

JCR-VIS Credit Rating Company Limited

Founder Shareholder - Islamic International Rating Agency (IIRA), Bahrain
Joint Venture Partner - Credit Rating & Information Services Ltd. (CRISL), Bangladesh
Member - Association of Credit Rating Agencies in Asia (ACRAA)

Press Release

JCR-VIS Upgrades Ratings of JDW Sugar Mills Limited

Karachi, April 13, 2017: JCR-VIS Credit Rating Company Limited (JCR-VIS) has upgraded the entity ratings of JDW Sugar Mills Limited (JDWSML) to 'A+/A-1' (Single A plus/A-One). Rating of Privately Placed Term Finance Certificates – II (TFC-II) has also been upgraded to 'AA-' (Double A minus). Outlook on the assigned ratings is 'Stable'. The previous rating action was announced on October 27, 2015.

The ratings assigned to JDWSML take into account leading position of company in the sugar sector of the country. Higher volumetric sales, sustained sucrose recovery rates and improved sugar prices has benefited the company in terms of sizeable increase in sales and improved gross margins providing impetus to the profitability and cashflows. Meanwhile, revenues from co-generation continue to provide diversity to the revenue stream of the company and are considered sustainable. While major debt repayments are due in the coming years, overall financial risk profile of the institution is expected to remain commensurate with the outstanding ratings.

During crushing season 2016-17, sugar cane crushing at all three units of JDWSML is higher than corresponding crushing season and despite reduced recovery rates, sugar production has increased. The company plans to establish two wholly owned subsidiaries for expansion of its existing bagasse based power plants business.

With improved profitability and lower financial charges, Funds From Operations (FFO) have improved on a timeline basis. Improvement in cash flows was also reflected in the coverages ratio. Going forward, cash flows are expected to get impetus from higher revenues and sustained margins with projected cashflows expected to remain adequate to timely service debt.

Quantum of short term debt remains cyclical and is a function of carry over stock. Long term borrowing is expected to decline further in the coming years on account of gradual repayment. However, the debt levels may increase on account of lending support which the company may provide to its power business subsidiaries.

For further information on this rating announcement, please contact the undersigned at 021-35311861-70 (Ext: 234) or Mr. Waqas Munir, FRM at 042-35723411-13 (Ext: 8010).



Javed Callea
Advisor

Applicable Rating Criteria: Industrial Corporate (May, 2016) & Notching the Issues (June, 2016)
<http://www.jcrvis.com.pk/kc-meth.aspx>

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