VIS
Credit Rating Company Limited

RATING REPORT

JK SUGAR MILLS (PVT.) 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/ Watch	Stable		Stable	
Rating Action	Reaffirmed		Upgrade	
Rating Date	July 31, 2026		June 05, 2025	

Other Information

Incorporated in 2017	Chief Executive Officer: Mr. Ali Khan Tareen
Private Limited Company	External auditors: M/S Rahman Sarfaraz Rahim Iqbal Rafiq

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

The assigned ratings reflect JK Sugar Mills (Private) Limited's ('JKSML' or the Company) operating scale in the sugar sector, supported by two manufacturing units in Punjab and Sindh. The amalgamation of Shamim & Company (Private) Limited has enlarged the Company's asset base, while the disposal of the bottling business has streamlined operations toward sugar and allied by-products. During MY25, revenues increased significantly, supported by higher sugar sales volumes, carryforward inventory, and better selling prices, despite constrained cane availability and subdued recovery levels.

Profitability improved notably in MY25, driven by stronger pricing, lower raw material costs, reduced fuel and power expenses, and lower finance costs. The Company reported profit from continuing operations compared to a sizeable loss in the preceding year, while overall earnings were further supported by discontinued operations. Performance during 1HMY26 remained adequate, with improved crushing operations, better sucrose recovery, and higher sugar prices supporting margins. Capitalization improved at end-MY25 following repayment of borrowings, though leverage increased again in 1HMY26 due to seasonal working capital requirements. Debt coverage remained adequate, while liquidity indicators stayed moderate.

Going forward, the ratings remain sensitive to sugar price trends, export opportunities amid expected surplus production, and the Company's ability to sustain recovery rates, profitability, and cash flow generation.

Company Profile

JK Sugar Mills (Private) Limited was incorporated in Pakistan in 2017 as a private limited company. The Company is principally engaged in the production and sale of crystalline sugar, along with the commercialization of sugar manufacturing by-products, including bagasse, molasses, and mud. JKSML operates through two manufacturing units: Unit I located in District Khanewal, Punjab, and Unit II situated in District Ghotki, Sindh. The Company's registered office is located at 61-A, Main Gulberg, Lahore.
Effective October 01, 2023, Shamim & Company (Private) Limited was amalgamated with and into JKSML, resulting in the transfer of all assets, liabilities, rights, and obligations to JK Sugar Mills (Private) Limited. Further, on December 30, 2024, the Company disposed of its bottling business assets to Naubahar Bottling Company (Private) Limited.

Management and Governance

CEO Profile

Mr. Ali Khan Tareen is associated with JK Sugar Mills (Private) Limited and serves as Chief Executive Officer. He plays an active role in guiding operational performance, business planning, and growth initiatives, with a focus on improving efficiency and strengthening the Company's position in the sugar sector.

Board & Senior Management

JKSML is a family-owned business, with majority shareholding held by Ali Khan Tareen and Jahangir Khan Tareen. The Board comprises four family members, including the CEO. Board composition and governance oversight may be strengthened through the inclusion of independent directors. The Company has a Core Committee that oversees key decisions relating to investments, growth plans, audit matters, and human resources.

Industry Profile & Business Risk

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 Update

During the 2024–25 crushing season, the Company's operational performance remained largely stable, with only a marginal decline in cane crushing and capacity utilization. Total cane crushed decreased by 1.36%, while capacity utilization stood at 95% as compared to 96% in MY24. Sucrose recovery, however, has experienced a slight decline, reflecting weaker crop quality and lower extraction efficiency. Consequently, sugar production declined slightly to MY24. However, the impact on profitability was partially offset by higher sugar prices, lower finance costs, and a decline in sugarcane procurement prices in MY24.

During the 2025–26 crushing season, operational performance improved on the back of better cane availability and recovery levels. Total cane crushed increased and average sucrose recovery also strengthened, indicating improved cane quality. Accordingly, sugar production increased, while molasses production also rosed as compared to MY25. However, cane procurement prices increased during the season, reflecting changing industry supply and pricing dynamics.

The Company operates bagasse-based co-generation power plants of 16MW at JK-I and 24MW at JK-II, along with 1MW solar power plants installed at both units.

Profitability

Net sales increased by 70%, primarily supported by higher sugar sales volumes, including inventory carried forward from the previous year, and improved average selling prices. Despite a marginal decline in cane crushing and capacity utilization due to constrained cane availability and subdued recovery levels, the Company benefited from favorable pricing dynamics during the year. The sales mix remained concentrated in sugar, with its contribution increasing to 87% of total revenue from 79% in MY24. Molasses revenue also increased, driven by higher sales volumes, despite a decline in realized prices. Revenue from agri-inputs also increased, reflecting the Company's continued focus on cane development through the provision of fertilizers and pesticides to farmers to support better crop quality and yield.

Profitability improved significantly during MY25, with gross margin increasing to 12.0% from 3.2% in MY24. The improvement was mainly attributable to lower raw material costs and a substantial reduction in electricity and fuel expenses, which declined to PKR 30mn from PKR 1.06bn in the preceding year. Finance costs also reduced, reflecting lower effective borrowing rates and reduced reliance on borrowings. Consequently, continuing operations returned to profitability in MY25, compared with a loss in MY24. Overall net margin improved to 7.9% from negative 3.6%, supported by gains from discontinued operations related to the bottling business.

In 1HMY26, net sales were supported by higher sugar selling prices and improved operational performance during the crushing season. The Company recorded its highest cane crushing levels in MY26, supported by improved daily crushing operations and better sucrose recovery. Sales are expected to strengthen further as the season progresses. Gross margin improved to 14.6%, primarily driven by higher sugar prices, improved recovery rates, and lower fuel and power costs. The agri-input segment contributed approximately 11.6% to total sales during the period, providing additional support to earnings. Consequently, operating margin increased to 12.6%, while net margin stood at 3.4%, supported in part by other income. Going forward, given the expected surplus sugar production in MY26, profitability will remain sensitive to export opportunities, as increased domestic supply may exert pressure on local sugar prices.

Financial Risk

Capital Structure

During MY25, the Company received one-off proceeds from the disposal of fixed assets, primarily related to the beverage unit, along with a non-compete fee associated with the same transaction. These funds, together with the substantial reduction in stock-in-trade and improved profitability, were used to significantly reduce borrowings. Non-lease long-term borrowings were fully repaid, while total borrowings declined sharply by end-MY25, significantly altering the Company's risk profile. This change was incorporated into the previous year's rating assessment based on the plans provided by management. Borrowings subsequently increased by end-1HMY26, primarily reflecting higher utilization of short-term financing facilities to meet seasonal working-capital requirements during the crushing cycle.

Total equity, excluding revaluation surplus, increased by end-1HMY26, supported by profit retention, while paid-up capital remained unchanged. Paid-up capital remained higher than total equity due to a negative merger reserve arising from the difference between the net assets acquired from Shamim & Company (Private) Limited and the share capital issued pursuant to the amalgamation. Consequently, capitalization indicators improved at end-MY25, with gearing and leverage declining to 0.34x and 1.14x, respectively, from 2.64x and 4.04x in MY24. However, reflecting the seasonal increase in borrowings, gearing and leverage increased to 3.14x and 3.99x, respectively, by end-1HMY26.

Debt Coverage & Liquidity

Funds from operations (FFO), adjusted for discontinued operations, turned positive in MY25 from a negative level in MY24, primarily supported by higher sales and improved operating cash generation from sugar operations. FFO strengthened further in 1HMY26. The improvement, together with lower borrowings and reduced finance costs, supported an increase in adjusted DSCR to 1.90x in MY25 from 0.41x in MY24. The ratio remained strong at 1.86x in 1HMY26, reflecting an improved capacity to meet debt obligations.

Liquidity indicators also showed modest improvement during MY25, supported by better working-capital management. The current ratio increased to 0.98x from 0.86x in MY24 and remained broadly stable at 0.97x in 1HMY26. Similarly, working-capital coverage stood at 1.27x in MY25, indicating adequate coverage of short-term borrowings by stock-in-trade and trade receivables. However, the ratio declined to 0.96x in 1HMY26, mainly due to higher seasonal borrowing requirements during the crushing cycle. The cash conversion cycle improved in MY25, primarily due to lower inventory holding periods, but extended in 1HMY26 because of the seasonal build-up of inventory during the crushing season.

FINANCIAL SUMMARY					(Rs. in millions)
RATIO ANALYSIS	**MY22**	**MY23**	**MY24**	**MY25**	**1HMY26**
Gross Margin (%)	12.3%	14.2%	3.2%	12.0%	14.6%
Operating Margin (%)	11.6%	12.9%	3.3%	9.8%	12.6%
Net Margin (%)	0.4%	-0.1%	-3.6%	7.9%	3.4%
Funds from Operation (FFO)	1272.1	680.3	1206.7	630.5	1521.4
Adjusted Funds from Operation (FFO)	1272.1	680.3	(1,937)	1022.6	1521.4
FFO to Total Debt*	0.08	0.05	0.05	0.15	0.08
Adjusted FFO to Total Debt*	0.08	0.05	-0.09	0.25	0.08
FFO to Long Term Debt*	0.11	0.06	0.12	5.76	8.79
Adjusted FFO to Long Term Debt*	0.11	0.06	-0.20	9.34	8.79
Gearing (x)	4.76	3.74	2.64	0.34	3.14
Leverage (x)	6.05	6.13	4.04	1.14	3.99
Debt Servicing Coverage Ratio* (x)	1.02	0.82	0.95	1.73	1.86
Adjusted Debt Servicing Coverage ratio	1.02	0.82	0.40	1.89	1.86
Current Ratio (x)	0.74	0.66	0.86	0.98	0.97
(Stock in trade + trade debts) / STD (x)	1.33	2.76	1.25	1.27	0.96
Return on Average Assets* (%)	0.5%	-0.1%	-3.4%	12.5%	2.6%
Return on Average Equity* (%)	3.3%	-0.7%	-19.1%	41.7%	9.5%
Cash Conversion Cycle (days)	-2	49	118	71	260

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	JK Sugar Mills (Pvt.) Limited
Sector	Sugar
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

RATING TYPE: ENTITY				
Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
31-July-26	A-	A2	Stable	Reaffirmed
20-June-25	A-	A2	Stable	Upgrade
13-May-24	BBB+	A2	Stable	Upgrade
27-Apr-23	BBB	A2	Stable	Initial

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 Meeting Conducted

S.No.	Name	Designation	Date
1	Abid	CFO	23rd June 2026
2	Hamood Ilyas	Manager	