VIS
Credit Rating Company Limited

RATING REPORT

INDUS 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-	A1	A-	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	December 26, 2025		October 16, 2024	

Shareholding (5% or More)	Other Information
Hamza Dastgir – 27.27%	**Incorporated in 1980**
Ayub Sabir Izhar – 19.56%	**Public Limited Company (Unlisted)**
Begum Syeda Iqbal – 9.34%	**Chief Executive:** Mr. Ayub Sabir Izhar
Sardar Husnain Bahadur Khan Dreshak – 6.41%	**External Auditor:** Malik & Co. Chartered Accountants
Ali Razza Khan – 6.38%	
Sardar Zulfiqar Khan Dreshak – 6.37%	

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

Indus Sugar Mills Limited ((“ISML” or “the Company”) is a participant in Pakistan’s sugar sector, engaged in the production and sale of refined sugar and allied by-products such as molasses and bagasse. The assigned ratings reflect the Company’s sustained operational performance, competitive industry standing, and prudent management practices, though partially constrained by a weakening in short-term liquidity indicators. ISML has demonstrated resilience amid industry-wide challenges including regulatory uncertainty, rising input costs, and raw material supply constraints. The Company continues to benefit from a sound governance framework, an experienced management team, and strong sponsor support. Profitability has improved due to firm selling prices and efficient cost controls, leading to enhanced cash generation and balance sheet strengthening. Despite a high working capital burden typical of the sugar industry, debt servicing capacity remains satisfactory, supported by improved earnings and manageable leverage. While the near-term liquidity position has moderated, the overall financial profile remains adequate. Going forward, while maintaining its financial parameters, the Company is required to improve its current ratio in order to alleviate pressure on its short-term rating.

Company Profile

Indus Sugar Mills Limited (“ISML” or “the Company”), incorporated in 1980 as a public limited company (unquoted) in Pakistan, is engaged in the production and sale of refined sugar and allied by-products such as molasses and bagasse. Its manufacturing facilities are located at Kot Bahadur, Tehsil & District Rajanpur. ISML has steadily expanded its operations and maintains its own sugarcane cultivation that fulfills a small portion of its raw material needs.

Sponsor Profile

The Company is majority owned by key individuals including Mr. Hamza Dastgir, Mr. Ayub Sabir Izhar and members of the Dreshak family, with Mr. Ayub Sabir Izhar serving as CEO and Chairman.

Management and Governance

SPONSOR/ MANAGEMENT

The Company is overseen by an experienced and professionally qualified management team, supported by an active Board of Directors that provides strategic direction and oversight. The sponsors have demonstrated commitment through continuous operational enhancements and prudent financial management practices. The governance framework at ISML emphasizes transparency, regulatory compliance, and efficient decision-making, with clearly defined roles between management and the Board. Day-to-day operations are managed by a competent team with expertise in production, finance, and procurement, ensuring effective control over costs and operational risks.

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 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. The absence of predictable regulatory mechanisms continues to exacerbate volatility across the value chain. 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.

OPERATIONAL UPDATE

Sugar Division:

In 2025, Indus Sugar Mills Limited experienced a mixed performance. The mill's crushing hours declined to 2,335 hours in FY2025 from 2,595 hours in FY2024, primarily due to a sharp increase in downtime i.e., 291 hours lost during FY2025 versus only 82 hours in FY2024—mainly because of cane shortages. Consequently, total cane crushed fell to 1.08 million metric tons from 1.24 million metric tons, reducing capacity utilization from 90.83% in FY2024 to 78.32% in FY2025.

Despite lower throughput, sugar recovery improved to 10.144% in FY2025 from 9.86% in FY2024, indicating better operational yields. Sugar production stood at 109,223 metric tons in FY2025, down from 121,971 metric tons in FY2024. Molasses output also declined from 53,840 metric tons in FY2024 to 46,369 metric tons in FY2025.

On the financial front, the company demonstrated strong sales performance during FY2025. Local sugar sales volumes surged to 121,449metric tons, up from 93,595 metric tons in FY2024, while export sales rose sharply from 2,678 to 11,369 metric tons, reflecting strong demand and improved market access.

PROFITABILITY:

During 9MFY25, ISML recorded a notable improvement in sales performance compared to the full-year results of the preceding fiscal year. Net sales rose to PKR 14.64 billion, up from PKR 12.35 billion in FY2024, primarily driven by an increase in average selling prices. With the resumption of export permissions, the Company also recorded export sales of 11,369 metric tonnes during 9MFY25, which further supported revenue growth.

Profitability margins strengthened considerably in FY2025, supported by firm selling prices, and effective cost management. In contrast, profitability in the previous year had been constrained by the accumulation of larger carryover stock in anticipation of price increases, which led to elevated working capital requirements and higher financial costs amid a high-interest rate environment.

Financial Risk

CAPITAL STRUCTURE

In MY24, due to Company's higher carryover stock, gearing and leverage metrics were elevated. Conversely, the current year has seen a normalization of stock levels, leading to deleveraging of balance sheet. As a result, gearing and leverage have declined, with further improvement expected by year-end as inventory management and profitability continue to strengthen. The Company's capital structure continues to be dominated by short-term borrowings, though the overall profile remains manageable given improved earnings. Equity increased to PKR 5.49 billion in 9MFY2025 (FY2024: PKR 4.76 billion) owing to retained earnings from higher profitability.

DEBT COVERAGE & LIQUIDITY:

While the current ratio moderated to 1.2x, lower short-term debt coverage remained modest at 0.93x and extended working capital cycle continues to weigh on the liquidity profile of the Company. However, debt servicing capacity remained adequate, supported by improved profitability. The FFO-to-total debt ratio strengthened to 22.5% (FY2024: 10.9%), while the DSCR improved significantly to 3.9x (FY2024: 0.87x).

REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	Indus Sugar Mills Limited
Sector	Sugar
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
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.
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Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
12/26/2025	A-	A1	Stable	Reaffirmed
10/16/2024	A-	A1	Stable	Reaffirmed
12/07/2023	A-	A1	Stable	Reaffirmed
11/08/2022	A-	A1	Stable	Initial

Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Muhammad Ali	Chief Financial Officer (CFO)	29th September, 2025
Mr. Bahzad Bashir	Manager Accounts	
Mr. Usman Tariq	Manager Finance	