RATING REPORT

Tariq Corporation Limited

REPORT DATE:

April 23, 2025

RATING ANALYSTS:
Saeb Muhammad Jafri
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RATING DETAILS				
Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	BBB	A3	BBB	A3
Outlook/Rating Watch	Stable		Stable	
Rating Action	Reaffirmed		Initial	
Rating Date	*April 23, 2025*		*February 19, 2024*	

COMPANY INFORMATION	
Incorporated in 1966	**External Auditors:** Kreston Hyder Bhimji & Co. Chartered Accountants
Public Limited Company	**Chairman of the Board:** Mr. Ahmad Ali Tariq
Key Shareholding	**Chief Executive Officer:** Mr. Mian Mustafa Ali Tariq
Ahmad Ali Tariq – 33.12%	
Mustafa Ali Tariq – 33.56%	

APPLICABLE METHODOLOGY(IES)

Applicable Rating Criteria: Corporates:
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale:
https://docs.vis.com.pk/docs/VISRatingScales.pdf

OVERVIEW OF THE INSTITUTION	RATING REPORT

Tariq Corporation Limited is a public limited company incorporated on February 14, 1966. The Company commenced trial production on January 22, 1968 and went into commercial production on February 14, 1968. The shares of the Company are listed on Pakistan Stock Exchange Limited

Company Profile.

Tariq Corporation Limited (Formerly: Husein Sugar Mills Limited) ('TCORP' or 'the Company') is a public limited company incorporated on February 14, 1966 in Karachi and received its Certificate for Commencement of Business on April 16, 1966. The shares of the Company are listed on Pakistan Stock Exchange Limited. The Company is principally engaged in the business of production and sale of sugar and its by-products. Its registered office is in Lahore, whereas the mills/plant are located in Jaranwala, approximately 80 km from Lahore and 40 km from Faisalabad.

Operational Performance:

Particulars	MY23	MY24	MY25
Capacity - MT per day	8500	8500	8500
Crushing Days	97	102	105
Total Crushing Capacity – MT	776,000	816,000	840,000
Cane Crushed – MT	616,378	570,050	663,000
Sugar Production – MT	60,120	58,183	57,237
Sucrose Recovery Ratio (%)	9.76	10.21	8.65
Molasses Produced – MT	29,725	28,588	33,071
Molasses Recovery (%)	4.82	5.01	5.00

In MY24, cane crush stood lower by 7.5% at 570,050 MT (MY23: 616,432 MT), primarily on account of reduced cane availability amid increased competition for procurement. As a result, sugar production declined by 3.2% to 58,183 MT (MY23: 60,120 MT), despite improvement in sucrose recovery to 10.21% (MY23: 9.76%).

In MY25, total cane crushed was reported at 663,000 MT, reflecting an increase of 16.3% (MY24: 570,050 MT), primarily on account of an earlier commencement of the crushing season and higher cane availability within the Company's procurement area. Despite increase in crushing volume, sugar production declined by 1.6% to 57,237 MT (MY24: 58,183 MT) due to reduction in the sucrose recovery to 8.65% (MY24: 10.21%), which was impacted by environmental conditions and pest-related issues in the Company's region. These factors also affected other sugar mills, making it an industry-wide phenomenon Molasses production increased by 15.7%, supported by the higher cane crushing, although the molasses recovery rate recorded a marginal decline to 5.0% (MY24: 5.01%).

Key Rating Divers:

Business Risk and Industry Update:

The business risk profile of the sugar sector in Pakistan is assessed as medium, shaped by seasonal and cyclical production patterns, competitive procurement pressures, government intervention, and exposure to price and interest rate risks. Sugarcane production is concentrated within a 3–4-month window (Nov – Mar), while sugar stocks must be carried throughout the year, exposing mills to price and interest rate risks. Low crop yields and variations in sucrose recovery rates persist due to the absence of R&D and mechanized farming. Despite these inefficiencies, sugar demand remains inelastic, driven by population growth and demand from ancillary industries.

The perishable nature of sugarcane necessitates proximity between farms and sugar mills, resulting in high competition for procurement and exerting pressure on raw material costs. This is further compounded by the minimum procurement price set by the government, which particularly affected smaller players. However, in line with IMF conditionalities, this policy has been discontinued from the 2024-25 season onward.

Sugar demand is primarily driven by population growth and increasing demand from the food processing and beverage industries, which account for approximately 7% of total production. Sugar, being a commodity, competition risk on the demand side is medium to low though the demand vs supply situation affects all players. However, it remains high on the supply side due to the clustering of mills near sugarcane-growing areas.

During the crushing season 2023-24, total sugarcane crushed was 67,380,000 MT compared to 65,135,310 MT in the previous year. The government increased the minimum support price (MSP) for sugarcane to Rs. 400 per 40 kg in Punjab (from Rs. 300) and Rs. 425 per 40 kg in Sindh (from Rs. 302). It should be noted that the actual procurement price for sugar mills is usually higher depending upon proximity of other sugar mills. Sugar production was 6.5 million tons as per the US Department of Agriculture (USDA) report (2022-23: 6.8 million tons). Sucrose recovery remained largely consistent with the previous season, recorded at 10.23%.

With a carryover stock of 1.129 million tons at the start of the crushing season on November 1, 2023, total available sugar supply for the year was about 7.9 million tons. Domestic sugar consumption is estimated at 6.4 MMT in 2024 which resulted in excess carryover stocks in the market. As a result of pressure from sugar mills, government allowed exports of up to 750,000 MT between Jun-Dec 2024 according to industry sources, the major chunk of which went to Afghanistan with actual exports happening late in the year.

As of the end of November 2024, sugar stocks were estimated at approximately 1.08 million tons, including unutilized export quotas of 604,000 tons. By early December, industry estimates suggested that leftover stocks—excluding exportable quantities—stood at around 554,959 tons, incorporating fresh stocks entering the market.

Sugar prices in FY24 averaged PKR 143.92/kg, reflecting a 24% increase from PKR 115.97/kg in FY23. Prices peaked at PKR 157/kg before stabilizing at PKR 134/kg. Currently, retail prices range between PKR 165/kg and PKR 170/kg due to a reported supply shortfall of nearly one million metric tons.

As of April 2025, total sugar production in Pakistan for the 2024–25 crushing season is estimated at approximately 5.7 million metric tons, representing a notable decline from the previous year's output of 6.84 million metric tons. This has resulted in a supply-demand gap, with domestic consumption projected at 6.6 million metric tons according to USDA estimates. Earlier forecasts had anticipated production to reach 6.8 million metric tons; however, actual output remained lower due to factors including reduced sucrose recovery and adverse weather conditions.

Financial Risk Profile

In MY24, TCORP's topline declined by 12% to PKR 6,876 million (MY23: PKR 7,833 million), primarily due to 28% reduction in volumetric sales from lower production, despite increase in average selling price of 25% during the year. Moreover, gross margins were impacted by a proportionally higher increase in raw material costs of 47%, turning negative to -6.10% (MY23: 12.42%). However, the bottom-line remained positive supported by the recognition of deferred tax income amounting to PKR 330.3 million.

Moreover, the decision not to accumulate inventory by the end of the season led to a reduced working capital requirement, as reflected in the absence of inventory build-up and a decline in short-term borrowings to PKR 100 million (MY23: PKR 101 million). Consequently, finance costs were also reduced to PKR 278 million (MY23: PKR 510 million).

In 1HFY25, gross margin recovered to 3.25%, supported by a reduction in sugarcane procurement cost and an increase in average local sugar prices to PKR 150-160/kg. Net margin stood at 0.09%, primarily on account of lower finance cost.

The capitalization profile in MY24 remained within a manageable range, supported by limited reliance on debt and a preference for non-debt or operational liabilities to meet working capital needs as reflected in a lower gearing ratio of 0.56x (MY23: 0.88x) and a higher leverage ratio of 3.17x (MY23: 2.76x). Rights issue of PKR 198 million during the period provided additional support to the capitalization profile and as of 1HMY25, gearing and leverage ratios have improved to 0.49x and 2.97x, respectively.

Coverage and liquidity indicators remained constrained during MY24, with a debt service coverage ratio (DSCR) of -0.90x (MY23: 1.30x) and a current ratio of 0.70x (MY23: 0.57x). Nevertheless, short-term debt obligations were adequately covered, aided by sales of assets including land and equipment amounting to approximately PKR 700 million. In 1HMY25, improvement in profitability led to a DSCR recovery to 0.52x, indicating some easing of coverage pressure. The increase in the government-mandated ex-mill sugar price ceiling to PKR 160/kg for MY25 (MY24: PKR 140/kg) is expected to support margins going forward.

With expectations of improved profitability in MY25, aided by a more stable industry operating environment, and maintenance of a conservative capitalization profile, normalization in financial indicators is anticipated.

Tariq Corporation Limited — Appendix I

Financial Summary

Balance Sheet (PKR Millions)	MY22A	MY23A	MY24A	1HMY25M
Property, plant and equipment	5,101.86	5,626.16	5,467.71	5,219.20
Right-of-use Assets	0.00	24.92	61.81	61.84
Intangible Assets	0.00	70.00	70.00	70.00
Long-term Investments	15.00	15.00	15.00	15.00
Stock-in-trade	1,504.56	112.58	146.27	725.90
Trade debts	180.67	188.84	1,064.82	1,747.02
Short-term Investments	0.00	0.00	0.00	0.00
Cash & Bank Balances	49.71	54.53	14.28	39.90
Other Assets	756.74	838.64	1,607.27	374.88
Total Assets	7,608.54	6,930.67	8,447.16	8,253.74
Creditors	394.63	317.84	1,595.73	753.10
Long-term Debt (incl. current portion)	888.16	949.70	727.93	554.04
Short-Term Borrowings	1,972.82	101.41	100.00	179.04
Total Debt	2,860.98	1,051.11	827.93	733.08
Other Liabilities	1,654.57	1,912.59	2,252.01	2,989.48
Total Liabilities	4,910.18	3,281.54	4,675.67	4,475.66
Paid up Capital	599.34	529.65	662.05	662.06
Revenue Reserve	-189.68	198.68	380.62	414.96
Other Equity (excl. Revaluation Surplus)	394.49	461.98	430.82	430.82
Sponsor Loan	0.00	97.37	0.00	0.00
Equity (excl. Revaluation Surplus)	804.15	1,190.31	1,473.49	1,507.84

Income Statement (PKR Millions)	MY22A	MY23A	MY24A	1HMY25M
Net Sales	6,286.54	7,832.78	6,876.50	7,376.96
Gross Profit	480.15	973.17	-419.13	238.62
Operating Profit	322.97	981.78	56.26	92.67
Finance Costs	442.75	509.92	277.57	95.35
Profit Before Tax	-119.78	471.86	-221.31	-2.68
Profit After Tax	-198.88	341.04	21.12	6.56

Ratio Analysis	MY22A	MY23A	MY24A	1HMY25M
Gross Margin (%)	7.64%	12.42%	-6.10%	3.23%
Operating Margin (%)	5.14%	12.53%	0.82%	1.26%
Net Margin (%)	-3.16%	4.35%	0.31%	0.09%
Funds from Operation (FFO) (PKR Millions)	-0.34	455.19	-884.73	28.69
FFO to Total Debt* (%)	-0.01%	43.31%	-106.86%	7.83%
FFO to Long Term Debt* (%)	-0.04%	47.93%	-121.54%	10.36%
Gearing (x)	3.56	0.88	0.56	0.49
Leverage (x)	6.11	2.76	3.17	2.97
Debt Servicing Coverage Ratio	0.48	1.30	-0.90	0.52
Current Ratio (x)	0.61	0.57	0.70	0.71
(Stock in trade + trade debts) / STD (x)	1.00	6.75	17.59	13.81
Return on Average Assets* (%)	-2.70%	4.69%	0.27%	0.16%
Return on Average Equity* (%)	-22.10%	34.20%	1.59%	0.88%
Cash Conversion Cycle (days)	76.43	32.68	-8.12	15.91

**Annualized, if required*

A - Actual Accounts

M - Management Accounts

REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	Tariq Corporation Limited
Sector	Sugar
Type of Relationship	Solicited
Purpose of Rating	Entity Rating
Rating History	

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
23/04/2025	BBB	A3	Stable	Reaffirmed
19-02-2024	BBB	A3	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.
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Due Diligence Meetings	

Name	Designation	Date
Mr. Tariq Manzoor	AGM Finance & Accounts	7th April 2025