VIS
Credit Rating Company Limited

RATING REPORT

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	November 20, 2026

Shareholding (30% or More)	Other Information
Mr. Makhdum Omer Shehryar ~ 33.5%	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 – Corporate 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://docs.vis.com.pk/do cs/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.

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Company Profile

RYK Mills Limited ('RYKML' or the 'Company') is a public limited company incorporated in 2007 and forms part of the RYK Group. The Company is principally engaged in the manufacturing and sale of sugar, ethanol and other by-products, along with the generation and sale of electricity. RYKML's registered office is located in Lahore Cantt, while its manufacturing operations are based in Rahim Yar Khan, Punjab.

RYKML also operates an ethanol distillery, which commenced commercial operations in January 2023, providing an additional revenue stream through domestic and export sales. The Company further operates a 30 MW bagasse-based power generation facility, commissioned in March 2015. The facility utilizes bagasse generated from sugar operations for power generation, primarily supporting internal energy requirements, with surplus electricity supplied to the national grid under an agreement with CPPA-G.

Group Profile

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').

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 lead by Chief Executive Officer, Mr. Shaharyar Khan, is responsible for operational management and execution of business objectives.

Short Term Sukuk Structure

RYKML intend to issue a short-term, secured, privately placed sukuk of up to PKR 4,500 million, inclusive of a green shoe option of PKR 500 million. The proceeds of the issue are intended to finance the Company's short-term working capital requirements. The Sukuk will carry a tenor of six months from the issue date, with the principal repayable in bullet form at maturity. The proposed profit rate comprises 3M KIBOR plus a spread of 150bps.

The Sukuk is secured through a Ranking Charge over Current Assets with a 25% margin. Additionally, the Issuer shall establish and maintain a Debt Payment Account ("DPA") with the Account Bank. The DPA shall be held under an exclusive lien for the benefit of the Investors/Financiers.

The Issuer shall fund the DPA with the relevant payment amount (comprising the principal/issue amount and profit) in the following manner:

- 50% of the payment amount at least 14 business days prior to the maturity/redemption date.
- Remaining 50% of the payment amount at least 7 business days prior to the maturity/redemption date.

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

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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:

Production Capacity and Utilization	MY24	MY25	MY26
Sugar			
Installed Capacity (MT)	2,164,500	2,164500	2,652,000
Actual Production (MT)	2,032,677	1,949,995	2,325,405
Utilization (%)	94%	90%	88%
Total Days Actual Crushing	111	111	136
Total Sugar Made (M tons)	204,934	176,129	242,343
Recovery Sugar %	10.08%	9.03%	10.42%
Ethanol			
Installed Capacity (Litres)	36,375,000	38,750,000	42,500,000
Actual Production	36,351,768	38,294,226	38,901,169
Utilization (%)	100%	99%	92%
Recovery Molasses %	4.35%	4.65%	4.45%
Power Generation			
Installed Capacity (MWh)	262,800	262,800	262,800
Utilized Capacity (MWh)	103,137	60,425	69,974
Energy Delivered (MWh)	84,783	49,522	58,552

The Company's operating performance improved in MY26, led by higher sugarcane crushing, improved sugar recovery, and increased sugar production. The expansion in sugar processing capacity supported higher throughput, although utilization moderated as capacity grew at a faster pace than crushing volumes. Ethanol production remained broadly stable despite higher installed capacity, while power generation and energy delivered increased during the year.

PROFITABILITY:

RYKML's profitability moderated significantly during 9MMY26 despite strong growth in sugar production. This was broadly in line with the recovery in Pakistan's sugar sector, as sugarcane production and national sugar output increased during MY26. However, the higher availability of sugar resulted in a supply surplus, shifting market conditions from the relatively constrained supply environment observed in MY25. Consequently, sugar prices moderated, limiting the benefits of RYKML's higher production volumes and putting pressure on profitability.

The impact was reflected in RYKML's gross margin, which declined to 13.86% in 9MMY26 from 29.12% in MY25, while the operating margin fell to 6.99% from 21.68%, respectively. Furthermore, while preparing the management accounts as at June 2026, the client had recognised the finance cost incurred on inventory holding under the cost of sales, further impacting gross profitability. Consequently, weaker gross profitability remained the primary constraint, with PAT amounting to PKR 75.8mn and the net margin narrowing to 0.28% in 9MMY26 from 2.04% in MY25.

Financial Risk

CAPITAL STRUCTURE:

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Equity strengthened, with shareholder's equity increasing to PKR 21,115.8mn as of Jun'26 (Sept'25: PKR 20,141.0mn), supported by a significant increase in capital contribution to PKR 2,240.0mn (MY25: PKR 740.0mn). In addition, share deposit money of PKR 814.4mn is included in the capital base, improving the Tier 1 equity to PKR 11,867.2mn as of Jun'26 (Sept'25: PKR 10,291.4mn).

Total debt increased to PKR 35,378.8mn as at Jun'26 (Sept'25: PKR 22,038.1mn), primarily driven by an increase in short-term borrowings to PKR 30,469.8mn (Sept'25: PKR 16,587.1mn) to support higher inventory requirements. Short-term borrowings accounted for approximately 86.2% of total borrowings, while long-term financing constituted the remaining 13.8%. Long-term financing declined to PKR 4,909.1mn (Sept'25: PKR 5,451.0mn), reflecting scheduled repayments. Despite an increase in Tier-1 equity, higher total debt led to an increase in the gearing ratio to 2.98x (Sept'25: 2.14x) and the leverage ratio to 3.09x (Sept'25: 2.96x) as at Jun'26.

DEBT COVERAGE & LIQUIDITY:

Debt servicing capacity remained constrained during 9MMY26, reflecting the higher working capital requirement associated with the seasonal build-up in sugar inventory. Liquidity weakened, with the current ratio declining to 0.93x (MY25: 1.01x), while coverage of short-term debt through stock-in-trade and trade receivables moderated to 0.89x (Sept'25: 0.92x). The weaker liquidity position was primarily driven by the substantial increase in inventory to PKR 19,630mn (Sept'25: PKR 7,880mn), reflecting the accumulation of sugar stocks during the crushing cycle, while trade debts remained broadly stable.

Cash and bank balances increased to PKR 753.4mn (Sept25: PKR 607.4mn), although the level remained modest relative to the Company's short-term funding requirements. Given the seasonal nature of the sugar business, liquidity remains dependent on the timely realization of sugar inventory and conversion of working capital into cash.

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Financial Summary			Appendix I
Balance Sheet (PKR Millions)	Sept'24A	Sept'25A	Jun'26M
Property, plant and equipment	12,700	27,597	26,614
Intangible Assets	33	47	47
Long-term Investments	1,544	1,544	1,544
Stores and spares	410	465	566
Stock-in-trade	3,753	7,880	19,630
Trade debts	7,893	7,458	7,450
Loans and Advances	2,447	5,285	886
Short-term Investments	57	64	387
Cash & Bank Balances	1,421	607	753
Other Assets	499	496	722
Total Assets	**30,756**	**51,442**	**58,598**
Trade and Other Payables	2,512	3,040	593
Long-term Debt (incl. current portion)	6,159	5,451.0	4,909.1
Short-Term Borrowings	11,066	16,587	30,470
Total Debt	17,224	22,038.1	35,378.8
Other Liabilities	1,911	5,408	696
Total Liabilities	**21,647**	**30,487**	**36,668**
Paid up Capital	1,805	1,805	1,805
Capital Contribution	0	740	2,240
Revenue Reserve	6,408	6,932	7,008
Share deposit money	896	814	814
Revaluation reserve	0	10,664	10,063
Equity (excl. Revaluation Surplus)	**9,109**	**10,291.4**	**11,867.2**
Income Statement (PKR Millions)	MY24A	MY25A	9MMY26M
Net Sales	35,657	26,190	27,555
Cost of Sales	28,477	18,564	23,735
Gross Profit	7,180	7,627	3,820
Operating Profit	5,718	5,678	1,927
Finance Costs	4,807	4,230	1,437
Profit Before Tax	**910**	**1,447**	**489**
Profit After Tax	**248**	**536**	**76**
Ratio Analysis	Sept'24A	Sept'25A	Jun'26M
Gross Margin (%)	20.14%	29.12%	13.86%
Operating Margin (%)	16.04%	21.68%	6.99%
Net Margin (%)	0.70%	2.04%	0.28%
Funds from Operation (FFO) (PKR Millions)	**1,721**	**1,580**	**-912**
FFO to Total Debt* (%)	9.99%	7.17%	-3.44%
FFO to Long Term Debt* (%)	27.94%	28.98%	-24.77%
Gearing (x)	1.89	2.14	2.98
Leverage (x)	2.38	2.96	3.09
Debt Servicing Coverage Ratio* (x)	1.06	1.14	0.21
Adjusted Debt Servicing Coverage Ratio* (x)	1.06	1.30	1.29
Current Ratio (x)	1.04	1.01	0.93
(Stock in trade + trade debts) / STD (x)	1.05	0.92	0.89
Return on Average Assets* (%)	0.86%	1.30%	0.18%
Return on Average Equity* (%)	2.76%	5.52%	0.91%
Cash Conversion Cycle (days)	108	205	224
*Annualized, if required			
A - Actual Accounts			
M - Management Accounts			

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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				
02/13/2026	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-2				
11/20/2026		A1 (plim)		Preliminary

Instrument Structure

Instrument Name	**Short Term Sukuk –2**
Nature of Instrument	STS (Short-Term Sukuk)
Tenure of Instrument	6 Months
Size of the Issue	PKR 4,500 Mn (Inclusive of a Green shoe option of PKR 500 mn)
Principal Redemption Schedule	Bullet
Profit Redemption Schedule	Quarterly
Issue Date	NA
Grace Period	No
Redemption	NA
Nature of Security	Ranking charge over Current Assets with 25% margin
Sukuk Payment Account (SPA)	Issuer will establish and maintain a Sukuk Payment Account ("SPA") with the Account Bank. The SPA will be held under exclusive lien for the benefit of the investors / Financiers. The Issuer will fill up the SPA with the Issue Amount and Profit in the following manner: •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) + 150 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.
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Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Shaheryar Khan	CFO	18th November 2026

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