VIS
Credit Rating Company Limited

ASHRAF SUGAR MILLS LIMITED

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RATING DETAILS				
RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A-	A2	A-	A2
RATING OUTLOOK	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	August 03, 2026		May 12, 2025	

SHAREHOLDING 5% OR MORE	OTHER INFORMATION
Ch. Muhammad Zaka Ashraf – 78.5%	**Incorporated in** 1978
Ch. Khan Muhammad Ashraf – 5.7%	Public Limited Company (Unlisted)
	External Auditor: Azhar Zafar & Company Chartered Accountants
	Chairman of the BOD: Ch. Muhammad Zaka Ashraf
	Chief Executive Officer: Mr. Aurangzeb Mohsin

APPLICABLE RATING CRITERIA

VIS Entity Rating Criteria Methodology – Corporate
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

APPLICABLE RATING SCALE

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

RATING RATIONALE

The ratings reflect the Ashraf Sugar Mills Limited ("ASML" or "the Company") medium business risk profile, underpinned by the cyclical and seasonal nature of the sugar industry and low research and development to improve and stabilize crop productivity. This is compounded by regulatory controls on import / export of the commodity affecting supply / demand dynamics with resultant impact on market price. The fixation of sugarcane support price has been recently removed.

The Company has been able to sustain a profitable position in the industry with focus on corporate clients. Recently, the Company has raised long term borrowings for BMR purposes which has increased its leverage, however, is expected to improve margins with improved efficiency as well as increased production through de-bottlenecking the process. Liquidity indicators remained adequate, supported by an improvement in the current ratio and a shorter cash conversion cycle, while debt servicing capacity remained satisfactory despite moderating during the ongoing period. The Stable outlook reflects expectations that improving agricultural output, together with continued operational enhancements and normalization of seasonal leverage, will support stability in the Company's operating and financial profile going forward.

COMPANY PROFILE

Ashraf Sugar Mills Limited ("ASML" or "the Company") is a public limited (unlisted) company incorporated in Pakistan on September 9, 1978 under the repealed Companies Act, 1913 (now replaced by the Companies Act, 2017). Its registered office is located in, Lahore.

The Company is engaged in the production and sale of crystalline sugar, molasses, and other by-products catering to both domestic and international markets. The manufacturing facilities are based in Ashrafabad, District Bahawalpur with a production capacity of 20,000 TCD.

SPONSOR/ GROUP PROFILE

The majority of ASML's shareholding is vested in the sponsoring family, with 78.5% owned by Chaudhary Muhammad Zaka Ashraf and 14.8% owned by his family members.

ASML is part of the Ashraf Group of Industries (AGI), which was incorporated in 1978 as a public limited company. The group possesses a diverse business portfolio, which spans across sugar production, coal mining, stone quarrying, livestock & dairy farming, power generation, corporate agriculture farming, and real estate development. Among other group companies, H.M. Iqbal Coal Mines (Pvt.) Ltd. (HMICM) is located in Hyderabad at the Lakhra coal fields. These leasehold mines, stretched over an area of 2000 acres, were acquired in 1970 for a tenure of 30 years; the lease has been in renewal every 10 years since then. In 1978, HMICM also acquired mining rights in Dandot, Tehsil Pind Dadan Khan, District Jhelum in Punjab that is spread over an area of 1000 acres. AGI has also acquired leasehold & exploration rights of stone quarry (granite) in Nagar Parkar near (Karonjhar Hills) District Tharparkar in the name of K.M. Mining & Minerals and M/s Red Bricks. Livestock farming has been carried out under the name of Ashraf Dairies at various locations, which are majorly adjacent to the group's agri farms. AGI has also completed various construction projects in real estate including hospitals, industrial buildings and other engineering projects in various cities. The group started a multi-fuel (mainly baggase-based and 20% other biomass) power project of 31.2 MW under the banner of Bahawalpur Energy Limited.

GOVERNANCE

The Board of Directors is composed of four members, including one female director. Three committees operate under the oversight of the Board: The Finance Committee, the Technical Committee, and the Human Resource Committee. Azhar Zafar & Co., Chartered Accountants, serves as the Company's external auditor. The firm is not included on the SBP panel of auditors and has received an ICAP QCR rating of "Satisfactory with Improvements Required." The auditor expressed an unqualified opinion on the Company's financial statements for MY25.

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 caused by adverse weather conditions. The government's decision to permit export in 2023 and early 2024 allowed exporters to benefit from favorable international prices. However, this resulted in a low carry over stock leading into the 2024-25 crushing season, which when combined with the below expected production, resulted in retail sugar prices surging to PKR 165–170/kg by mid-2025 and peaking near PKR 180/kg. 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 for the 2025-26 crushing season is reported at around 7.5 MMT, while domestic consumption is around 6.5 MMT, indicating an excess stock of approximately 1.0 MMT. This is further supported by an improvement in sucrose recovery rates, which has reduced cost of production. Retail prices are currently on the lower side with sugar mills having to weigh between profitability and liquidity management. 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, with cyclical output combined with stable consumption, yet constrained by structural inefficiencies, high working capital intensity, and policy-driven volatility.

OPERATIONAL PERFORMANCE

Crushing Season	MY23	MY24	MY25	MY26
Crushing Period in days	104	109	97	122
Cane Crushed (MT)	1,098,076	997,035	958,759	1,202,726
Sugar Production (MT)	107,159	95,910	89,487	121,533
Sucrose Recovery	9.76%	9.63%	9.33%	10.11%
Molasses Produced	43,056	41,673	41,766	51,151
Molasses Recovery	3.92%	4.18%	4.36%	4.25%

Cane crushing increased by 25.4% to 1.20 million MT in MY26 (MY25: 0.96 million MT), reflecting improved sugarcane availability following an estimated 15% increase in the regional sugarcane crop compared to the previous year. Consequently, sugar production increased by 35.8% to 121,533 MT (MY25: 89,487 MT), supported by an improvement in sucrose recovery to 10.11% (MY25: 9.33%), following the normalization of weather conditions after the heatwave experienced during the previous season. The crushing period also extended to 122 days (MY25: 97 days), enabling the Company to process a higher volume of sugarcane. Molasses production increased to 51,151 MT (MY25: 41,766 MT), while molasses recovery moderated slightly to 4.25% (MY25: 4.36%).

According to management, the Company has continued to strengthen its cane development program, with the objective of improving sugarcane availability and crop yields. The program focuses on seed selection, promotion of high-sucrose cane varieties, soil preparation and testing, and guidance on fertilizer application to improve crop productivity. Dedicated agronomy and cane development teams actively engage with farmers through awareness sessions and field visits, while also promoting cultivation of varieties that meet the Company's quality and recovery requirements. Management indicated that these initiatives have contributed to an estimated 20–25% improvement in crop yields in participating areas and supported the higher sugarcane crop during the current crushing season. The Company also maintains close relationships with growers and, where required, facilitates financing and other agricultural support to encourage cane cultivation and secure a sustainable supply of quality sugarcane. According to the Pakistan Sugar Mills Association (PSMA), ASML, located at Ashrafabad, Bahawalpur, is the only sugar mill operating in its immediate procurement area in Northern Punjab. Unlike central Punjab, where multiple sugar mills compete aggressively for the same cane-growing areas, ASML faces limited direct competition within its designated procurement zone. The procurement area surrounding Ashrafabad encompasses productive sugarcane-growing regions of Bahawalpur and adjoining districts. While mills located in Bahawalnagar, Khanewal, Okara, and other districts may procure cane from their respective command areas, the considerable transportation distance and associated logistics costs limit their ability to compete effectively.

PROFITABILITY

During MY25, ASML reported a 50.3% increase in revenue to PKR 16,225.9mn (MY24: PKR 10,792.3mn), primarily driven by a substantial increase in average domestic sugar prices and higher export sales. Despite sugar production declining by 6.7% to 89,487 MT (MY24: 95,910 MT) due to lower cane availability and weaker sucrose recovery, the increase in average realized sugar prices more than offset the reduction in sales volumes.

Average retail sugar prices increased significantly during the year, peaking at PKR 189/kg in November 2025 before moderating towards the end of the crushing season. Export sales also increased to 9,159 MT (MY24: 2,158 MT), contributing PKR 1.31bn to revenue (MY24: PKR 369.7mn). Local sugar sales likewise increased to PKR 13.70bn (MY24: PKR 9.07bn), reflecting the favorable pricing environment.

Cost of sales increased to PKR 13,856.0mn (MY24: PKR 8,811.5mn), primarily due to higher sugarcane procurement costs. Consequently, gross profit improved to PKR 2,369.9mn (MY24: PKR 1,980.8mn), while the gross margin fell to 14.61% (MY24: 18.35%) with weaker sucrose recovery.

Nevertheless, lower finance costs, supported by the declining interest rate environment, together with stronger operating profitability, resulted in profit after tax increasing to PKR 403.9mn (MY24: PKR 71.0mn), with the net margin improving to 2.49% (MY24: 0.66%).

During 1HMY26, revenue increased to PKR 12,304.3mn (1HMY25: PKR 10,534.9mn), supported by higher sugar crushing and recovery rates with improved cane availability. According to management, approximately 80% of sales are generated from corporate and industrial customers, including leading beverage manufacturers, reflecting the Company's established relationships with institutional buyers.

During the period from 1 October 2025 to 8 July 2026, the Company sold 92,445 MT of sugar at an average realized price of PKR 131,132 per ton, generating PKR 12.12bn in sugar revenue. In addition, the Company sold 56,167 MT of molasses, 20,310 MT of bagasse, and 30,636 MT of mud, with total sales amounting to approximately PKR 13.78bn over the period. Management indicated that the recovery in sugarcane availability, supported by its cane development initiatives, together with improved sucrose recovery and better cane quality and freshness, enabled higher production and sales during the ongoing crushing season. Despite the improvement in sales volumes, cost of sales increased at a faster pace to PKR 11,247.5mn (1HMY25: PKR 8,732.1mn), reflecting higher sugarcane procurement and production costs. Consequently, gross margin declined to 8.59% (1HMY25: 17.11%), while net margin moderated to 1.41% (1HMY25: 7.07%), despite finance costs declining to PKR 557.9mn (1HMY25: PKR 712.1mn).

FINANCIAL RISK

LIQUIDITY

The debt service coverage ratio (DSCR) increased to 1.19x in MY25 (MY24: 1.11x) due to an increase in funds from operations resulting from higher profitability. The improved trend reflects adequate internal capacity to meet repayment obligations without reliance on external support. The DSCR declined to 0.91x in 1HMY26, due to lower PBT.

The Company generally maintains an adequate and stable liquidity which is reflected in current ratio of 1.20x (MY25: 1.17x; MY24: 1.00x) as at-1HMY26. An increase in the current ratio in the ongoing year is an outcome of higher stock in trade. Working capital coverage improved initially, with stock-in-trade and trade debts providing 1.31x coverage of short-term borrowings, before declining to 1.11x in 1HMY26. The cash conversion cycle shortened to 176 days in MY25 from 282 days in MY24, driven primarily by lower inventory levels, and reduced further to 116 days in 1HMY26.

CAPITALIZATION

Total equity, excluding revaluation surplus, strengthened to PKR 4.8bn by end-1HMY26, supported by retained earnings, while paid-up capital remained at PKR 400mn. Total borrowings, after declining to PKR 8.1bn at end-MY25 (MY24: PKR 8.3bn), increased to PKR 12.5bn by end-1HMY26 in line with seasonal working capital requirements. Consequently, gearing and leverage increased to 2.62x and 3.51x respectively (MY25: 1.76x and 2.76x). Moreover, long-term borrowings increased to PKR 2.6bn (MY24: PKR 1.2bn) at end-MY25 to finance process improvement initiatives, and remained increased further to PKR 3.4bn at end-1HMY26. Given the cyclical nature of the sugar industry, capitalization indicators are expected to normalize over the remainder of the operating cycle.

FINANCIAL SUMMARY						(amounts in PKR millions)
Balance Sheet	**MY21**	**MY 22**	**MY 23**	**MY 24**	**MY 25**	**1HMY 26**
Property, Plant & Equipment	6,683.7	7,770.6	8,073.4	8,346.1	10,918.0	10,835.6
Intangible Assets	2.0	1.9	1.6	1.3	1.1	0.8
Stores, Spares. And Loose Tools	526.9	390.5	373.5	423.5	509.0	674.1
Stock-in-Trade	2,484.5	4,082.1	6,159.4	9,069.4	6,803.8	9,689.2
Trade Debts	191.7	194.2	46.9	195.0	369.4	400.9
Loan and Advances	487.9	374.9	1,128.3	490.3	725.4	1,491.2
Cash and Bank Balances	91.0	182.3	93.9	114.6	240.6	525.8
Total Assets	5,427.9	5,571.1	5,848.6	5,922.4	7,990.8	8,164.5
Long Term borrowings (inc. current portion)	999.6	1,515.6	1,352.3	1,214.7	2,614.2	3,419.0
Short term borrowings	1,940.8	2,831.6	6,118.0	7,131.4	5,476.3	9,101.7
Trade and Other Payables	446.9	560.3	390.4	1,396.1	1,575.1	1,267.4
Total Liabilities	6,564.3	9,856.8	11,305.8	14,014.8	12,704.3	16,740.7
Tier-1 Equity	3,385.2	3,613.0	3,970.3	4,119.3	4,598.8	4,772.5
Total Equity	5,427.9	5,571.1	5,848.6	5,922.4	7,990.8	8,164.5
Income Statement	**MY21**	**MY 22**	**MY 23**	**MY 24**	**MY 25**	**1HMY 26**
Net Sales	7,008.1	10,871.9	10,145.1	10,792.3	16,225.9	12,304.2
Gross Profit	1,001.5	1,205.5	2,004.8	1,980.8	2,369.9	1,056.8
Finance Cost	373.9	709.6	1,311.3	1,351.2	1,271.2	557.8
Profit Before Tax	408.3	292.5	480.9	387.0	777.4	357.7
Profit After Tax	400.4	139.4	281.3	71.0	403.9	173.7
Ratio Analysis	**MY21**	**MY 22**	**MY 23**	**MY 24**	**MY 25**	**1HMY 26**
Gross Margin (%)	14.3%	11.1%	19.8%	18.4%	14.6%	8.6%
Net Margin (%)	5.7%	1.3%	2.8%	0.7%	2.5%	1.4%
FFO*	674.3	455.1	1,205.7	493.1	762.7	402.7
FFO to Long-Term Debt*	0.67	0.30	0.89	0.41	0.29	0.24
FFO to Total Debt*	0.23	0.10	0.16	0.06	0.09	0.06
Debt Servicing Coverage Ratio (x)*	1.28	1.03	1.21	1.11	1.19	0.64
ROAA (%)*	3.3%	1.0%	1.7%	0.4%	2.0%	1.5%
ROAE (%)*	11.8%	4.0%	7.4%	1.8%	9.3%	7.4%
Gearing (x)	0.87	1.20	1.88	2.03	1.76	2.62
Debt Leverage (x)	1.94	2.73	2.85	3.40	2.76	3.51
Current Ratio	1.16	1.05	1.02	1.00	1.17	1.20
Inventory + Receivable/Short-term Borrowings (x)	1.4	1.5	1.0	1.3	1.3	1.1
Net Operating Cycle (Days)*	134	111	213	283	176	233

**Annualized*

REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	Ashraf 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				
08/03/2026	A-	A2	Stable	Reaffirmed
12/05/2025	A-	A2	Stable	Reaffirmed
26/04/2024	A-	A2	Stable	Reaffirmed
17/03/2023	A-	A2	Stable	Reaffirmed
04/08/2022	A-	A2	Stable	Reaffirmed
22/02/2021	A-	A2	Stable	Initial

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. Asif Hussain Bukhari	Senior GM Finance	01-July-2026