

# Press Release

## VIS Assigns Initial Entity Ratings to Shahtaj Sugar Mills Limited

Karachi, June 14, 2024: VIS Credit Rating Company Limited (VIS) assigns initial entity ratings to Shahtaj Sugar Mills Limited ("SSML" or "the Company") at 'A-/A-2' (Single A Minus/A-Two). Medium to long term rating of 'A-' indicates good credit quality; protection factors are adequate. Risk factors may vary with possible changes in the economy. Short-term rating of 'A-2' indicates good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small. Outlook on the assigned ratings has been assigned as "Stable".

Established in 1965 Shahtaj Sugar Mills Limited is a public company listed on the Pakistan Stock Exchange Limited (PSX). It primarily operates in sugar production with molasses and bagasse as notable by-products. SSML's registered office is in Karachi while its Head Office is in Lahore, and its mill is situated in Kuthiala Saidan, Mandi Bahauddin.

Assigned ratings incorporates the medium business risk profile of SSML, supported by the industry's moderate barriers to entry, capital-intensive nature, and low inherited technology risk. However, industry's cyclical nature with the production of sugarcane possess raw material availability risk while inelastic demand linked with the growing population provides assurance to the assigned ratings. Moreover, the implementation of a 32 MW bagasse-based co-generation power project is poised to enhance revenue streams, bolstering the rationale behind the assigned ratings.

The ratings also factor in the Company's financial risk profile in MY23, propelled by a substantial uptick in revenue attributed to higher sugar selling prices. Inventory gains also contributed towards improving profitability leading to improvement in margins and strengthening the coverage profile. Despite the increase in long-term debt for the power plant installation, capitalization metrics improved on the back of strengthening of equity base with profit retention. Liquidity remains adequate. Moreover, improvement in the Company's 1QMY24 financial metrics further bolster the assigned ratings.

Going forward, the ratings of the Company will remain dependent on the materialization of the power project, improvement in its financial metrics as well as the outcome of the pending litigation with the Competition Commission of Pakistan (CCP).

For further information on this ratings announcement, please contact at 021-35311861-64 or email at [info@vis.com.pk](mailto:info@vis.com.pk).

Applicable Rating Criteria:

Industrial Corporates

<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

VIS Issue/Issuer Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

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## RATING REPORT

## Shahtaj Sugar Mills Limited

**REPORT DATE:**

June 14, 2024

**RATING ANALYSTS:**

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Rating Category	Rating
Entity	A-/A-2
Rating Date	June 14, 2024
Rating Outlook	Stable
Rating Action	Initial

## COMPANY INFORMATION

Incorporated in 1965	External auditors: BDO Ebrahim & Company, Chartered Accountants
Public Listed Company	Chief Executive Officer (CEO): Mr. Muneer Nawaz
Key Shareholders (with stake 10% or more):	
Mr. Muneer Nawaz ~ 12.15%	

## 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>