Press Release

VIS Upgrades Entity Ratings of JDW Sugar Mills Limited

Karachi, May 13, 2024: VIS Credit Rating Company Limited (VIS) upgrades entity ratings of JDW Sugar Mills Limited ("JDWSML" or "the Company") from 'A+/A-1' (Single A Plus/A One) to 'AA-/A-1' (Double A Minus/A-One). The medium to long-term rating of 'AA-' denotes high credit quality coupled with strong protection factors. Moreover, risk factors may vary slightly with possible changes in the economy. The short-term rating of 'A-1' signifies high certainty of timely payment with excellent liquidity and good company fundamentals. Risk factors are minor. The outlook on the assigned ratings remain "Stable". Previous rating action was announced on May 17, 2023.

JDWSML, the flagship entity of the JDW Group, is the largest sugar producer in Pakistan and its sponsors and professional management team have significant experience in the sugar and agricultural sector. The Company has longstanding relationships with growers along with focus on research activities in sugarcane development. Business risk profile of the Company draws support from diversification of operations into power sector and corporate farming.

The upgrade in the ratings underscores the Company's leadership in the sugar industry supported by resourcefulness of the group and highest equity base within the sector. Moreover, the energy requirement met through its own power plants with excess power supplied to the grid. While maintaining an adequate capital structure and ensuring easier financial accessibility, the forthcoming installation of an ethanol plant and the notable improvement in the Company's financial metrics during the 1QMY24 also supports the upgradation.

Assigned ratings also incorporates the medium business risk profile of JDWSML, supported by industry's inelastic demand linked with the growing population, moderate barriers to entry, capital-intensive nature, and low inherited technology risk. However, industry's cyclicality with the production of sugarcane possess raw material availability risk while some of the sugarcane procurement being met through internal corporate farms provides assurance to the assigned ratings.

The ratings also consider the financial risk profile of the Company propelled by continuous revenue growth in MY23 from better sugar prices and inventory gains. The net profit, however, contracted due to higher financial cost during the year due to sharp hike in markup rates. Concurrently, the coverage profile was marginally affected by increase in the finance cost. Gearing improved with timely debt repayments, although leverage rose in MY23. The liquidity position however remains adequate.

Going forward, the ratings of the Company will remain contingent on further improvement in its financial metrics. VIS will continue to monitor the developments 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.

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