profitable, posting a net margin of 2.70%.

Financial Risk

CAPITAL STRUCTURE:

Equity strengthened on the back of improved profitability, with shareholders' equity increasing to PKR 10,756 million (FY24: PKR 9,109 million), reflecting healthy profit retention during the year as well as a Rs.658M sponsors injection in the company contribution to share deposit money. Total borrowings rose to PKR 18,338.79 million (FY24: PKR 17,224.34 million), driven mainly by higher short-term financing to support inventory accumulation and receivables. Long-term debt increased to PKR 7,455.53 million, representing approximately 40.6% of total borrowings, indicating a gradual shift toward longer-tenor funding. While profit retention supported a modest improvement in capitalization metrics, overall debt levels remained elevated, with gearing and leverage recorded at 1.70x and 1.97x respectively. At the end of first two months of FY26, total long-term borrowings declined to PKR 4,597.00 million, primarily due to scheduled repayments, while short-term borrowings were streamlined in line with seasonal working capital normalization.

DEBT COVERAGE & LIQUIDITY:

Debt servicing capacity decreased below 1x during FY25, due to slight reduction in operating cash generation. Funds from Operations (FFO) reduced to PKR 1012.55 million in FY25 (FY24: PKR 1720.79 million). FFO-to-total debt dropped to 5.52%, while FFO-to-long-term debt contracted to 13.58% (FY24: 27.94%). Liquidity strengthened, with the current ratio rising to 1.17x from 1.04x, and the (stock-in-trade + trade debts) to short-term debt ratio improving to 1.57x (FY24: 1.09x). However, the cash conversion cycle extended to 208 days (FY24: 108 days), reflecting higher inventory accumulation typical of the sugar sector's cyclical nature.

Between Sep'25 and Nov'25, the Company's liquidity profile improved due to reprofiling of borrowings from short-term to long-term. The improved debt mix reduced near-term repayment pressure, keeping the the current ratio stable at 1.17x. Coverage of short-term obligations through working capital assets remained adequate at 1.12x.

Financial Summary		Appendix I		
Balance Sheet (PKR Millions)	FY23A	FY24A	FY25M	Nov25
Property, plant and equipment	12,934.53	12,700.10	20,887.19	21,245.71
Right of use Asset	87.92	72.84	58.27	52.82
Intangible Assets	-	33.37	60.99	-
Long-term Investments	1,544.11	1,544.11	1,544.10	1,544.11
Stock-in-trade	6,620.37	3,752.78	9,033.93	7,115.00
Trade debts	1,967.71	7,892.70	7,511.89	3,388.02
Short-term Investments	55.59	56.90	53.98	106.89
Cash & Bank Balances	277.39	1,420.67	716.35	50.79
Other Assets	3,560.95	3,282.96	1,412.54	4,680.17
Total Assets	27,048.57	30,756.43	41,279.24	38,183.51
Creditors	631.17	690.11	1,413.39	1,006.53
Long-term Debt (incl. current portion)	5,084.03	6,158.64	7,455.53	4,597.00
Short-Term Borrowings	6,998.02	11,065.70	10,883.26	9,338.00
Total Debt	12,082.05	17,224.34	18,338.79	13,935.00
Other Liabilities	5,476.09	3,732.97	1,487.84	3,271.07
Total Liabilities	18,189.31	21,647.42	21,240.02	18,212.60
Paid up Capital	1,804.64	1,804.64	1,804.64	1,804.64
Revenue Reserve	6,156.17	7,304.39	1,554.45	1,324.45
Other Equity (excl. Revaluation Surplus)	898.45	-	-	-
Equity (excl. Revaluation Surplus)	8,859.26	9,109.03	10,756.85	10,749.58

Income Statement (PKR Millions)	FY23A	FY24A	FY25M	Nov25
Net Sales	24,295.28	35,656.66	26,176.82	8,252.06
Gross Profit	5,337.04	7,179.95	6,946.95	1,017.41
Operating Profit	4,186.04	5,717.76	5,166.59	680.21
Finance Costs	2,947.05	4,807.46	3,852.50	350.11
Profit Before Tax	1,238.99	910.30	1,314.09	330.09
Profit After Tax	1,051.90	247.84	989.80	222.73

Ratio Analysis	FY23A	FY24A	FY25M	Nov25
Gross Margin (%)	21.97%	20.14%	26.54%	12.33%
Operating Margin (%)	17.23%	16.04%	19.74%	8.24%
Net Margin (%)	4.33%	0.70%	3.78%	2.70%
Funds from Operation (FFO) (PKR Millions)	1,442.84	1,720.79	1,012.55	-
FFO to Total Debt* (%)	11.94%	9.99%	5.52%	-
FFO to Long Term Debt* (%)	28.38%	27.94%	13.58%	-
Gearing (x)	1.36	1.89	1.70	1.30
Leverage (x)	2.05	2.38	1.97	1.69
Debt Servicing Coverage Ratio* (x)	1.13	1.06	0.81	-
Current Ratio (x)	0.91	1.04	1.17	1.17
(Stock in trade + trade debts) / STD (x)	1.30	1.09	1.57	1.12
Return on Average Assets* (%)	4.21%	0.86%	2.75%	-
Return on Average Equity* (%)	12.67%	2.76%	9.96%	-
Cash Conversion Cycle (days)	124.19	108.48	208.79	-

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	RYK Mills Limited				
Sector	Sugar				
Type of Relationship	Solicited				
Purpose of Rating	Sukuk Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	02/11/2026	A	A2	Positive	Reaffirmed
	09/19/2024	A	A2	Positive	Reaffirmed
	10/05/2023	A	A2	Positive	Maintained
	02/15/2022	A	A2	Stable	Reaffirmed
	02/19/2021	A	A2	Stable	Reaffirmed
	01/17/2020	A	A2	Stable	Initial
	RATING TYPE: SUKUK				
	03/06/2026		A1 (plim)		Preliminary
Instrument Structure	Instrument Name	Short Term Sukuk -1			
	Nature of Instrument	STS (Short-Term Sukuk)			
	Tenure of Instrument	6 Months			
	Size of the Issue	PKR 4,000 Mn (inclusive of PKR 2,000 Mn Green Shoe Option)			
	Principal Redemption Schedule	Bullet			
	Interest Redemption Schedule	Quarterly			
	Issue Date	N/A			
	Grace Period	No			
	Redemption	N/A			
	Nature of Security	Ranking charge over Current Assets			
	Sukuk Payment Account (SPA)	Issuer will 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 will fill up the DPA with the Issue Amount and Profit in the following manner: <ul style="list-style-type: none"> •50% of the payment amount 14 business days prior to maturity / redemption date. •50% of the payment amount 07 business days prior to maturity / redemption date. 			
Rate	Base Rate (3-Month KIBOR) + 140 bps p.a.				
Investment Agent	Pak Oman Investment Company 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. Tarik Jawaid	Director	February 25, 2026		