

TARIQ CORPORATION LIMITED

Analyst:

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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	BBB+	A2	BBB	A3
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Upgrade		Reaffirmed	
RATING DATE	20-Apr-26		23-Apr-25	

Shareholding (5% or More)	Other Information
Ahmed Ali Tariq – 33.12%	Incorporated in 1966
Mustafa Ali Tariq – 33.56%	Public Listed Company
Danish Elahi – 14.30%	Chairman: Ahmed Ali Tariq
	CEO: Mustafa Ali Tariq
	External Auditor: Kreston Hyder Bhimji & 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

Tariq Corporation Limited ('TCORP' or 'the Company') is a public listed company, primarily involved in the business of manufacturing and sale of sugar and its by-products. The Company is led by an experienced management team and maintains a sound governance framework. Ratings take into account inherent business risk of Pakistan's sugar sector, characterized by regulatory price interventions and seasonal cyclicity. The upgrade in ratings underscores management's efforts to improve margins and debt coverage while maintaining low gearing, and achieving working capital optimization. Revenue growth remained resilient through domestic demand combined with higher exports. A rebound in sucrose recovery for MY26, is expected to uplift gross margins, given product price remains stable. Ratings remain sensitive to expected improvements in profitability, cash flow coverage and liquidity profile.

Company Profile

Tariq Corporation Limited (Formerly: Husein Sugar Mills Limited) ('TCORP' or 'the Company') is a public listed company, incorporated on February 14, 1966 in Karachi. 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 plant is located in Jaranwala.

Governance

Tariq Corporation Limited is a public listed company, primarily controlled by the Tariq family, with the Chairman and CEO collectively holding approximately 67% of the shareholding. Venture capitalist Danish Elahi (CEO of

Elahi Group) acquired a 14.3% stake in 2021, coinciding with the rebranding from Husein Sugar Mills to Tariq Corporation Limited. The financial statements for MY25 were audited by Kreston Hyder Bhimji & Co. Chartered Accountants, an 'A' category firm on the SBP's panel of approved auditors. TCORP is compliant with regulatory requirements while attendance of board meetings is satisfactory. The Company's management consists of seasoned professionals having considerable experience in sugar industry. Mr. Rizwan Sohail joined Tariq Corporation Limited in August 2025 as Chief Operating Officer (COO) and was given additional charge of Chief Financial Officer (CFO) in October, 2025. He is a Fellow Chartered Accountant (FCA) and brings over 22 years of diverse industry experience across Sugar, Distillation, Chemicals, and Electronics.

Business Risk

INDUSTRY

The business risk profile of Pakistan's sugar industry is characterized by structural seasonality, regulatory sensitivity, and persistent cost pressures, despite signs of production recovery. During the 2024-25 crushing season, national sugar output declined to 5.8 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. Total sugarcane output rose to 85 MMT while sugar production reached 7.6 MMT in MY26, marking a 31% year-on-year increase, primarily driven by improved sugarcane yields and enhanced sucrose recovery rates at mills in Punjab. Domestic sugar consumption is expected at around 6.6 MMT, supported by steady demand from the food and beverage sector alongside ongoing population growth. On the back of higher production and assuming the absence of exports, surplus stocks are estimated at 1.3 MMT for MY26, indicating a comfortable supply position in the domestic market. Therefore, sugar 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

Daily crushing capacity remains at 8,000 metric ton (MT). Despite higher crushing of sugarcane in MY25, sucrose recovery declined to 8.65% (MY24: 10.21%) amid lower sugarcane procurement.

Particulars	MY23	MY24	MY25	MY26*
Capacity - MT per day	8,000	8,000	8,000	8,000
Crushing Days	97	102	105	118
Total Crushing Capacity - MT	776,000	816,000	840,000	944,000
Cane Crushed - MT	616,378	570,050	662,775	709,018
Sugar Production - MT	60,120	58,183	57,237	63,300
Sucrose Recovery Ratio (%)	9.76	10.21	8.65	8.93
Molasses Produced - MT	29,725	28,588	33,071	34,986
Molasses Recovery (%)	4.82	5.01	5.00	4.93

*Period covering 12-Nov-2025 to 9-Mar-2026

MY26 witnessed higher crushing and production levels alongside an uptick in sucrose recovery. TCORP implemented process optimizations to enhance product quality and efficiency. A new boiler, which will be a replacement of an older less efficient boiler, is expected to be operational by Sep'2026 (subject to residual capex). This new boiler will increase bagasse savings by ~2x, supporting margin uptick in the long-term.

SALES & PROFITABILITY

In MY25, net sales increased by 9.8%, primarily driven by higher sales volumes. Sugar remained the main revenue driver, making up 89% of total sales (MY24: 87%). Sugar exports increased significantly to Rs. 746.2m (MY24: Rs. 180.2m) in MY25. Gross margins, though remained low, improved due to better pricing, despite lower sucrose recovery. However, the Company depended on by-products revenue and other income from gain from asset disposals, which totaled Rs. 555.5m (MY24: Rs. 808.4m) in MY25. As a result, net margins improved marginally to 0.48% (MY24: 0.31%) in MY25.

Improvement in sucrose recovery, rangebound product prices, combined with an adjustment of bio-fertilizer in core sales, are expected to increase the company's topline and margins over the next year. Achieving projected improvement in margins and core profitability will remain important for ratings.

Financial Risk

CAPITAL STRUCTURE

Leverage remains elevated at 3.0x, primarily due to the Company's modest equity base growth (end-MY25: Rs. 1.6b, end-MY24: Rs. 1.5b). During MY25, TCORP obtained an interest-free loan of Rs. 40m from the Chairman for working capital needs. The loan, repayable at the discretion of the Company, was classified as core equity; however, it is temporary in nature and expected to be repaid by end-September 2026. Gearing has improved consistently (end-MY25: 0.39x, end-MY24: 0.61x, end-MY23: 0.88x), supported by reduced borrowings. However, due to seasonal working capital requirements during the crushing season, borrowings increased at end-1QMFY26 resulting in higher gearing and leverage. Going forward, management expects a gradual strengthening in capitalization metrics, driven by profit retention in the absence of major capital expenditure plans.

DEBT COVERAGE & LIQUIDITY

Despite a modest recovery in debt coverage metrics in MY25, driven by improved core profitability, the Company relied on sale of biological assets and disposal of operating fixed assets to meet repayments of long-term borrowings and lease liabilities. Debt coverage indicators showed slight improvement in 1QMFY26 with FFO (funds from operations) to total debt increasing to 15.6% (MY25: 12.5%), while DSCR (debt servicing coverage ratio) inched up to 0.92x (MY25: 0.63x). These metrics are projected to improve further, driven by higher profitability and lower finance costs. The current ratio, though improving, stood lower than 1.0x. The cash conversion cycle remained favorable over the last two years. Trade debts, which increased to Rs. 2.0b (end-FY25: Rs. 1.5b, end-FY24: Rs. 1.0b) at end-1QMY26 as a result of relaxed credit terms offered to bulk buyers and distributors, are expected to normalize. The Company was contingently liable for the outstanding principal and markup on the Agri Murabaha facility obtained by the Company's Sugarcane Growers from Bank Islami Pakistan Limited. The Company has given corporate guarantee amounting to Rs. 820m (2024: Rs. 820m) and ranking charge over current assets of the Company with 25% margin registered with SECP as security against Agri Murabaha facility to the sugarcane growers obtained from Bank Islami Pakistan Limited. This facility has been fully paid (principle plus profit), except a disputed amount of charity amounting to Rs. 126.176m against the said facility for which the company is contingently liable in case of failure of growers to repay. Management expects settlement within the next year.

FINANCIAL SUMMARY				
Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	1QMY26M
Property, plant and equipment	5,626	5,468	5,103	5,125
Stock-in-trade	113	146	211	1,061
Trade debts	189	1,065	1,467	2,072
Cash & Bank Balances	55	14	15	15
Other Assets	839	1,607	1,652	1,345
Total Assets	6,931	8,447	8,595	9,618
Creditors	318	1,596	1,559	3,188
Long-term Debt (incl. current portion)	950	722	391	444
Short-Term Borrowings	101	181	229	668
Total Debt	1,051	903	621	1,112
Other Liabilities	1,913	2,252	2,512	1,444
Total Liabilities	3,282	4,676	4,747	5,750
Paid up Capital	530	662	662	662
Sponsor loans	97	0	40	35
Revenue Reserve	199	381	473	511
Equity (excl. Revaluation Surplus)	1,190	1,473	1,605	1,638
Income Statement (PKR Millions)	FY23A	FY24A	FY25A	1QMY26M
Net Sales	7,833	6,877	7,552	2,715
Gross Profit	973	-419	199	152
Operating Profit	982	56	271	59
Finance Costs	510	278	154	34
Profit Before Levy and Tax	472	-221	223	57
Profit After Tax	341	21	37	25
Ratio Analysis	FY23A	FY24A	FY25A	1QMY26M
Gross Margin (%)	12.42%	-6.10%	2.63%	5.60%
Operating Margin (%)	12.53%	0.82%	3.58%	2.18%
Net Margin (%)	4.35%	0.31%	0.48%	0.93%
Funds from Operation (FFO) (PKR Millions)	455	-885	78	44
FFO to Total Debt (%)*	43.31%	-98.01	12.50%	15.65%
FFO to Long Term Debt (%)*	47.93%	-122.58%	19.82%	38.93%
Gearing (x)	0.88	0.61	0.39	0.66
Leverage (x)	2.76	3.17	2.96	3.50
Debt Servicing Coverage Ratio (x)*	1.30	-0.90	0.63	0.94
Current Ratio (x)	0.57	0.70	0.80	0.86
(Stock in trade + trade debts) / STD (x)	6.75	17.59	8.64	3.31
Return on Average Assets (%)*	4.70%	0.30%	0.43%	1.10%
Return on Average Equity (%)*	34.20%	1.60%	2.38%	6.10%
Cash Conversion Cycle (days)*	33	-8	-8	-2

*Annualized

A - Audited Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Tariq Corporation 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				
	20-Apr-2026	BBB+	A2	Stable	Upgrade
	23-Apr-2025	BBB	A3	Stable	Reaffirmed
	08-Apr-2025				Suspended
19-Feb-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 Conducted	Name	Designation		Date	
	Rizwan Sohail	COO		26-Mar-2026	
	M. Faizan	Senior Manager Accounts			