

## ETIHAD SUGAR MILLS LIMITED

### Analysts:

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### RATING DETAILS

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	A	A2	A	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	13-Apr-26		9-Apr-25	

### Shareholding (5% or More)

Al-Jawahir Technical Overseas Contracting LLC-FZ, Dubai - 40.7%
Chaudhary Muhamad Munir - 13.4%
Mr. Hashim Jawan Bakhat - 10.7%
Technical Associates Pakistan (Pvt) Limited - 9.1%
Mr. Faisal Munir - 9.1%
Mr. Muhammad Shakil - 7.1%
Mr. Sohail Munir - 6.6%

### Other Information

Incorporated in: 2006
Public Unlisted Company
CEO: Mr. Sakandar Ali Choudhry
External Auditor: Crowe Hussain Chaudhury & Co., Chartered Accountants

### Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings  
<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

### Rating Scale

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

### Rating Rationale

Etihad Sugar Mills Limited ('ESML' or 'the Company') is a public unlisted company, incorporated in 2006, engaged in the manufacturing and sale of sugar and related by-products including molasses and bagasse. The Company maintains a stable governance framework while the shareholding is concentrated among the sponsor family through direct and indirect ownership.

The ratings reflect inherent risk related to sugar sector, primarily due to periodic regulatory intervention in the form of price control. During FY25, topline and margins improved, supported by favorable pricing, higher volumes, increase in export sales, and better by-product contribution. Additionally, financial risk profile improved during FY25, driven by a significant reduction in short-term borrowings. This was also supported by improved cash flow generation and inventory drawdown, resulting in stronger coverage indicators and liquidity position. Capitalization levels also strengthened.

Given the marginal improvement in sucrose recovery and projected rise in export of sugar, topline and margins are expected to enhance in the ongoing year. Going forward, maintaining strong cash flows and coverages, stable margins, and disciplined financial management will remain important for the ratings.

### Company Profile

Etihad Sugar Mills Limited ('ESML' or 'the Company') is a public unlisted company, incorporated in 2006, engaged in the manufacturing and sale of sugar and related by-products including molasses and bagasse. The Company operates a sugar manufacturing unit located in Karamabad, District Rahim Yar Khan, Punjab, with a licensed crushing capacity of 25,000 TCD (installed capacity ~20,000 TCD). The head office of the Company is situated in Lahore.

### Management and Governance

The Company is headed by its CEO, Mr. Sakandar Ali Choudhry, who is responsible for overseeing overall operations and strategic direction. The management team is supported by experienced functional heads across key departments. The Company's financial statements are audited by Crowe Hussain Chaudhury & Co., Chartered Accountants, which is classified in Category 'A' on the SBP panel of auditors.

### 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 5.77 million metric tons (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. 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 steady demand from the food and beverage sector. Given improved production and carryover stock of 0.77 MMT, surplus sugar stock is expected by end-MY26, assuming nil exports. Retail prices are expected to remain range-bound. 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**

Particulars	FY23	FY24	FY25	FY26*
Crushing Capacity (TCD)	16,000	25,000	25,000	25,000
Crushing Days	111	112	111	102
Total Cane Crushed (M. Tons)	1,975,739	2,098,489	1,996,968	1,891,600
Cane Crushed (TCD)	17,799	18,737	17,991	18,545
Sugar Production (M. Tons)	217,034	216,326	206,466	195,490
Recovery (%)	10.99%	10.31%	10.34%	10.46%
Molasses Produced (M. Tons)	90,424	91,346	88,000	81,100
Molasses Recovery (%)	4.58%	4.35%	4.41%	4.43%

*\*Data available till 28<sup>th</sup> February, 2026*

The Company operates a sugar manufacturing unit with a licensed crushing capacity of 25,000 TCD (installed capacity 20,000 TCD). During FY25, sucrose recovery remained largely stable at 10.34% (FY24: 10.31%), while sucrose recovery in the ongoing year improved marginally to 10.46% and is expected to improve further by the end of the season.

**SALES & PROFITABILITY**

The Company's net sales increased to PKR 34.7bn in FY25 (FY24: PKR 24.8bn). The increase was primarily driven primarily by increased sales volumes. Export sales increased by 2.7x during the year, supporting overall revenue growth. Gross margins improved slightly to 17.2% (FY24: 16.3%) in FY25 on account of better prices.

However, operating margins decreased (FY25: 13.6%, FY24: 15.1%), mainly due to a significant increase in distribution expenses driven by higher export-related costs. Finance costs decreased by 46% due to lower borrowings and lower average interest rates, resulting in higher net profit of PKR 2.2bn (FY24: PKR 1.3bn), with net margins improving to 6.4% (FY24: 5.1%). Topline is projected to sustain on the back of sustained production and demand while margins will be supported by improved sucrose recovery in the ongoing year.

**Financial Risk****CAPITAL STRUCTURE**

Tier-1 equity increased to PKR 13.2bn (FY24: Rs. 10.7bn) due to profit retention. Long-term debt increased to PKR 1.99bn (FY24: PKR 0.95bn) primarily mobilized for the purchase of a used aircraft, amounting to PKR 1.43b, for business purposes. However, total debt decreased to PKR 2.87bn (FY24: PKR 9.04bn), due to a notable reduction in short-term borrowings (FY25: PKR 0.88bn, FY24: PKR 8.09bn), supported by inventory liquidation and improved cash flows. As a result of lower debt levels, gearing and leverage improved to 0.22x (FY24: 0.84x) and 0.92x (FY24: 1.42x) respectively by end-FY25. Capitalization indicators are projected to remain stable in absence of notable capex with moderate increase in short-term borrowings to be offset by equity growth.

## DEBT COVERAGE & LIQUIDITY

Funds from operations (FFO) increased to PKR 1.96bn (FY24: PKR 1.54bn) supported by higher profitability. This, along with lower debt levels, led FFO to total debt to strengthen (FY25: 68.4%, FY24: 17.0%). Furthermore, the debt servicing coverage ratio (DSCR) also improved to 2.65x (FY24: 1.41x). Liquidity position improved during the year, with the current ratio increasing to 1.88x (FY24: 1.27x) mainly due to lower short-term borrowings. The cash conversion cycle also improved to 59 days (FY24: 89 days), on account lower inventory days. However, a considerable amount of cash flows is stuck in interest free loans to directors which increased to Rs. 2.34b (FY25: Rs. 840m) by end-FY25.

<b>Financial Summary</b>			
<b>Balance Sheet (PKR Millions)</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25A</b>
Property, plant and equipment	11,739.30	11,194.06	15,937.86
Right-of-use Assets	10.12	0.00	0.00
Intangible Assets	0.62	0.00	0.00
Long-term Investments	5,986.30	5,986.30	5,986.30
Stock-in-trade	3,085.83	7,251.83	2,435.38
Trade debts	41.48	45.25	69.71
Cash & Bank Balances	98.87	193.04	30.04
Other Assets	5,310.83	6,055.11	7,827.25
<b>Total Assets</b>	<b>26,273.35</b>	<b>30,725.59</b>	<b>32,286.54</b>
<b>Creditors</b>	<b>190.49</b>	<b>155.13</b>	<b>297.70</b>
Long-term Debt (incl. current portion)	2,052.22	950.28	1,992.51
Short-Term Borrowings	314.15	8,092.18	877.38
<b>Total Debt</b>	<b>2,366.37</b>	<b>9,042.46</b>	<b>2,869.89</b>
Other Liabilities	9,522.91	6,056.49	8,938.23
<b>Total Liabilities</b>	<b>12,079.77</b>	<b>15,254.08</b>	<b>12,105.82</b>
Paid up Capital	990.00	990.00	990.00
Revenue Reserve	6,894.66	8,440.21	10,920.99
Other Equity (excl. Revaluation Surplus)	1,300.62	1,300.62	1,300.62
Sponsor Loan	1,300.62	1,300.62	1,300.62
<b>Equity (excl. Revaluation Surplus)</b>	<b>9,185.28</b>	<b>10,730.83</b>	<b>13,211.61</b>
<b>Income Statement (PKR Millions)</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25A</b>
Net Sales	22,765.04	24,751.48	34,713.62
Gross Profit	4,605.79	4,032.96	5,970.46
Operating Profit	4,285.90	3,735.82	4,704.39
Finance Costs	1,213.27	1,930.11	1,049.71
Profit Before Tax	3,072.63	1,805.71	3,654.68
Profit After Tax	1,913.04	1,273.61	2,225.85
<b>Ratio Analysis</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25A</b>
Gross Margin (%)	20.23%	16.29%	17.20%
Operating Margin (%)	18.83%	15.09%	13.55%
Net Margin (%)	8.40%	5.15%	6.41%
Funds from Operation (FFO) (PKR Millions)	1,745.32	1,537.35	1,961.72
FFO to Total Debt* (%)	73.76%	17.00%	68.36%
FFO to Long Term Debt* (%)	85.05%	161.78%	98.45%
Gearing (x)	0.26	0.84	0.22
Leverage (x)	1.32	1.42	0.92
Debt Servicing Coverage Ratio* (x)	1.92	1.41	2.65
Current Ratio (x)	1.32	1.27	1.88
(Stock in trade + trade debts) / STD (x)	11.28	0.95	3.27
Return on Average Assets* (%)	7.52%	4.47%	7.06%
Return on Average Equity* (%)	23.76%	12.79%	18.59%
Cash Conversion Cycle (days)	42.35	88.65	59.24

\*Annualized, if required

A - Actual Accounts

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Etihad Sugar Mills Limited				
Sector	Sugar				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
	RATING TYPE: ENTITY				
	13-Apr-2026	A	A2	Stable	Reaffirmed
	9-April-2025	A	A2	Stable	Reaffirmed
	21-Feb-2024	A	A2	Stable	Upgrade
	25-Oct-2022	A-	A2	Stable	Reaffirmed
	6-Dec-2021	A-	A2	Stable	Reaffirmed
19-Nov-2020	A-	A2	Stable	Reaffirmed	
Instrument Structure	N/A				
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. Sohail Dil	CFO		25-Mar-2026	
	Mr. Sajid Ali	AGM Accounts & Finance			