

## SHAHTAJ SUGAR MILLS LIMITED

### Analyst:

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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		Reaffirmed	
Rating Date	June 22, 2026		June 05, 2025	

### Shareholding (5% or More)

General Public - 41.07%

Directors and Their spouse(s) and minor children - 27.73%

Investment, Insurance Companies & NIT - 15.30%

Modaraba and Mutual Funds - 9.21%

Associated Companies - 6.68%

### Other Information

Incorporated in 1965

Public Limited Company

Chief Executive Officer: Mr. Muneer Nawaz

External auditors: M/s BDO Ebrahim & 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

The assigned ratings reflect Shahtaj Sugar Mills Limited's ('SSML' or the Company) long operational track record in the sugar industry and its association with the diversified Shahnawaz Group. During MY25, revenues remained relatively flat as lower sugar production resulting from constrained cane availability and weaker sucrose recovery was to a large extent offset by better pricing. The commencement of the 32MW bagasse-based cogeneration power plant in MY26 is an important step in diversification and its performance will have a strong bearing on the company's future risk profile.

Profitability remained subdued in MY25 due to lower recovery rates affecting production cost; however, earnings were supported by reduced finance costs and higher other income. Performance improved in 1HMY26, driven by stronger sugar prices, improved sucrose recovery, and contributions from power generation. The capital structure improved modestly in MY25 but weakened temporarily in 1HMY26 due to seasonal working capital borrowings. Liquidity and debt coverage indicators remained constrained in MY25, though both showed improvement during 1HMY26.

Going forward, the ratings remain sensitive to sugar market dynamics, the Company's ability to sustain profitability and cash flow generation, timely recovery of receivables arising from electricity sales and prudent management of working capital and leverage levels.

## Company Profile

Shahtaj Sugar Mills Limited (SSML) was incorporated in Pakistan on March 27, 1965 as a public limited company and is listed on the Pakistan Stock Exchange (PSX). SSML is principally engaged in the manufacture and sale of white crystalline sugar from sugarcane, with a crushing capacity of 12000 MTD. Molasses and bagasse are generated as key by-products of the production process. The Company's registered office is situated at West Wharf, Karachi. Subsequent to MY25, the Company commenced commercial operations of its 32MW bagasse-based cogeneration power plant

The Company operates as part of the Shahnawaz Group, one of Pakistan's established business groups with a diversified presence across sugar manufacturing, food and beverage processing, textiles, automotive distribution, and information technology services. The Group traces its origins to the business established by the late Chaudhry Shah Nawaz and comprises several notable entities, including Shahtaj Sugar Mills Limited, Shezan International Limited, Shahtaj Textile Limited, Shahnawaz (Private) Limited, and Information Systems Associates Limited.

## Management and Governance

The Company is led by Mr. Muneer Nawaz, a seasoned professional, supported by an experienced management team responsible for overseeing day-to-day operations and implementing strategic objectives. The governance framework is reinforced by a ten-member Board of Directors, including four female directors, reflecting a diverse and well-structured governance profile. Board oversight is further strengthened through specialized committees, including the Audit Committee, chaired by Mr. Sheikh Asim Rafiq, and the Human Resource & Remuneration Committee, chaired by Ms. Ava Ardeshir Cowasjee, which support effective risk oversight, internal controls, and human capital management.

## 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

	Units	MY23	MY24	MY25	MY26
<b>Crushing Period in days</b>	Numbers	103	92	97	117
<b>Crushing capacity</b>	M. ton/day	12,000	12,000	12,000	12,000
<b>Cane Crushed</b>	Tons	786,325	679,859	591,293	851,690
<b>Capacity utilization</b>	%	64%	62%	51%	61%
<b>Sugar Production</b>	Tons	77,600	67,793	53,681	84,627
<b>Sucrose Recovery</b>	%	9.87%	9.97%	9.10%	9.93%
<b>Molasses Produced</b>	Tons	32,644	28,152	27,419	36,520
<b>Molasses Recovery</b>	%	4.15%	4.14%	4.64%	4.29%

During the 2024–25 crushing season, the Company’s operational performance remained under pressure due to constrained cane availability and weaker crop quality. Total cane crushed declined to 591,293 tons (MY24: 679,859 tons), while capacity utilization decreased to 51% (MY24: 68%). In addition, sucrose recovery weakened to 9.1% (MY24: 9.97%), reflecting lower cane quality and reduced extraction efficiency. Consequently, sugar production declined to 53,681 tons (MY24: 67,793 tons). Nevertheless, the impact on profitability was partially mitigated by relatively higher sugar prices, lower finance costs, and improved sugarcane procurement pricing, which declined from Rs. 411 per maund in MY24 to Rs. 395 per maund in MY25.

During the 2025–26 crushing season, operational performance exhibited improvement, supported by better cane availability and recovery levels. Total cane crushed increased to 851,690 tons, while capacity utilization improved to 61%. Average recovery also strengthened to 9.93%, indicating improvement in cane quality. As a result, sugar production recovered to 84,627 tons, while molasses production increased to 36,520 tons (MY25: 27,419 tons). Cane procurement prices reverted to MY24 levels at Rs. 412 per maund during the season, while overall industry dynamics continued to reflect evolving supply and pricing conditions. Subsequent to MY25, the Company successfully commissioned its 32 MW bagasse-based co-generation power plant and commenced commercial operations under a 30-year Energy Purchase Agreement with Central Power Purchasing Agency (Guarantee) Limited. The project is expected to diversify revenue streams and contribute positively to profitability through value-added utilization of bagasse.

## Profitability

Net sales decreased to PKR 8.6bn in MY25, reflecting a 2% YoY decline, mainly attributable to lower sugar production volumes amid limited cane availability and subdued sucrose recovery rates during the season. The revenue mix remained heavily concentrated in sugar, with its contribution increasing to 90% in MY25 (MY24: 89%), supported by favorable pricing dynamics and sustained market demand. Revenue from molasses increased during the year despite lower sales volumes, primarily due to higher realized prices.

Gross margins declined to 9.9% in MY25 (MY24: 10.5%), primarily due to lower sucrose recovery during the crushing season. However, finance costs decreased to PKR 374mn (MY24: PKR 645mn), mainly reflecting lower effective borrowing rates and reduced reliance on short-term financing. Consequently, the Company reported a net profit of PKR 33mn in MY25 (MY24: PKR 32mn), supported by higher other income, resulting in a net margin of 0.4%.

In 1HMY26, net sales amounted to PKR 4.7bn, supported by improved sugar selling prices; however, overall sales volumes remained subdued due to lower carryover stocks and the delayed commencement of the crushing season. Sales are expected to improve as the season progresses. Gross margins strengthened significantly to 20.3%, driven by higher sugar prices, improved sucrose recovery, and additional revenue from electricity sales to the national grid. The power segment contributed approximately 11% to total sales during the period and generated a segment profit margin of 26.5%, supporting overall earnings.

Consequently, operating margins expanded to 12.9%, while net margins increased to 4.3%, further supported by other income. Going forward, given the anticipated surplus sugar production in MY26, profitability is expected to remain dependent on export opportunities, as domestic sugar prices may come under pressure from increased supply. However, electricity generation is expected to lower internal energy costs and provide an additional revenue stream through electricity sales, partially mitigating pricing pressures and supporting margins and profitability.

## Financial Risk

### Capital Structure

Total equity, excluding revaluation surplus, strengthened to PKR 1.58bn by end-1HMY26, supported by profit retention, while paid-up capital remained unchanged at PKR 120mn. The equity base also includes PKR 150mn in subordinated directors' loans, which are treated as equity. Total borrowings declined marginally to PKR 4.24bn at end-MY25 (MY24: PKR 4.37bn) before increasing to PKR 9.78bn by end-1HMY26, primarily due to higher utilization of short-term financing facilities to support seasonal working capital requirements. Long-term borrowings stood at PKR 2.8bn at end-MY25, entirely relating to the financing of the 32MW high-pressure bagasse-based cogeneration power plant, and remained largely unchanged during 1HMY26.

Capitalization indicators improved modestly at end-MY25, with gearing and leverage ratios declining to 3.06x (MY24: 3.17x) and 3.63x (MY24: 3.79x), respectively, supported by lower short-term borrowings. However, these metrics weakened at end-1HMY26, with gearing increasing to 6.20x and leverage rising to 7.73x, mainly reflecting higher seasonal working capital borrowings during the crushing cycle.

### Debt Coverage & Liquidity

Funds from operations (FFO) remained under pressure in MY25, declining on account of weaker profitability and elevated finance costs, resulting in continued negative internal cash generation. Consequently, debt-servicing capacity remained constrained, with the Debt Service Coverage Ratio (DSCR) largely unchanged at 0.61x (MY24: 0.63x), remaining below generally accepted comfort levels. However, coverage metrics improved materially in 1HMY26, with DSCR rising to 1.26x, reflecting stronger operating cash flows and an improved capacity to meet debt obligations. Liquidity indicators weakened during MY25, as reflected by the current ratio declining to 0.79x (MY24: 0.98x), before recovering to 0.95x in 1HMY26. Working capital coverage also moderated, with stock-in-trade and trade receivables covering 0.69x of short-term borrowings in MY25; however, this improved to 1.10x in 1HMY26, indicating adequate coverage of short-term funding requirements. The cash conversion cycle improved modestly to 58 days in MY25 (MY24: 62 days), primarily due to lower inventory holding periods. In contrast, the net operating cycle extended to 213 days in 1HMY26, largely attributable to seasonal inventory build-up during the crushing season, resulting in temporarily elevated working capital requirements and pressure on liquidity metrics.

FINANCIAL SUMMARY					(Rs. in millions)
<b>BALANCE SHEET</b>	<b>MY22</b>	<b>MY23</b>	<b>MY24</b>	<b>MY25</b>	<b>1HMY26</b>
Property, plant and equipment	4,226	4,577	5,637	6,312	6,386
Long term investments	190	192	216	237	252
Stock-in-Trade	2,074	1,082	1,590	926	7,360
Trade Debts	188	66	39	35	298
Cash & Bank Balances	37	89	268	85	276
Total Assets	7,241	6,421	8,527	8,393	15,717
Trade Payables	30	24	42	77	176
Long Term Debt	797	1,343	2,538	2,861	2,820
Short Term Debt	2,873	980	1,834	1,387	6,961
Total Debt	3,670	2,322	4,372	4,247	9,781
Total Liabilities	4,238	3,008	5,220	5,050	12,187
Paid Up Capital	120	120	120	120	120
Total Equity	3,003	3,414	3,307	3,343	3,530
<b>INCOME STATEMENT</b>	<b>MY22</b>	<b>MY23</b>	<b>MY24</b>	<b>MY25</b>	<b>1HMY26</b>
Net Sales	6,615	9,476	8,821	8,649	4,714
Gross Profit	774	1,591	927	859	956
Operating Profit	517	1,165	581	512	610
Profit Before Tax	85	662	(64)	139	255
Profit After Tax	1	405	32	33	202
<b>RATIO ANALYSIS</b>	<b>MY22</b>	<b>MY23</b>	<b>MY24</b>	<b>MY25</b>	<b>1HMY26</b>
Gross Margin (%)	11.7%	16.8%	10.5%	9.9%	20.3%
Operating Margin (%)	7.8%	12.3%	6.6%	5.9%	12.9%
Net Margin (%)	0.0%	4.3%	0.4%	0.4%	4.3%
Funds from Operation (FFO)	59.7	641.2	-39.0	-224.0	235.0
FFO to Total Debt*	0.02	0.28	-0.01	-0.05	0.05
FFO to Long Term Debt*	0.07	0.48	-0.02	-0.08	0.17
Gearing (x)	3.41	1.56	3.17	3.06	6.20
Leverage (x)	3.94	2.03	3.79	3.63	7.73
Debt Servicing Coverage Ratio* (x)	0.54	2.35	0.63	0.61	1.26
Current Ratio (x)	0.78	1.02	0.98	0.79	0.95
(Stock in trade + trade debts) / STD (x)	0.79	1.17	0.89	0.69	1.10
Return on Average Assets* (%)	0.0%	5.9%	0.4%	0.4%	3.4%
Return on Average Equity* (%)	0.1%	31.7%	2.2%	2.4%	27.2%
Cash Conversion Cycle (days)	101	77	62	58	213

REGULATORY DISCLOSURES		Appendix II			
Name of Rated Entity	Shahtaj Sugar Mills Limited				
Sector	Sugar				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	<b>RATING TYPE: ENTITY</b>				
	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	22-June-2026	A-	A2	Stable	Reaffirmed
	05-June-2025	A-	A2	Stable	Reaffirmed
	14-June-2024	A-	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	<b>S.No.</b>	<b>Name</b>	<b>Designation</b>	<b>Date</b>	
	1	Waqar Ahmad	CFO	08 <sup>th</sup> June 2026	
	2	A.G.Saqib	Deputy Manager		