

## Date

04-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

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## PACRA maintains Entity Ratings of Noon Sugar Mills Limited

| Rating Type  | Entity                  |                          |
|--------------|-------------------------|--------------------------|
|              | Current<br>(04-Apr-25 ) | Previous<br>(05-Apr-24 ) |
| Action       | Maintain                | Maintain                 |
| Long Term    | BBB+                    | BBB+                     |
| Short Term   | A2                      | A2                       |
| Outlook      | Stable                  | Stable                   |
| Rating Watch | -                       | -                        |

The ratings of Noon Sugar Mills (Pvt.) Limited ("NSML" or "the Company") serves as a testament to its prudent financial management and strategic growth initiatives. The Company is an established player in Pakistan's ethanol and sugar industry, coupled with the export-driven dynamics inherent to the ethanol industry. The company's ratings are underpinned by the robust foundation of the experienced leadership of its management team. The market risk the Company faces 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 adept supply chain and cost management. Global ethanol prices have remained demoted, driven by economic uncertainties on a global scale, which ultimately stress the profitability matrix. The effect of falling international ethanol prices was further exacerbated by the dollar exchange rate. The Company also faced economic and operational challenges, including the complexities arising from the contrast between market-driven sugarcane prices and government-regulated rates. With the government's shift to the 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. NSML achieved a 22% growth in revenue, with 81% of its topline driven by the sugar division, reflecting strong demand and market presence. However, profitability remained under pressure, as the gross profit margin declined due to the rising cost of raw materials, which impacted overall cost efficiency. Additionally, the Company's net profit margins contracted, largely due to higher finance costs stemming from increased borrowings. This rise in finance cost also led to a deterioration in debt coverage ratios, making it more challenging for the management. The Company has strayed current on all its obligations and the management is projecting a better year. Moreover, the working capital cycle worsened, indicating inefficiencies in managing receivables, payables, and inventory. Despite these financial challenges, the Company continues to benefit from a strong governance framework, which serves as a positive factor in maintaining operational discipline and long-term sustainability.

The ratings are dependent on sustaining business margins, while maintaining stable financial risk profile. Any deterioration to revenue, margins, and/or cashflows will impact the ratings negatively. Meanwhile, improvement in capital structure will benefit the ratings.

## About the Entity

Noon Sugar Mills Limited is primary engaged in the manufacturing and sale of white refined sugar and ethanol exports. The Company has the approved capacity to crush 19,000 tons of sugarcane and can produce 130,000 liters of ethanol per day. Total sugar production during MY24's crushing season stood at 73,597MT with a sugar recovery rate of 10.30%. Majority of the shareholding lies with the Noon family, who holds a 71% stake in the Company. The family holds ~36.33% directly through Ms. Tahia Noon, 23.66% through Mr. Adnan, and 11.25% through Mr. Taimur Hayat Noon. Whereas, ~5% is held indirectly through Noon Industries limited, an associated company. The remaining shareholding is split between public institutions and the general public. The Company's Board is chaired by Mr. K. Iqbal Talib, whereas, Lt. Col. (R) Abdul Khaliq Khan heads the Company as the CEO. He is aided by a team of experienced professionals.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.