

**Date**

09-Apr-25

**Analyst**

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**Applicable Criteria**

- Methodology | Rating Modifiers | Apr-24
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Jul-24
- Methodology | Corporate Rating | Jul-24

**Related Research**

- Sector Study | Sugar | Aug-24

**PACRA Maintains Entity Ratings of Al-Abbas Sugar Mills Limited**

Rating Type	Entity	
	Current (09-Apr-25)	Previous (09-Apr-24)
Action	Maintain	Maintain
Long Term	A+	A+
Short Term	A1	A1
Outlook	Stable	Stable
Rating Watch	-	-

The assigned ratings affirm Al-Abbas Sugar Mills Limited (AASML) as a strong player in Pakistan's sugar and ethanol sectors. The assigned ratings also factor in diversified revenue streams emanating from sugar, ethanol, and storage facilities. Storage tank terminals provide an additional cushion to cashflows. This provides a competitive advantage to the Company mitigating volatility and industry-specific risks. Moreover, a strong governance framework bodes well for the Company. The market risk Company may face includes fluctuations in sugarcane yields and quality, influenced by agronomic conditions and cyclical variations in crop production. Additionally, raw material price volatility further accentuates operational uncertainty, necessitating supply chain, and cost management. This, in turn, impacts profit margins, leading to net losses. Due to the surplus stocks, the government has allowed the sugar millers to export ~0.79 million MT, ensuring liquidity relief for the industry. With the government's shift to deregulated pricing of sugarcane, the cost of goods sold is expected to decline moving forward, as prices are determined by market forces rather than fixed regulations. This transition to a market driven pricing model will likely lead to more competitive pricing, encouraging efficiency and cost reduction across industries. On the financial profile side, AASML's strategically diversified revenue mix of 69% from ethanol, 29.3% from sugar, and 1.7% from other reportable segments. Major revenue is derived from ethanol (~98% export market) and from sugar (~4% export and ~96% local market). During MY24, the Company's topline recorded an increase of ~13.3%, driven primarily by higher sugar and ethanol prices, along with increased sales volume. Sugar exports also provided a cushion for sustaining growth. Profitability metrics showed an eroding performance, as gross margin declined by ~35% due to the high procurement cost of sugar cane. Similarly, the operating margin also mirrored the same effect and decline resulting from high operating expenses. Meanwhile, net margins were also compressed by ~63% as a result of a decline in net income driven by increased financing expenses in the context of a high-interest-rate environment. However, AASML recorded profits in a period when most other sugar companies of a similar scale recorded losses. On the other side, Net working days remained elevated due to the accumulation of finished stock. Leverage indicators remain moderate, primarily due to the Company's reliance on short-term borrowing constituting ~99% of the total debt. Anchored by the Haji Ghani family's strategic oversight, the leadership team leverages decades of expertise to steer the Company through evolving industry dynamics.

The ratings are dependent on the Company's ability to sustain margins with healthy coverages while maintaining necessary cushion and discipline in working capital management. Significant deterioration of relationship among shareholders leading to adverse impact on the Company's profile and/or excessive borrowings deteriorating the coverages will impact the ratings.

**About the Entity**

Al-Abbas Sugar Mills Limited was incorporated in May-91 and is listed on the PSX. The Company has diversified businesses of sugar, ethanol and storage tank terminal. The installed capacities are a) Sugar - crushing at 8,500 TCD, b) Distillery to produce 170,000liters of ethanol per day, and c) Storage tank terminal with a capacity of 22,850 M.T per month. Majority (~58%) of Al-Abbas Sugar's shareholding lies with Haji Ghani Group, which enjoys strong presence on the Board and has management control. Jahangir Siddiqui (JS) Group (~29%) is the other major shareholder. Mr. Muhammad Suleman Chawla is the Chairman of the Board, whereas, Mr. Asim Ghani serves as the Company's Chief Executive

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