



Sugar

Research Team

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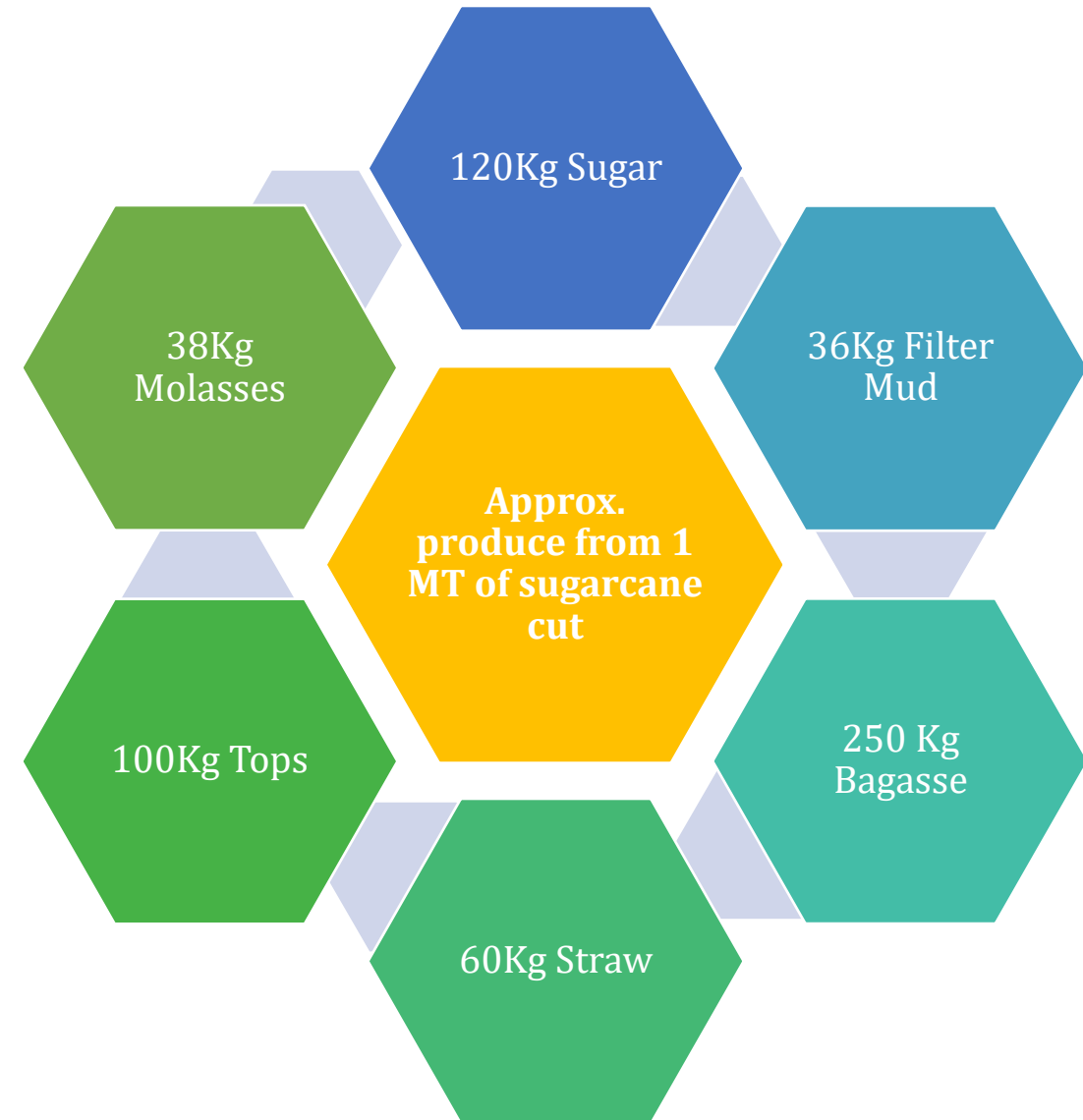


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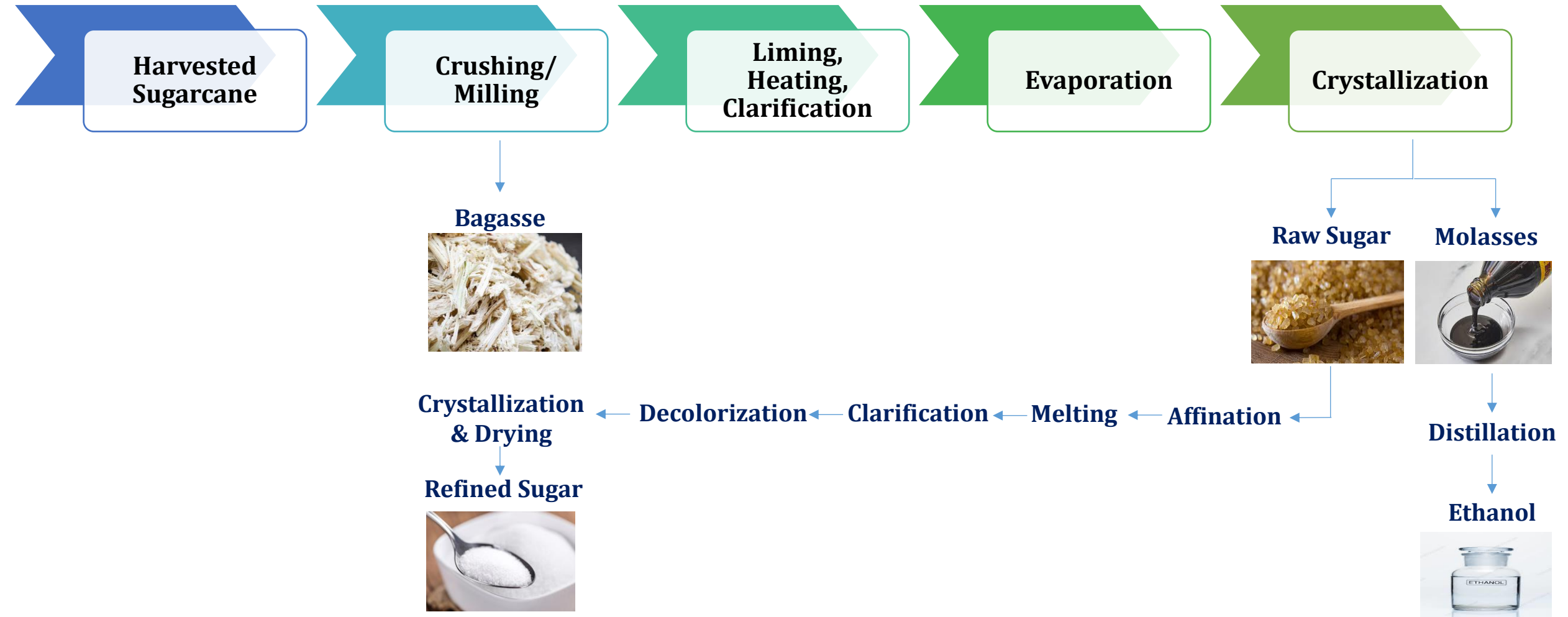
Introduction

- Sugar is produced through a refining process that removes impurities and other substances from sugarcane or Sugar beet to form a sweet crystalline food supplement.
- The by-product of this procedure is the formation of white refined Sugar, which is commonly used in households, restaurants, and food manufacturing. It is highly soluble and widely used as a sweetener in cooking, baking, and beverages.
- There are several stages of this procedure: cane offloading, cane preparation, juice extraction, juice clarification, evaporation, Sugar crystallization, centrifugal separation, steam generation and renewable power generation.
- The important byproducts of Sugar are molasses - a thick syrup left after crystallization used for ethanol production - and bagasse, which is used as a biofuel or in the production of paper and building materials.
- Sugarcane is mainly cultivated in tropical regions and provides nearly ~85% of Sugar produced in MY26 worldwide (other ~15% being produced by Sugar beets).
- Around 75% of global sugar production is consumed by the food and beverage industry and households, while the remaining ~25% is primarily utilized in biofuel production.
- Sugarcane cultivation and processing currently provides employment to over ~100Mn people globally in MY26.



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Production Process



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Global | Overview

- During MY26, global Sugar production was recorded at ~184.8Mn MT compared to ~180.4Mn MT in MY25 (up ~2.4% YoY), driven mainly by a production rebound in India, improved recovery rates in Thailand and higher output in China. This, more than offset the lower production seen in Brazil and the EU.
- During the period, Consumption rose by ~1.0% YoY to ~178.0Mn MT (MY25: ~176.3Mn MT), supported by population-driven demand growth in Asia and Africa.
- During MY26, Sugar imports clocked in at ~58.3Mn MT (YoY increase of ~0.7%), while exports stood at ~62.1Mn MT, showing a YoY decline of ~3.0%. In MY26, Sugar closing stock was estimated at ~47.6Mn MT (MY25: ~44.6Mn MT).
- Going forward, global Sugar markets are expected to shift into a production surplus over the medium term, with output gains concentrated in Asia amid agronomic and recovery-rate improvements. On the other hand, consumption depends on the population and income-driven demand in Asia and Africa. Brazil and India, together, are projected to account for ~42% of global output by CY35, with Brazil retaining its position as the top Sugar exporter (~55%), while China and Indonesia remain the largest importers.

Disclaimer: *The difference in Sugar imports and exports reflects the varying marketing years across countries, reporting timelines, and the frequency of USDA publications.*

Global Sugar Overview (Mn MT)					
Particulars	MY22	MY23	MY24	MY25	MY26*
Opening Stock	49.2	47.9	46.8	46.6	44.6
Production	183.2	186.3	177.8	180.4	184.8
Imports	56.6	59.2	60.4	57.9	58.3
Total Supply	289.0	293.4	285.0	284.9	287.7
Exports	66.7	69.8	61.9	64.0	62.1
Consumption	174.4	176.8	176.5	176.3	178.0
Total Demand	241.1	246.6	238.4	240.3	240.1
Closing Stock	47.9	46.8	46.6	44.6	47.6

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Global | Production

- Asia remained the largest Sugar-producing region in MY26, contributing ~39.1% of global output (~72.3Mn MT), up from ~36.9% (~66.6Mn MT) in MY25. The gain was driven mainly by India, where production rebounded to ~30.0Mn MT (MY25: ~28.0Mn MT) as favorable monsoon conditions and higher sucrose recovery rates reversed the previous season's weather-related crop decline. This lifted India's share of world production to ~16.2% from ~15.5%.
- South America held its position as the second-largest producing region at ~25.9% (~47.9Mn MT), anchored by Brazil, the world's largest Sugar producer. Brazilian output declined to ~42.5Mn MT (MY25: ~43.8Mn MT), as growers continued to divert a large share of sugarcane toward ethanol production rather than Sugar. As a result, Brazil's global share slipped to ~23.0% from ~24.3%, not because its crop shrank, but because faster output growth in Asia diluted its relative weight. India and Brazil together still accounted for close to two-fifths of world Sugar production, underlining concentrated global supply.
- China and Thailand also added to Asia's gains. China's output rose to ~12.6Mn MT from ~11.2Mn MT, lifting its global share to ~6.8% from ~6.2%, on higher sugarcane and sugar beet planting. Thailand's production increased to ~11.3Mn MT (MY25: ~10.2Mn MT), taking its share to ~6.1% from ~5.7%, supported by stronger crushing recovery rates following improved rainfall.
- Pakistan's production rose sharply to ~7.1Mn MT from ~5.9Mn MT, lifting its global share to ~3.8% from ~3.2%, as better cane availability, larger area under cultivation and improved yields supported recovery from the previous season's weak crop.

Global Sugar Production						
Period	MY24		MY25		MY26*	
	Production (000 MT)	Share (%)	Production (000 MT)	Share (%)	Production (000 MT)	Share (%)
Asia						
India	29,500	16.6%	28,000	15.5%	30,000	16.2%
China	9,960	5.6%	11,160	6.2%	12,600	6.8%
Thailand	8,808	5.0%	10,240	5.7%	11,258	6.1%
Pakistan	6,560	3.7%	5,860	3.2%	7,060	3.8%
Other Asia	10,998	6.2%	11,385	6.3%	11,400	6.2%
Total Asia	65,826	37.0%	66,645	36.9%	72,318	39.1%
South America						
Brazil	43,700	24.6%	43,800	24.3%	42,500	23.0%
Other South America	4,950	2.8%	5,380	3.0%	5,435	2.9%
Total South America	48,650	27.4%	49,180	27.3%	47,935	25.9%
North America	13,435	7.6%	13,582	7.5%	13,872	7.5%
Central America	2,621	1.5%	2,621	1.5%	2,681	1.5%
Europe	18,669	10.5%	19,302	10.7%	18,184	9.8%
Russia	6,600	3.7%	6,750	3.7%	7,000	3.8%
Oceania	4,035	2.3%	3,810	2.1%	3,830	2.1%
Other Regions	17,885	10.1%	18,555	10.3%	18,936	10.2%
Total World	177,721	100.0%	180,445	100.0%	184,756	100.0%

Note: *MY26 figure are provisional.

Source: USDA, OECD

Global | Consumption

- India remained the world's largest Sugar consumer in MY26, with consumption rising to ~30.1Mn MT from ~29.1Mn MT in MY25, a rebound after last year's dip. This growth was driven by steady population expansion and rising demand from the food and beverage industry, keeping India's share of global consumption at ~16.7%, broadly stable from ~16.6% a year earlier.
- China posted moderate consumption growth, rising to ~15.8Mn MT from ~15.4Mn MT and lifting its global share to ~8.9% from ~8.7%, driven by expanding rural retail penetration and steady food and beverage industry demand.
- The EU and the USA, by contrast, saw more muted trends. EU consumption edged up marginally to ~15.9Mn MT from ~15.8Mn MT, while US consumption slipped slightly to ~11.1Mn MT from ~11.2Mn MT. Both reflecting the broader stagnation typical of mature, high-income markets where sugar taxes, labelling requirements and health-conscious diets continue to weigh on demand growth. Brazil's consumption fell to ~9.0Mn MT from ~9.9Mn MT.
- Together, the top five consumers accounted for ~46.3% of global Sugar consumption in MY26, slightly higher than the ~46.2% share in MY25, while consumption in the rest of the world also grew steadily, taking global consumption to ~179.0Mn MT from ~176.3Mn MT.

Top 5 Sugar-consuming Countries (Mn MT)					
Countries	MY22	MY23	MY24	MY25	MY26*
India	29.4	30.0	30.3	29.1	30.1
China	15.0	15.5	15.5	15.4	15.8
EU	17.0	16.5	16.4	15.8	15.9
USA	11.3	11.5	11.3	11.2	11.1
Brazil	9.5	9.5	9.0	9.9	9.0
Sub-total	82.2	83.0	82.5	81.4	81.9
Pakistan	6.2	6.2	6.3	6.6	6.6
Others	86.0	87.6	87.7	88.3	89.5
Global Consumption	174.4	176.8	176.5	176.3	178.0

*Note: *MY26 figure are provisional. The EU composes of 27 countries.*

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Global | Trade

- Brazil remained the dominant global exporter, though shipments eased to ~33.6Mn MT (MY25: ~34.1Mn MT), with a dominant ~54.1% share of world exports, as growers continued diverting more cane towards ethanol rather than exportable sugar. Thailand strengthened to ~6.0Mn MT (MY25: ~5.7Mn MT) on stronger crushing recovery rates, while India's exports fell further to ~3.5Mn MT (MY25: ~3.8Mn MT), continuing a multi-year decline as a rise in domestic consumption and ethanol blending targets leave a smaller exportable surplus.
- The EU's exports dropped to ~1.3Mn MT (MY25: ~2.1Mn MT) on lower sugar beet plantings, while Australia held broadly steady at ~2.7Mn MT. Overall, global exports eased to ~62.6Mn MT (MY25: ~64.8Mn MT).
- China's imports rose to ~5.5Mn MT (MY25: ~4.6Mn MT), reinforcing its position as a top global buyer even though domestic output also increased, reflecting continued strength in overall consumption. Indonesia's imports eased to ~4.0Mn MT (MY25: ~4.8Mn MT) as stronger domestic production reduced its reliance on external supply.
- US imports fell to ~2.4Mn MT (MY25: ~3.1Mn MT), while India held steady at ~2.6Mn MT. On the other hand, the UAE rose to ~2.6Mn MT (MY25: ~2.3Mn MT). In aggregate, global imports edged up to ~58.3Mn MT (MY25: ~57.9Mn MT).

Global Sugar Exports (Mn MT)					
Countries	MY22	MY23	MY24	MY25	MY26*
Brazil	28.2	36.0	34.9	34.1	33.6
Thailand	6.8	6.9	4.4	5.7	6.0
India	11.5	8.3	4.0	3.8	3.5
Australia	3.1	3.0	3.1	2.6	2.7
EU	1.2	0.9	2.0	2.1	1.3
Others	15.9	14.7	13.5	15.7	15.0
Total	66.7	69.8	61.9	64.0	62.1

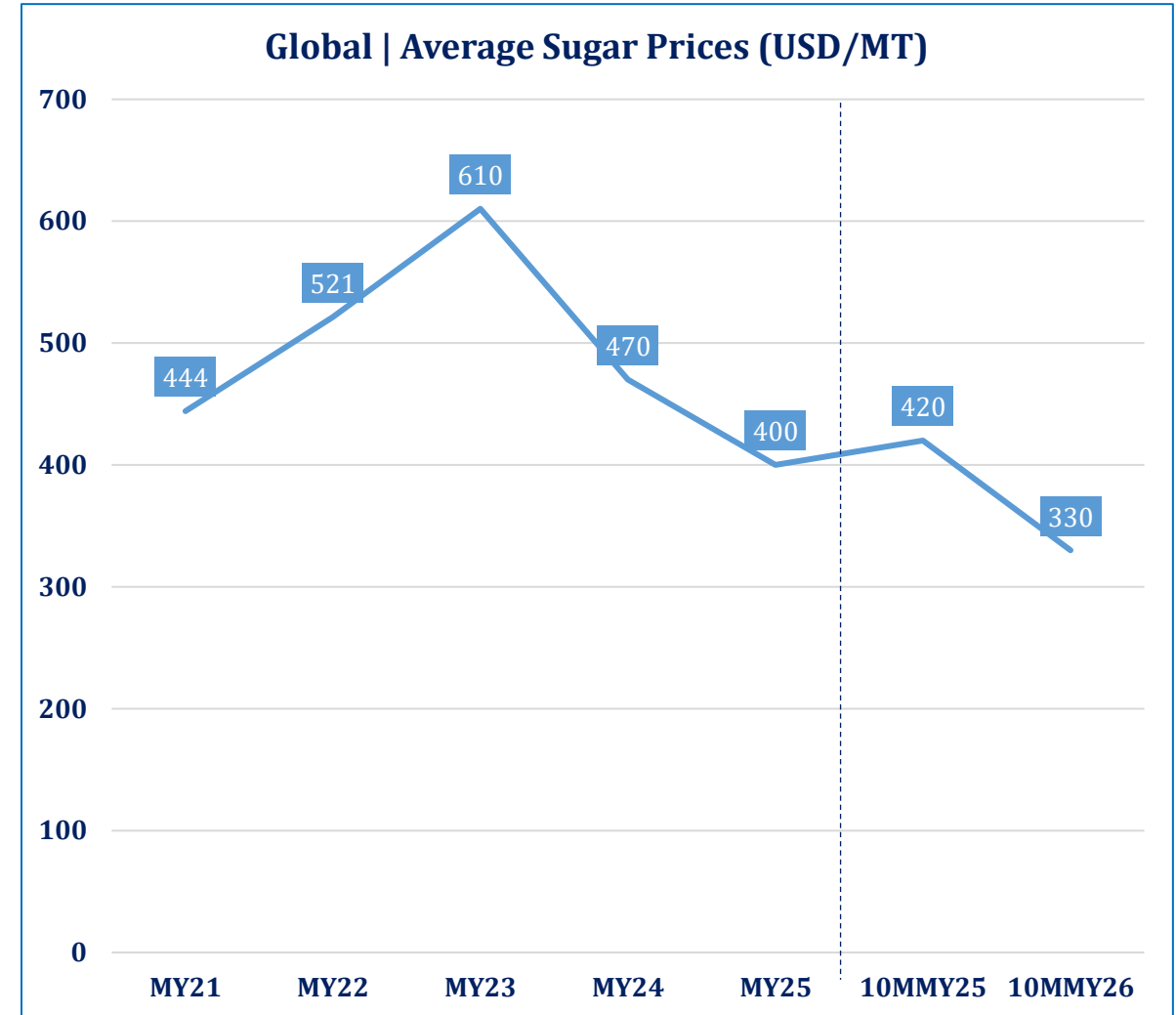
Global Sugar Imports (Mn MT)					
Countries	MY22	MY23	MY24	MY25	MY26*
China	5.2	3.8	5.0	4.6	5.5
Indonesia	5.5	5.7	5.0	4.8	4.0
USA	3.3	3.3	3.5	3.1	2.4
India	0.3	1.4	3.6	2.6	2.6
UAE	1.6	2.3	2.2	2.3	2.6
Others	40.7	42.7	41.1	40.5	41.2
Total	56.6	59.2	60.4	57.9	58.3

*Note: *MY26 figures are provisional. The EU composes of 27 countries.*

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Global | Prices

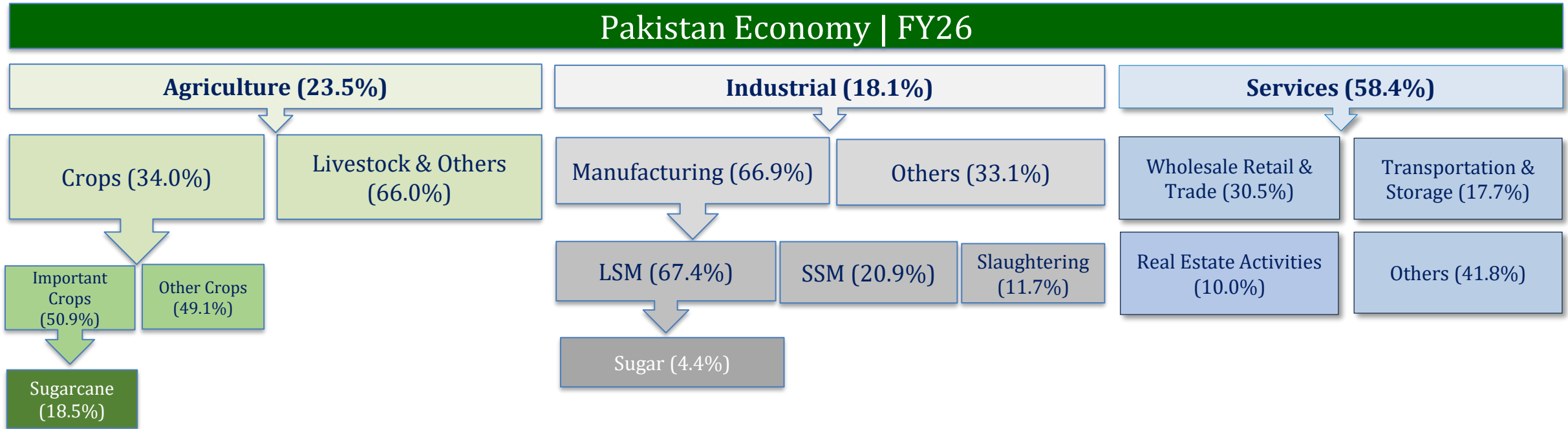
- Global Sugar prices fell sharply in 10MMY26 to USD ~330/MT, down from USD ~420/MT in 10MMY25 (down ~23.8% YoY), as the market shifted toward an anticipated production surplus, led by a stronger rebound in India's output, improved recovery rates in Thailand and higher production in China, alongside only modest global consumption growth..
- This extends a downtrend from MY24, with full-year averages easing from ~USD 470/MT to ~USD 400/MT in MY25, as production recovered across Brazil, India, Thailand, China and the EU.
- Going forward, prices are likely to remain under pressure while the current surplus persists, with further direction hinging on Brazil's cane allocation between Sugar and Ethanol and on whether Asia's major producers can sustain their output gains.



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Local | Overview

- In FY26, Pakistan's GDP (nominal) stood at PKR~126.9Tn, increasing, in nominal terms, by ~11.3% YoY (FY25: ~8.3% growth). The industrial activities segment amounted to ~18.1% share in the GDP, while services made up~58.4%.
- The Agriculture sector of Pakistan's share in GDP dropped from ~23.6% in FY25 to ~23.5% in FY26. The sector's overall growth improved as compared to previous year, recording at ~2.9% (FY24: ~1.5%), wherein the important crops segment improved slightly by ~0.7% YoY in FY26 (FY25: ~13.2% YoY decline). During the period, the "Important crops" contributed ~50.9% (FY25:~51.3%) to the 'Crops' segment, while other crops accounted for ~49.1% (FY25:~48.7%). Sugarcane remains a key crop within Pakistan's agriculture sector, contributing ~18.5% to important crops, ~0.8% to overall GDP and ~3.2% to agricultural value addition, underscoring its continued relevance to the rural economy.
- Within the Industrial segment, Manufacturing accounted for ~66.9% of activity, of which Large-Scale Manufacturing (LSM) held a ~67.4% share. Sugar contributed ~4.4% to LSM output, translating to an overall contribution of ~0.4% to Pakistan's total GDP.



- Sugar production rose sharply to ~7.7Mn MT in MY26 from ~5.8Mn MT in MY25, an increase of ~32.8%, largely tracking the improvement in yields. Total imports increased to ~0.3Mn MT in MY26 from none in MY25, suggesting a temporary supply gap was met through imports.
- During the period, consumption stayed flat at ~6.6Mn MT. Total exports declined to zero in MY26 from ~0.8Mn MT in MY25, as the government withheld export approval amid surplus stock disputes and price concerns.
- The Sector's trajectory will largely depend on the timely rollout of the Sugar deregulation plan under Pakistan's IMF program, implementation of which continues to lag its original target (Jun'26). Meanwhile, PSMA's persistent push for export approvals remains a key watchpoint, with policymakers treading cautiously given past episodes where exports fueled sharp retail price increases.

Association Pakistan Sugar Mills Association

Sugarcane | Overview

- Sugarcane production improved from ~84.2 Mn MT in MY25 to ~89.5 Mn MT in MY26, a rise of roughly 6.2% YoY. This took the national output to a fresh high for the crop and registering the highest growth among the important crops, ahead of wheat (~4.3%), rice (~2.8%), maize (~-2.7%) and cotton (~-0.5%). The increase came alongside a modest expansion in cultivation area, from ~1.22 Mn Ha to ~1.24 Mn Ha, indicating farmers marginally expanded the land committed to the crop.
- With acreage slightly increasing, the entire uplift in production is traceable to per-acre efficiency, as yield improved from ~71.8 MT/Ha in MY25 to ~73.2 MT/Ha in MY26, a gain of close to ~1.9% YoY. This growth points to sugarcane's comparatively better economic returns against alternative kharif options such as cotton and maize. For MY27, the targeted area under cultivation stands lower at ~1.14Mn Ha, with a targeted production of 80.3Mn MT, implying a targeted yield of ~70.4 MT/Ha.

Local Sugarcane Dynamics					
Particulars	MY22	MY23	MY24	MY25	MY26*
Cultivation Area (Mn Ha)	1.3	1.3	1.2	1.2	1.2
Production (Mn MT)	88.7	88.0	87.6	84.2	89.5
Yield (MT/Ha)*	68.2	67.6	74.3	71.8	73.2

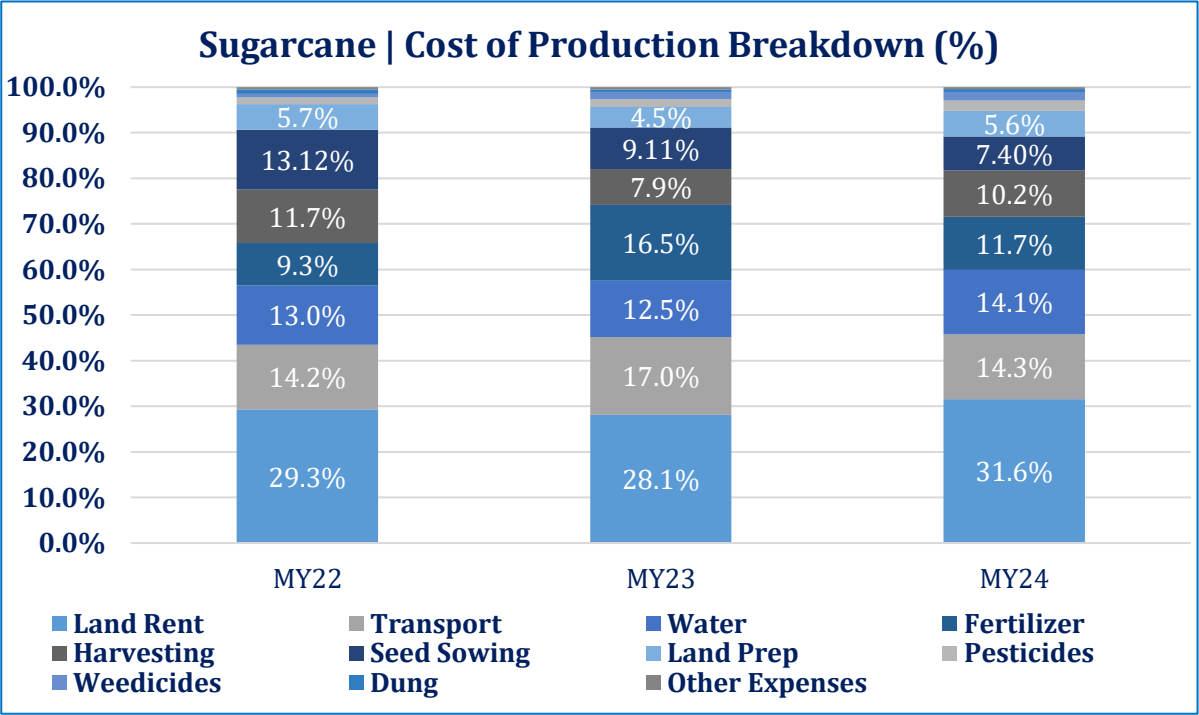
*Note: *MY26 figures are provisional*

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Sugarcane | Cost of Production

- During MY24, sugarcane’s average cost of production was at PKR~547,688.9/Ha (MY23: PKR~350,977.8/Ha), showing a YoY increase of ~56.0%, mainly due to a surge in inflationary pressure.
- The cost of fertilizers clocked in at PKR~63,866.7/Ha during MY24 (MY23: PKR~57,804.9/Ha), a YoY increase of ~10.5% YoY, while the cost of transport increased to PKR~78,074.1/Ha, up ~30.7% YoY.
- In MY24, the expenses associated with water, harvesting and land rent registered YoY increases of approximately ~75.5%, ~101.7% and ~75.0%, respectively.

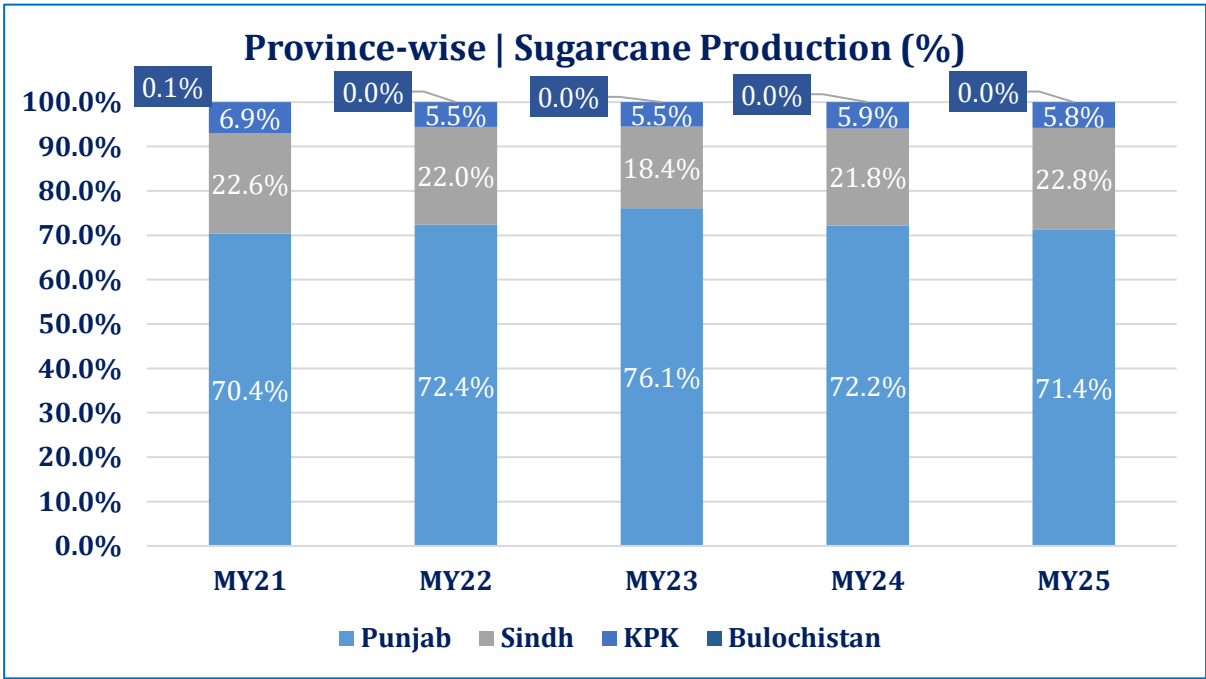
Sugarcane Average Cost of Production (PKR/Ha)			
Operations/Inputs	MY22	MY23	MY24*
Land Rent	98,765.4	98,765.4	172,839.5
Transport	47,654.3	59,733.3	78,074.1
Water	43,829.6	44,004.9	77,266.7
Fertilizers	31,234.6	57,804.9	63,866.7
Harvesting	39,449.4	27,696.3	55,866.7
Seed Sowing	44,185.2	31,970.4	40,540.7
Land Prep	19,054.3	15,733.3	30,777.8
Pesticides	4,896.3	6,204.9	12,163.0
Weedicides	2,723.5	5,335.8	10,604.9
Cost of Dung	3,197.5	2,029.6	3,417.3
Other Expenses	1,661.7	1,698.8	2,271.6
TOTAL	336,651.9	350,977.8	547,688.9



*Note: 1 acre = 0.405 hectare. * Latest period available.*

Sugarcane | Province-wise Distribution

- Pakistan grows sugarcane in two planting seasons, spring and autumn, with timing varying slightly by province. Spring sowing runs from mid-February to the third week of March in Punjab and KP, and from early February to mid-March in Sindh. Autumn sowing takes place in September across Punjab and KP, extending into October in Sindh. As a subtropical crop, cultivation is concentrated in these three provinces. Being long-duration, taking 10-15 months to mature, the crop is harvested from mid-November through to March, with mills setting exact start dates each year.
- Punjab retains the dominant share in national sugarcane production, contributing ~71.4% of output in MY25, well ahead of Sindh at ~22.8% and KP at ~5.8%, with Balochistan's share negligible throughout. This split has stayed broadly stable across the past five years, with Punjab's share ranging between ~70-76%.
- Punjab also carries the largest sugar milling base, with 46 operational mills running at ~89.1% capacity utilization, followed by Sindh's 38 mills at ~86.8% and KP's 5 mills at ~80.0%. This brings the national total to 89 mills operating at an average of ~87.6% in MY25.

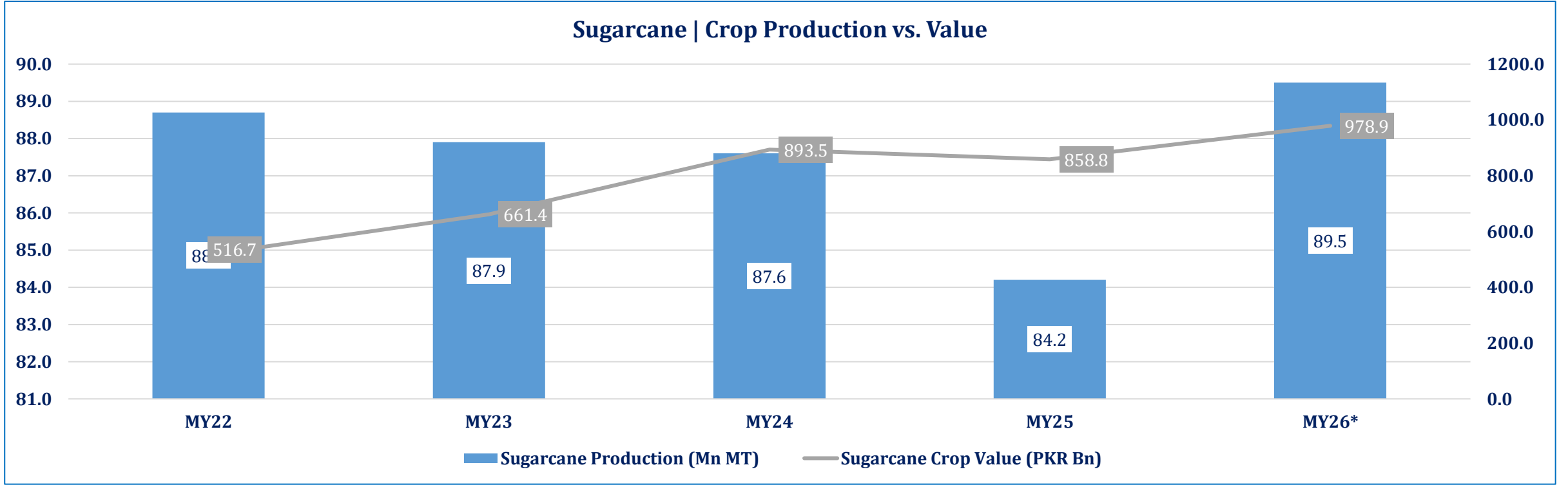


Sugar Mills Overview (MY25)		
Province	No. of Sugar Mills	Operational (%)
Punjab	46	89.1%
Sindh	38	86.8%
KPK	05	80.0%
Total	89	87.6%

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Local | Sugarcane Prices

- Sugarcane pricing is shifting away from the government-set minimum support price towards a market-determined system, under the National Sugar Deregulation Policy 2026. This an IMF-linked reform that is still pending full rollout past its June 2026 target. It proposes to abolish the MSP altogether in favor of free-market pricing.
- Sugarcane crop value rose to PKR~978.9Bn in MY26, up ~14.0% YoY from PKR~858.8Bn in MY25. This increase was supported by higher sugarcane production, which rose to ~89.5Mn MT in MY26 from ~84.2Mn MT in MY25, up ~6.3% YoY.



*Note: *MY26 figures are provisional*

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Local | Demand and Supply

- MY26 opened with a sugar stock of ~2.2Mn MT, up sharply from ~1.1Mn MT in MY25.
- Sugar production rebounded sharply in MY26, clocking in at ~7.7Mn MT (MY25: ~5.8Mn MT), up ~32.8% YoY, as the recovery in sugarcane availability fed through to the crushing season. Consumption stayed flat at ~6.6Mn MT in MY26.
- During MY25, the Government of Pakistan had exported ~0.8Mn MT of sugar even as production fell, a combination that created a severe shortage in domestic supply and pushed retail prices higher. In MY26, there were no exports, a shift aimed at rebuilding the stock position rather than repeating the drawdown.
- This shift is reflected directly in trade flows. Rather than exporting, ~0.3Mn MT was imported during MY26, effectively reversing MY25's stance, as authorities prioritized restoring the buffer and stabilizing domestic prices over generating export revenue. This was a more cautious posture shaped in part by how quickly the MY25 shortage had escalated. Closing stock stood at ~2.0Mn MT in MY26 (MY25: ~2.2Mn MT).

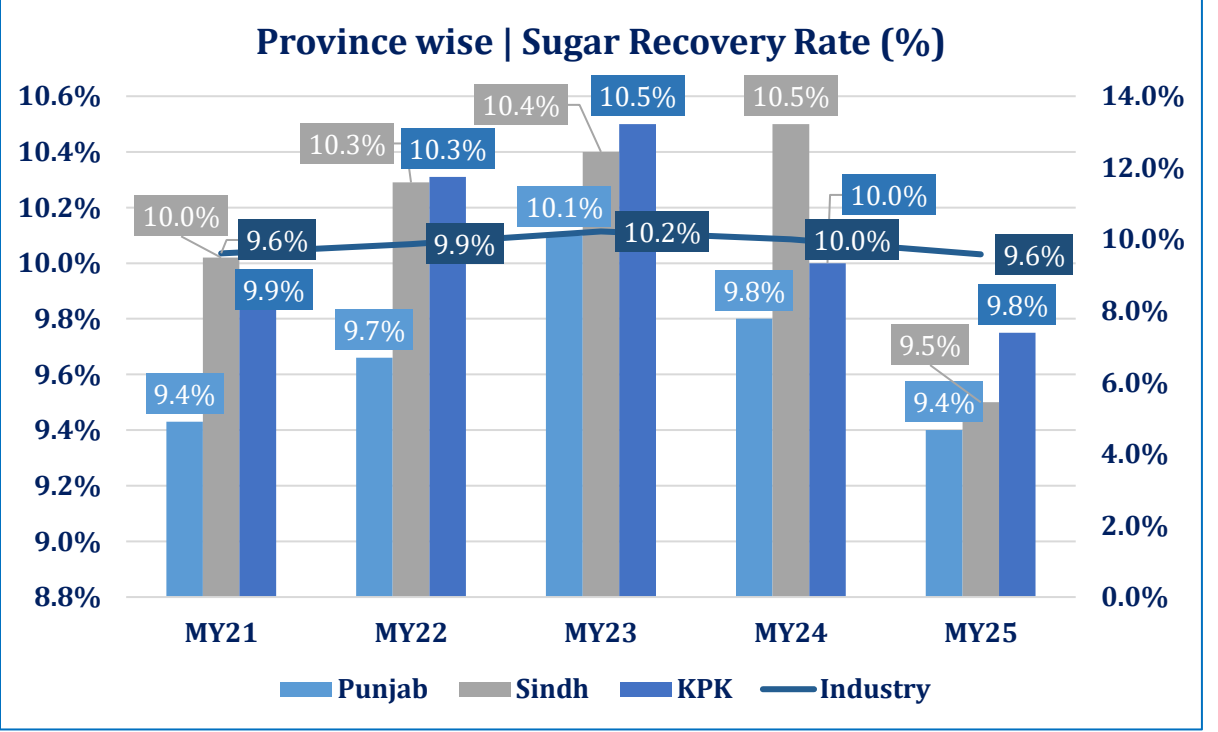
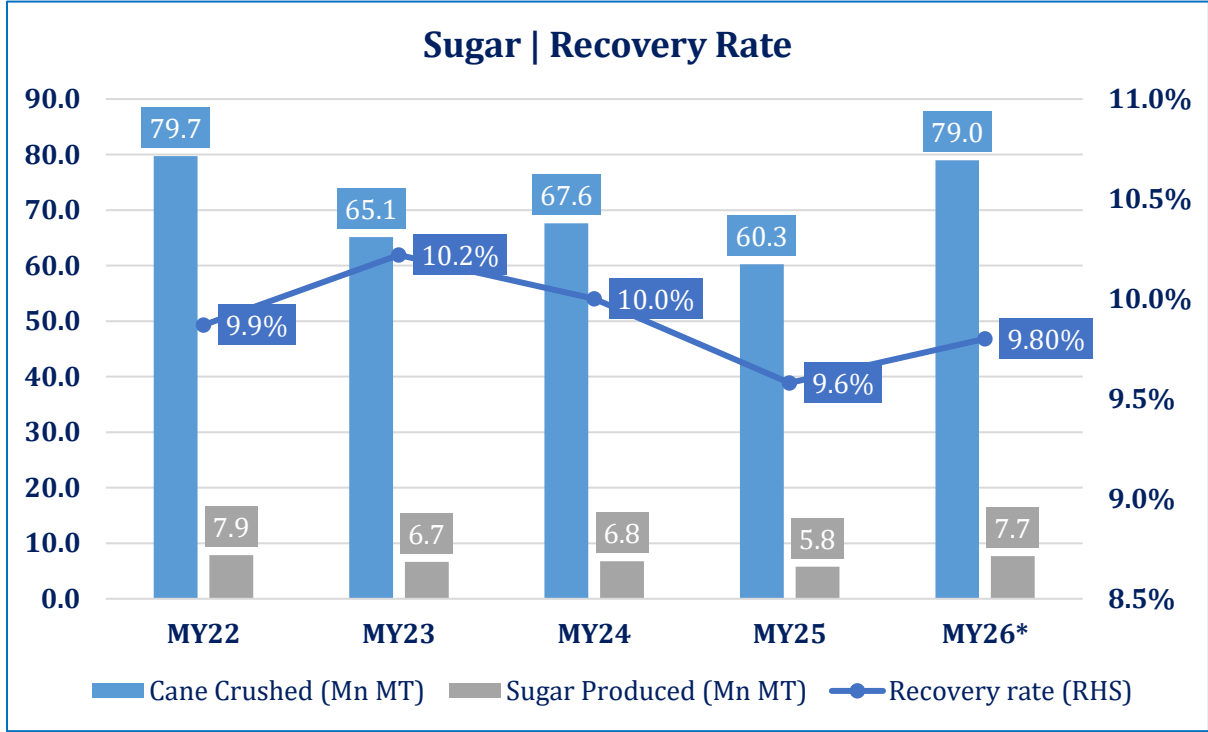
Sugar Production and Consumption (Mn MT)					
Particulars	MY22	MY23	MY24	MY25	MY26*
Opening Stock	1.5	2.1	0.9	1.1	2.2
Production	7.9	6.7	6.8	5.8	7.7
Imports	0.3	0.0	0.0	0.0	0.3
Total Supply	9.7	8.8	7.7	6.9	10.2
Exports	0.0	0.3	0.0	0.8	0.0
Consumption	6.2	6.2	6.3	6.6	6.6
*Stock Adjustment	-1.4	-1.4	-0.3	2.7	-1.6
Closing Stock	2.1	0.9	1.1	2.2**	2.0**
Consumption Per Capita (Kg)	26.2	26.2	26.5	26.2	25.9

Note: *Stock Adjustment reflects the difference between Closing and Opening stock reported by the PSMA.

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Local | Recovery Rates

- Recovery rate rose to ~9.8% in MY26 from ~9.6% in MY25. Cane crushed rose ~31.0% (~60.3 Mn MT in MY25 to ~79.0 Mn MT in MY26) while sugar output rose a steeper ~32.8% (~5.8 Mn MT to ~7.7 Mn MT), meaning more sugar was extracted per tonne of cane, consistent with the improved recovery rate.
- Sindh saw the sharpest fall, dropping a full percentage point from ~10.5% to ~9.5%, mainly due to a severe heatwave and a large-scale stem borer outbreak across its cane-growing districts. KPK recorded a milder decline to ~9.8% (SPLY: ~9.8%), while Punjab eased slightly further to ~9.4% (SPLY: ~9.8%).

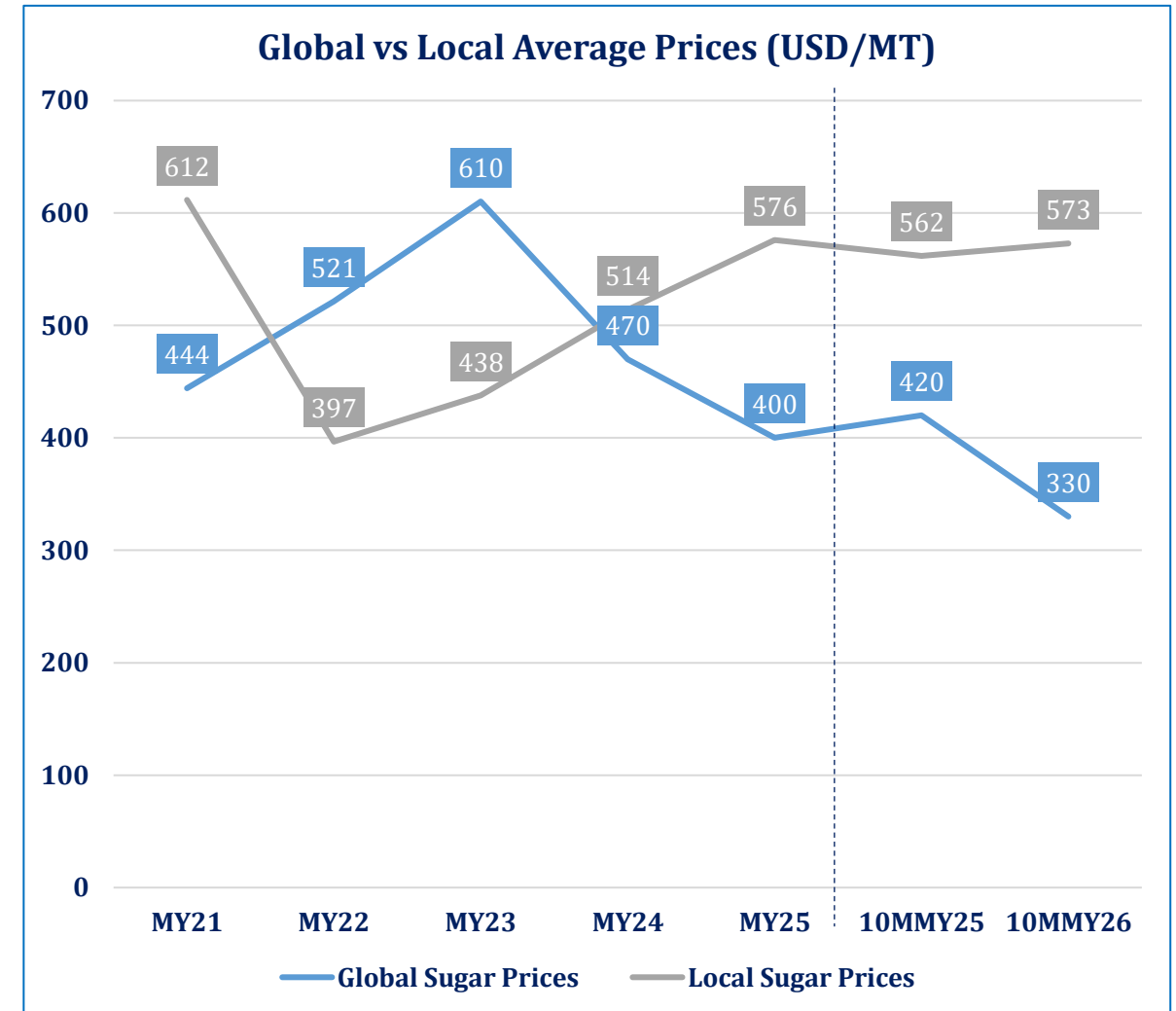


Note: *MY26 figures are provisional

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Local | Prices

- During 10MMY26, local Sugar prices edged up to USD ~573/MT from USD ~562/MT in 10MMY25 (up ~2.0% YoY), even as global prices fell ~23.8% YoY over the same period. This mild increase in local prices was driven mainly by a temporary spike in Oct-Nov'25, when retail prices hit an all-time high amid disruptions in the sales tracking and distribution system, along with restrictions on inter-provincial movement.
- This extends a pattern already visible in MY25, when local prices rose ~12.1% YoY to USD ~576/MT from USD ~514/MT in MY24, moving opposite to the global downtrend of that period as well. The MY25 increase in local prices was driven by lower domestic production and the government's decision to export sugar during the year, a move that created a genuine local shortage and pushed prices higher even as global prices eased on recovering production elsewhere.
- Going forward, Local sugar prices have declined by ~21% from their Nov'25 peak, stabilizing at a lower level by Jul'26. The YoY comparison reinforces this correction, with Jul'26 prices ~19.3% below Jul'25. This indicates that the decline represents a sustained normalization in prices rather than merely a temporary pullback. Whether this holds will largely depend on how domestic supply and trade policy evolve. Resumed exports or renewed distribution disruptions could push prices back up, while continued caution on the export side would likely keep prices anchored near current levels.



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Market Share | Top Players

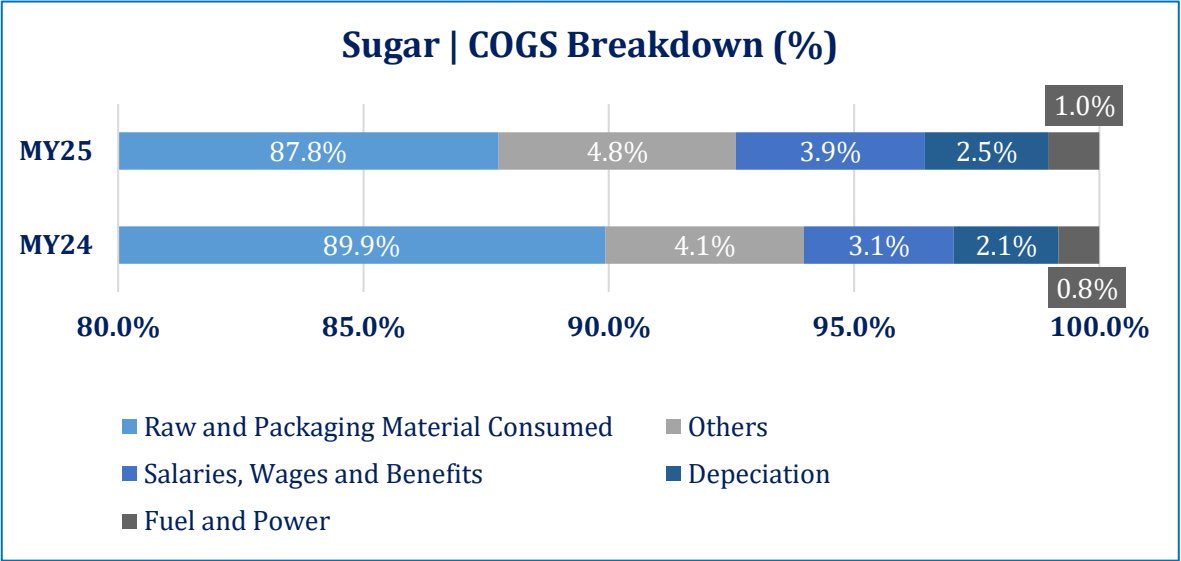
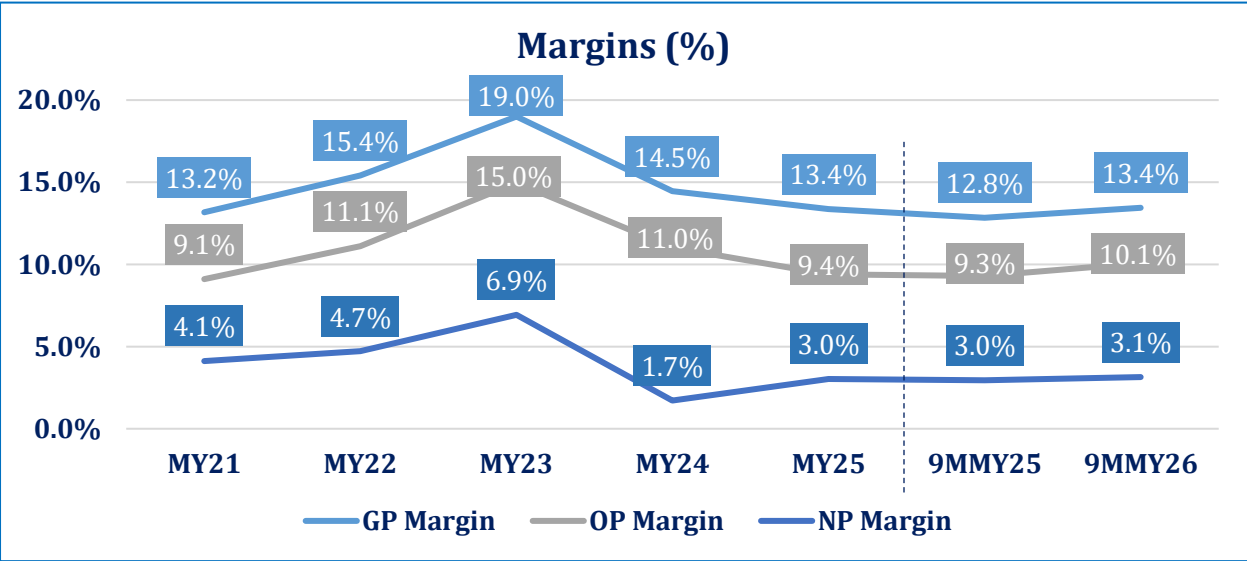
Production Share - Top 20 Players - MY25					
Sr.	Company	Cane Crushed (MT)	Sugar Production (MT)	Recovery Rate	Market Share*
1	JDW (Combined) (Punjab and Sindh)	6,559,958	679,991	10.4%	11.8%
2	Hamza (Punjab)	2,553,976	243,825	9.5%	4.2%
3	Tandlianwala (Combined) (Punjab)	2,745,635	238,645	9.0%	4.1%
4	Etihad (Punjab)	1,996,968	206,466	10.3%	3.6%
5	Hunza (Combined) (Punjab)	2,240,575	186,915	8.3%	3.2%
6	JK/AKT (Sindh)	1,744,725	184,461	10.6%	3.2%
7	Rahim Yar Khan (Punjab)	1,949,995	176,129	9.0%	3.1%
8	Al-Moiz (Combined) (Punjab and KPK)	1,696,534	168,263	9.9%	2.9%
9	Sheikhoo (Punjab)	1,591,876	154,244	9.7%	2.7%
10	Chashma (Combined) (KPK)	1,484,965	144,654	9.7%	2.5%
11	Fatima (Punjab)	1,407,761	135,600	9.6%	2.3%
12	Layyah (Punjab)	1,421,222	135,506	9.5%	2.3%
13	Deharki (Sindh)	1,340,374	133,704	10.0%	2.3%
14	Two Star (Punjab)	1,402,811	128,659	9.2%	2.2%
15	Alliance (Sindh)	1,210,106	123,435	10.2%	2.1%
16	Ramzan (Punjab)	1,279,731	115,185	9.0%	2.0%
17	JK-I (Punjab)	1,192,336	114,192	9.6%	2.0%
18	Indus (Punjab)	1,076,931	109,223	10.1%	1.9%
19	Safina (Ph-Wali) (Punjab)	1,080,632	105,965	9.8%	1.8%
20	Chaudhry (Punjab)	1,036,770	103,898	10.0%	1.8%
21	Others	23,246,298	2,181,276	9.4%	37.8%
Total		60,260,179	5,770,236	9.6%	100.0%

*Based on Production.

Sugar

Business Risk | Margins

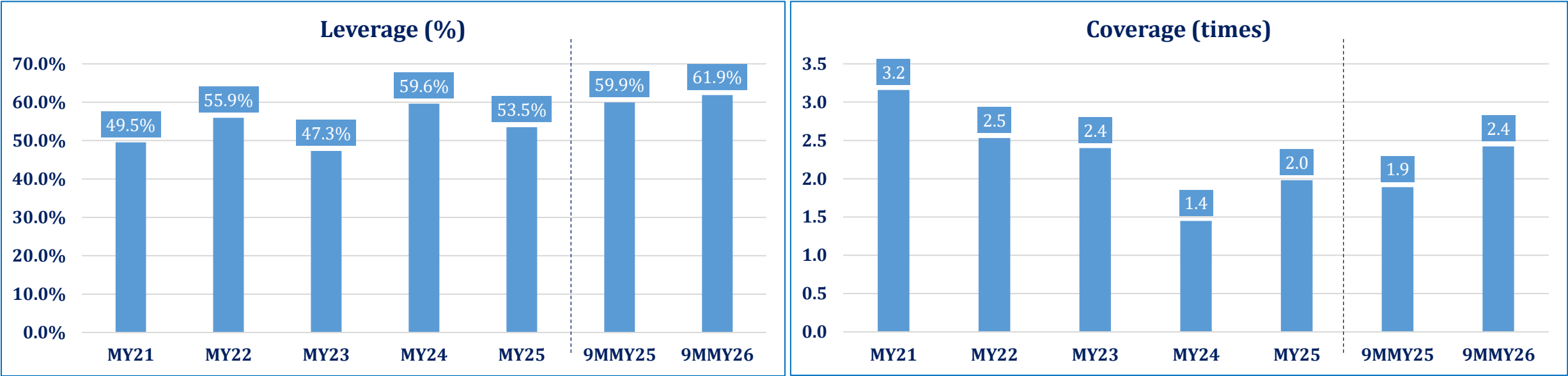
- Revenue and profitability of the Sector is function of location, the demand-supply scenario, operating efficiency, and government measures from time to time. Margin profiles also differ across Sector players based on their level of forward integration, while sucrose recovery rate remains a key determinant of overall profitability. Accordingly, profitability margins for the Sector is assessed in relation to the overall margin contribution from Sugar and allied by-product segments, namely co-generation, ethanol/distillery, molasses, and bagasse, among others.
- For 9MMY26, the Sector's margins strengthened across the board. Gross margins rose to ~13.4% (9MMY25: ~12.8%), while operating and net margins improved to ~10.1% and ~3.1%, respectively (9MMY25: ~9.3% and ~3.0%). The improvement was driven by firmer local Sugar prices, which held up even as global prices fell sharply. However, sustaining this trend will depend on how the current production surplus and pending deregulation measures affect pricing power going forward. Looking ahead, the EU's Jun'25 suspension of GSP+ duty-free access for Pakistani ethanol poses a downside risk to by-product export income and could pressure margins in MY26, having only partially impacted the tail end of MY25.
- During MY25, gross margins declined to ~13.4% (MY24: ~14.5%), as a ~5.0% YoY increase in cost of goods sold outpaced the ~3.8% growth in sales revenue. Operating margins also contracted to ~9.4% (MY24: ~11.0%), primarily reflecting higher distribution expenses, driven by elevated export-related costs. Net margins, however, improved sharply to ~3.0% (MY24: ~1.7%), as a ~34.7% YoY contraction in finance cost more than offset the compression in operating profitability, aided by the SBP's rate-cutting cycle through the year. The Sector relies heavily on raw materials, though this eased to ~87.8% of total costs in MY25 (MY24: ~89.9%). This is followed by Others at ~4.8% (i.e. Stores and spare parts consumed, Operation and maintenance, etc.) and Salaries, Wages and Benefits at ~3.9%.



Note: Calculations are based on ~30 Rated / Sector players financials. 9M data is reflective of ~24 sector players.

Financial Risk | Leverage and Coverage

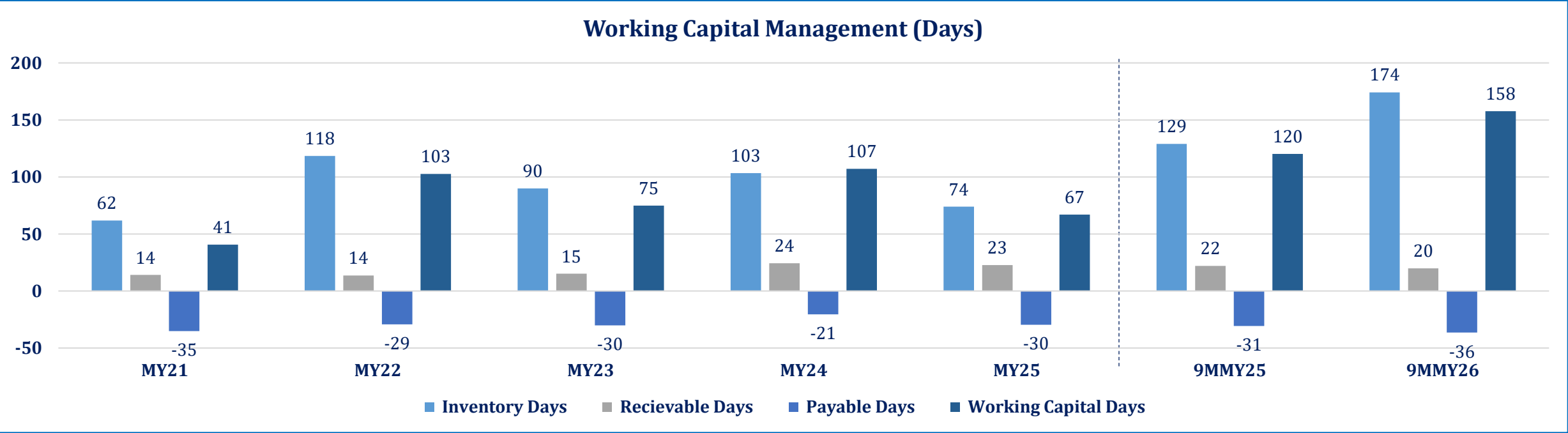
- Leverage is structurally elevated in the Sector due to its seasonal business model. Production and cane procurement are concentrated over a few months, while sales occur year-round, requiring sizeable inventory funding through short-term borrowings. Accordingly, leverage remains a key factor as excessive debt can constrain liquidity and financial flexibility during weak-price or surplus-production cycles.
- Leverage climbed to ~61.9% in 9MMY26, up from ~59.9% in 9MMY25, as a larger crop drove higher crushing volumes, raising short-term borrowing for procurement and leaving more stock unsold at period-end. MY25 leverage eased to ~53.5% (MY24: ~59.6%), as stronger exports and prices sped up stock offtake, which fed directly into debt repayment.
- Coverage strengthened to ~2.4x in 9MMY26 from ~1.9x in 9MMY25, as higher Sugar prices lifted earnings more than the accompanying rise in finance cost from heavier seasonal borrowing. MY25 coverage recovered to ~2.0x from a low of ~1.4x in MY24, as the SBP's steep rate cuts through the year, from a ~17.5% in MY24 to around ~11.0% by MY25, sharply lowered finance costs on the Sector's short-term borrowing.



Note: Calculations are based on ~30 Rated / Sector players financials. 9M data is reflective of ~24 sector players.

Financial Risk | Working Capital Management

- In 9MMY26, inventory days increased sharply to ~174 days (9MMY25: ~129 days), as mills held elevated stock levels amid declining local prices, deferring sales in hopes of better pricing, slowing offtake of sugar produced during the Nov–Mar crushing season. Receivable days improved slightly to ~20 days (9MMY25: ~22 days), consistent with the Sector’s predominantly cash and short-credit sales model, while payable days increased to ~36 days (9MMY25: ~31 days). Consequently, net working capital days widened to ~158 days (9MMY25: ~120 days), indicating higher working capital intensity and increased reliance on short-term borrowings to finance inventory buildup.
- On a full-year basis, the Sector’s inventory days declined notably to ~74 days in MY25 (MY24: ~103 days), reflecting faster inventory turnover. Receivable days remained broadly stable at ~23 days (MY24: ~24 days), while payable days increased to ~30 days (MY24: ~21 days). Consequently, net working capital days improved markedly to ~67 days (MY24: ~107 days), primarily driven by lower inventory holding and longer supplier credit.

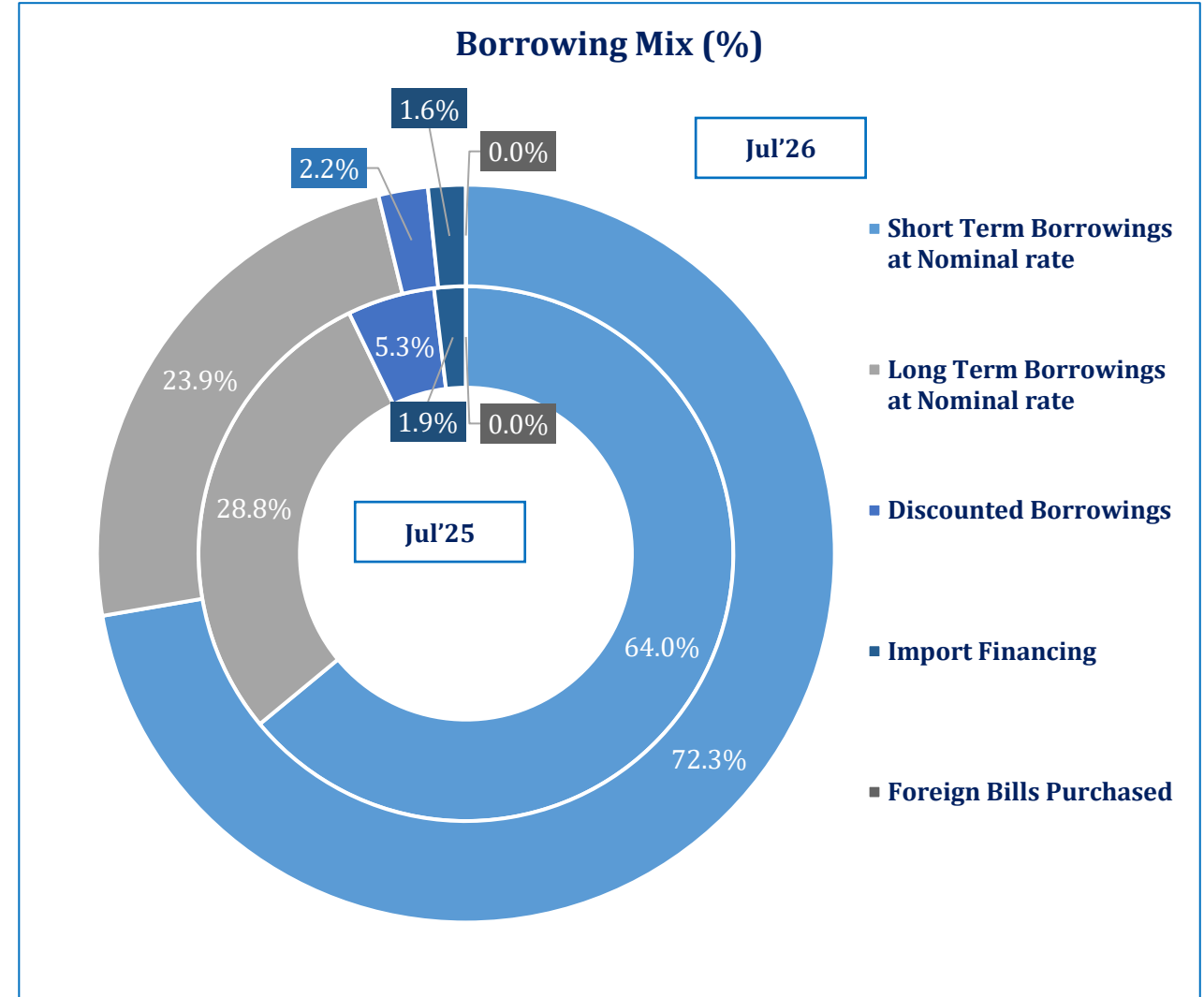


Note: Calculations are based on ~30 Rated / Sector players financials. 9M data is reflective of ~24 sector players.

Sugar

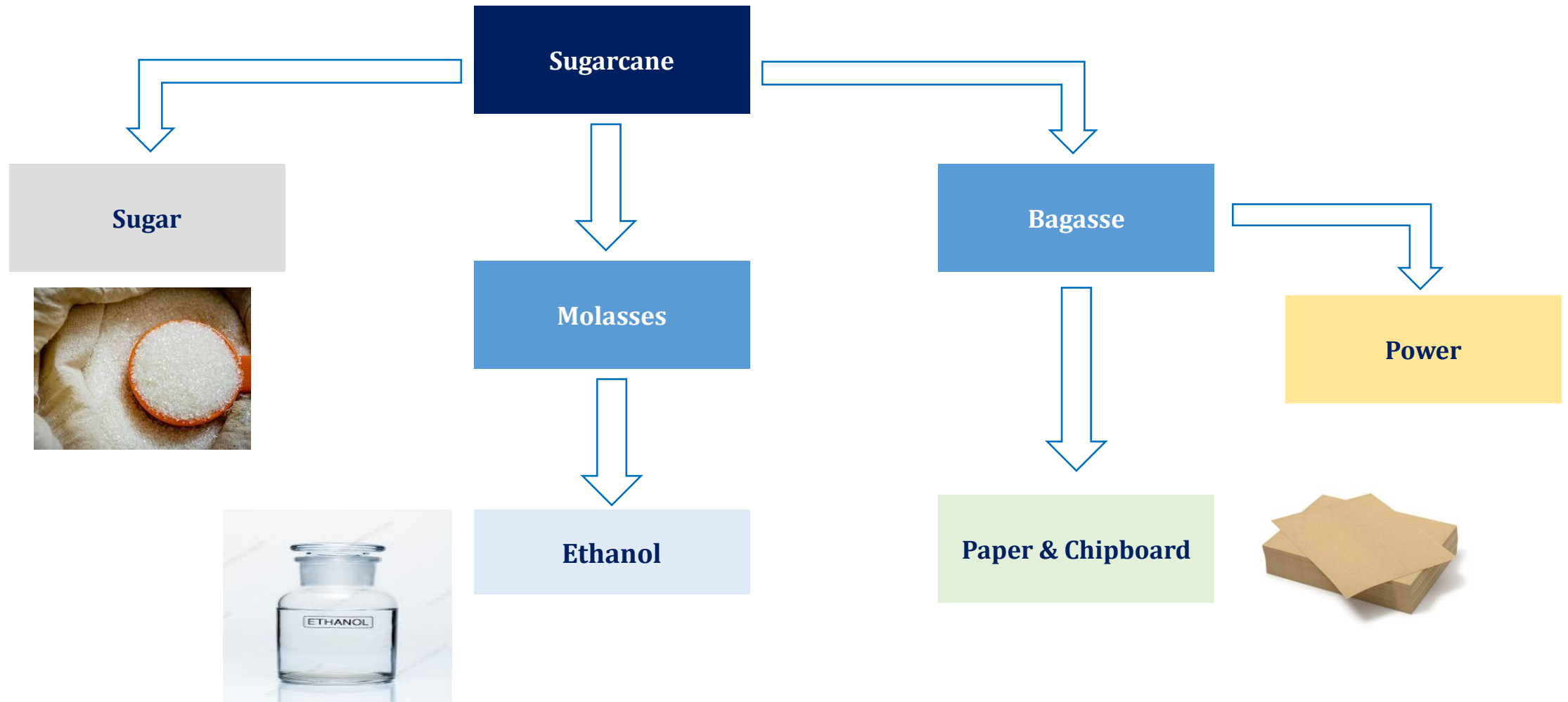
Financial Risk | Borrowing Mix

- As of End-Jul'26, the Sector's overall borrowings stood at PKR~554.4Bn, up ~39.7% YoY (End-Jul'25: PKR~396.9Bn).
- Short-term borrowings (STBs) at nominal rate stood at PKR~400.9Bn, up ~57.8% YoY, and held the largest share in the Sector's borrowing mix at ~72.3% (End-Jul'25: ~64.0%).
- Long-term borrowings (LTBs) at nominal rate stood at PKR~132.4Bn, up ~15.8% YoY and held a share of ~23.9% in overall borrowings (End-Jul'25: ~28.8%).
- Discounted borrowing (LTFF & EFS) stood at PKR~12.0Bn (End-Jul'25: ~21.0Bn), down ~42.8% YoY and held a share of ~2.2% in the overall borrowing mix.
- Meanwhile, import financing stood at PKR~9.1Bn (End-Jul'25: PKR~7.6Bn), up ~20.5% YoY as of End-Jul'26, and held ~1.6% share in the total borrowing mix during the period.
- The Sugar Sector's infection ratio improved to ~6.2% at End-Mar'26 (End-Mar'25: ~9.6%), indicating lower credit risk YoY, though remaining slightly above the corporate sector average of ~5.8%.



Sugar

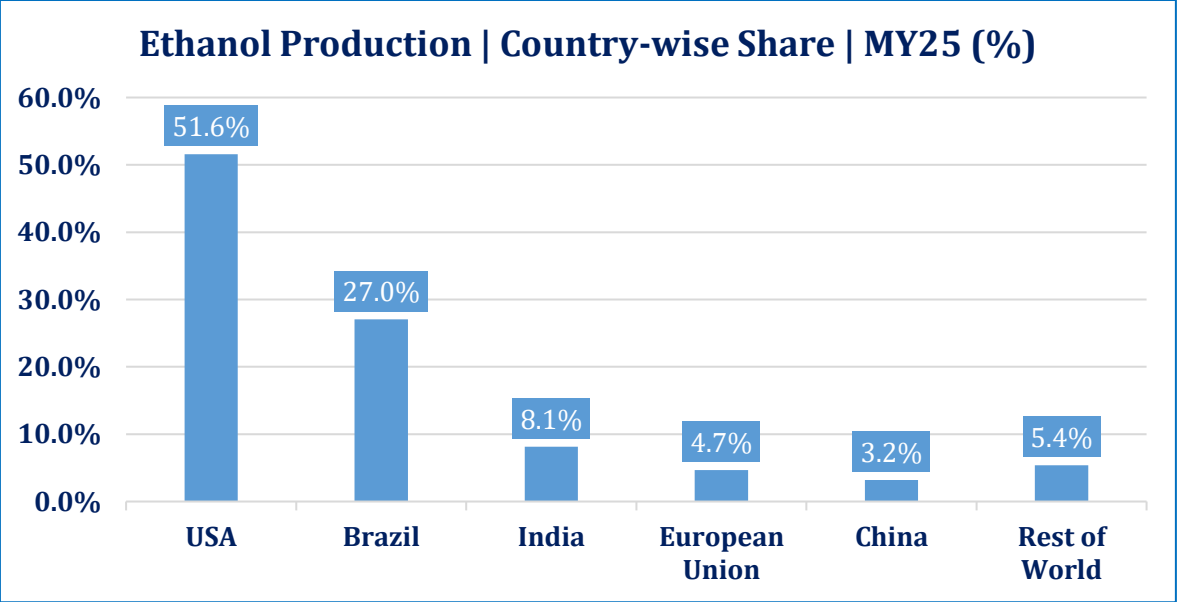
By-Products | Process Flow



Ethanol | Global Overview

- Global Ethanol production rose from ~118.5Bn litres in MY24 to ~121.0Bn litres in MY25, a YoY increase of ~2.1%. India drove much of this growth as its output surged from ~7.0Bn litres to ~9.8Bn litres, a jump of ~40.0% YoY, driven largely by its E20 blending mandate, even as Brazil (~33.9 to ~32.7Bn litres) and China (~4.4 to ~3.9Bn litres) both saw output decline over the same period.
- By MY25, the USA held a commanding ~51.6% share of global Ethanol production, more than double Brazil's ~27.0% share. India's rapid growth pushed it to ~8.1%, ahead of the European Union (~4.7%) and China (~3.2%).
- Looking ahead, this growth trajectory is expected to continue, with the global Ethanol market projected to expand at a CAGR of ~4.6% through early CY30s. Brazil in particular is positioned for a sharp production jump, with mills shifting more sugarcane toward Ethanol rather than sugar as global sugar prices sit near multi-year lows, an incentive that could further tilt Brazil's output mix and export volumes. India is also likely to remain a key driver of this growth, supported by its ongoing ethanol blending push.

Global Ethanol Production (Bn litre)					
Countries	MY21	MY22	MY23	MY24	MY25
USA	56.8	58.1	58.9	61.3	62.4
Brazil	27.4	28.0	32.5	33.9	32.7
India	3.1	3.9	5.4	7.0	9.8
European Union	5.2	5.4	5.3	5.6	5.7
China	3.4	3.6	4.0	4.4	3.9
Rest of World	5.8	6.1	6.2	6.3	6.5
Total	101.7	105.1	112.3	118.5	121.0

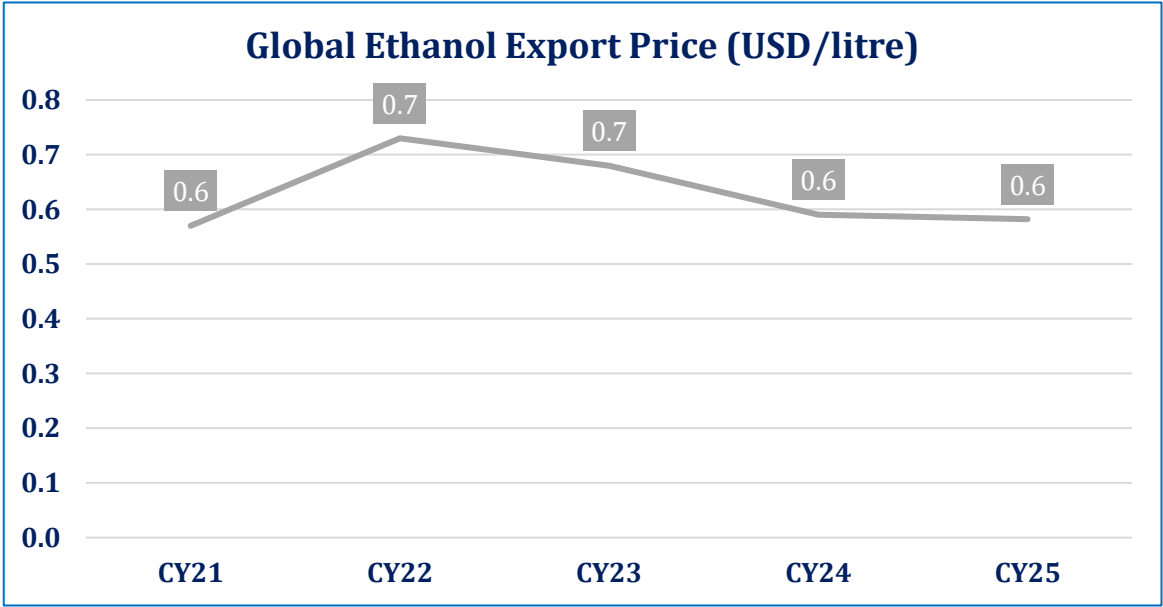
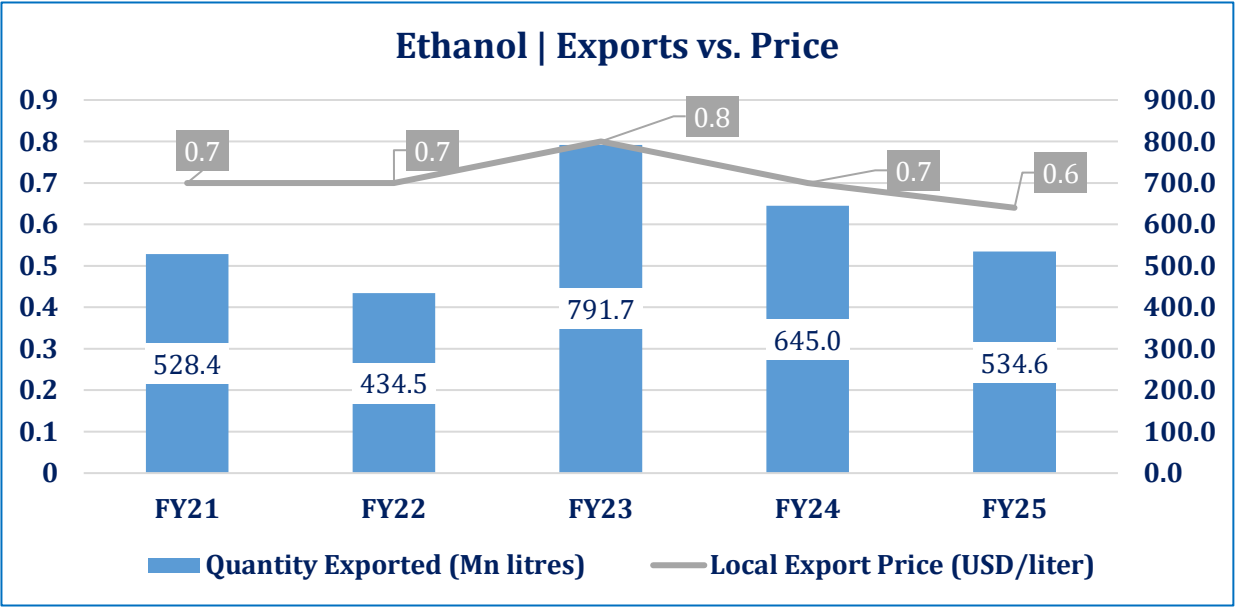


Note: *1 Gallon=3.78 litres

Sugar

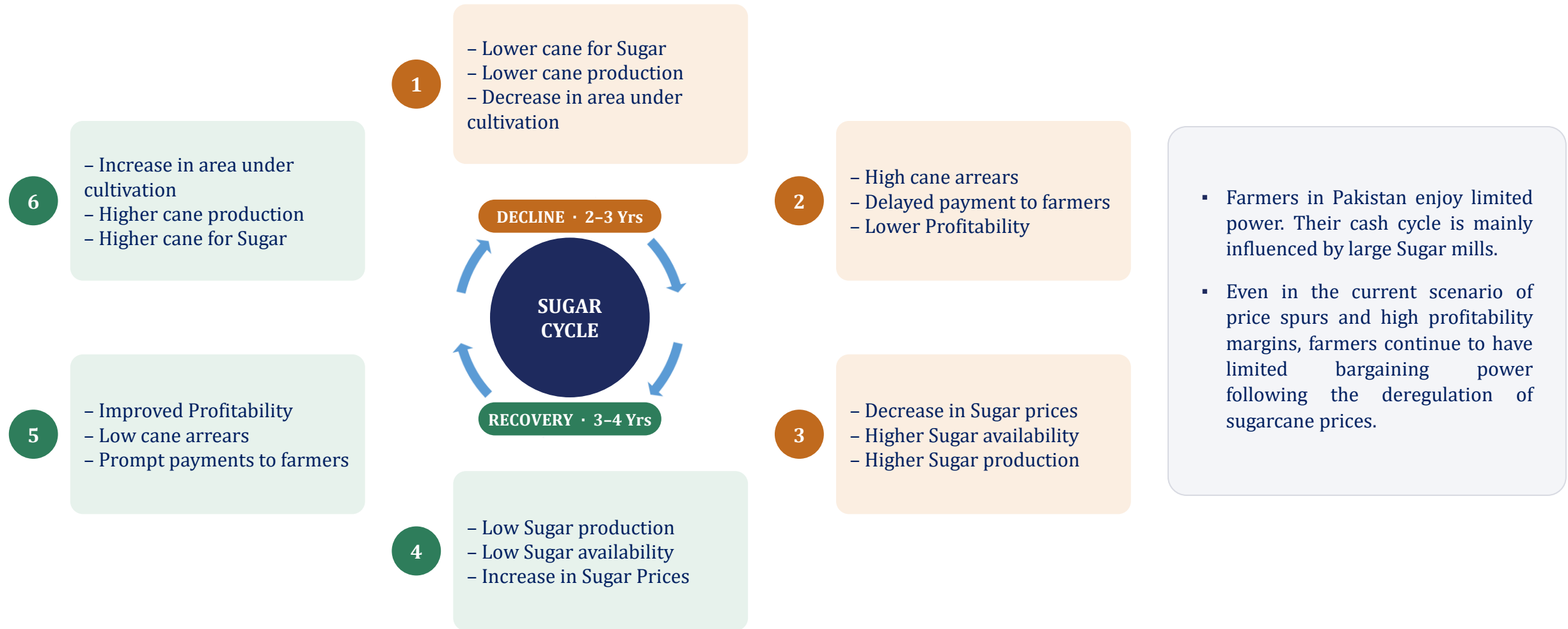
Ethanol | Local

- Ethanol export quantity declined to ~534.6Mn litres in FY25 (FY24: ~645.0Mn litres), a fall of ~17.1% YoY, following a sharp rise to a peak of ~791.7Mn litres in FY23. This reversal reflects growing uncertainty in the EU, a key export market, through FY25. As regulatory scrutiny over Pakistan's surging ethanol exports intensified, EU buyers pre-emptively scaled back orders ahead of a preferential trade suspension that was formally confirmed later in the year.
- Local export prices eased to USD ~0.6/litre in FY25 (FY24: USD ~0.7/litre), a decline that broadly mirrors the trend in global Ethanol export prices, which similarly fell from USD ~0.7/litre in CY24 to USD ~0.6/litre in CY25.
- The close alignment between local and global price trends, along with the timing of the EU's policy shift, suggests Pakistan’s Ethanol export market remains highly exposed to global pricing dynamics and preferential trade access. Going forward, the loss of preferential EU access leaves a demand gap that exporters will need to address. Exporters are likely to keep diversifying toward alternative markets, while gaining sustainability certification for fuel-grade Ethanol could help offset some of the lost EU demand.



Sugar

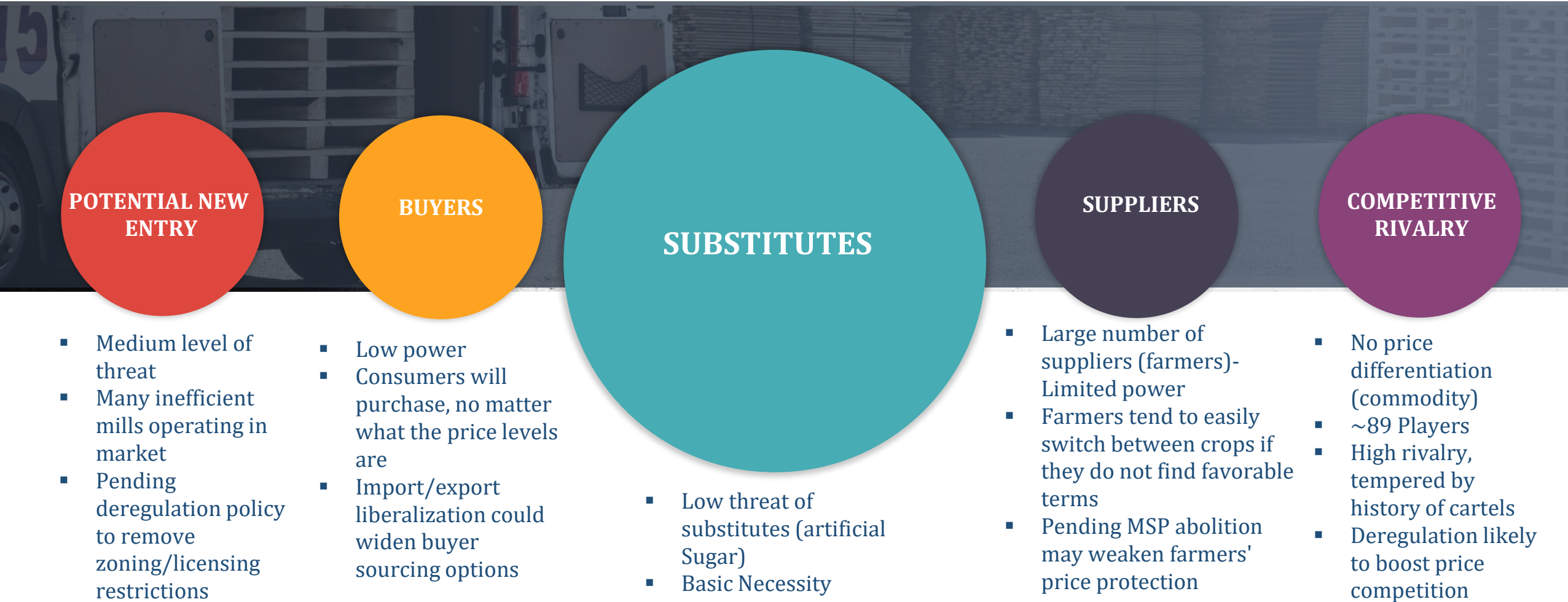
Production Cycle



Duty Structure

HS Code	Description	Custom Duty		Additional Custom Duty		Income Tax		Sales Tax	
		FY26	FY27	FY26	FY27	FY26	FY27	FY26	FY27
1701.9910	White Crystalline Sugar	20%	20%	4%	2%	12%	12%	18%	18%
1703.1000	Cane Molasses	0%	0%	0%	0%	12%	12%	18%	18%
1703.9000	Other Molasses	0%	0%	0%	0%	12%	12%	18%	18%
2207.1000	Ethyl Alcohol	90%	90%	6%	6%	12%	12%	18%	18%
2207.2000	Ethyl Alcohol	50%	30%	6%	4%	12%	12%	18%	18%

Porters 5 Forces Model



Sugar

SWOT Analysis

- Availability of land and raw material;
- Low cost skilled and unskilled labor;
- Suitable weather for crop yield;
- Large domestic market with increasing demand;
- Simple to operate plants;
- High crushing capacity.

Strengths

Weaknesses

- Lack of proper knowledge and training to farmers;
- Water management problems and small holding of land by farmers;
- Lack of proper recycling systems;
- Low recovery ratios and varying cost of sugarcane to mills;
- Inefficient plants running;
- Export Restrictions.

- Growing population and food consumption;
- Export market potential due to produced surpluses.
- High potential to increase yield and recovery ratios.
- Potential use of by-products in power generation and as feed stock for industries.

Opportunities

Threats

- Uncertainty and provincial pushback (Sindh) on 2026 deregulation rollout;
- Loss of EU preferential access denting ethanol exports;
- Global Sugar prices near multi-year lows, pressuring export returns;
- Changing climate patterns (floods, heatwave, pest outbreaks).

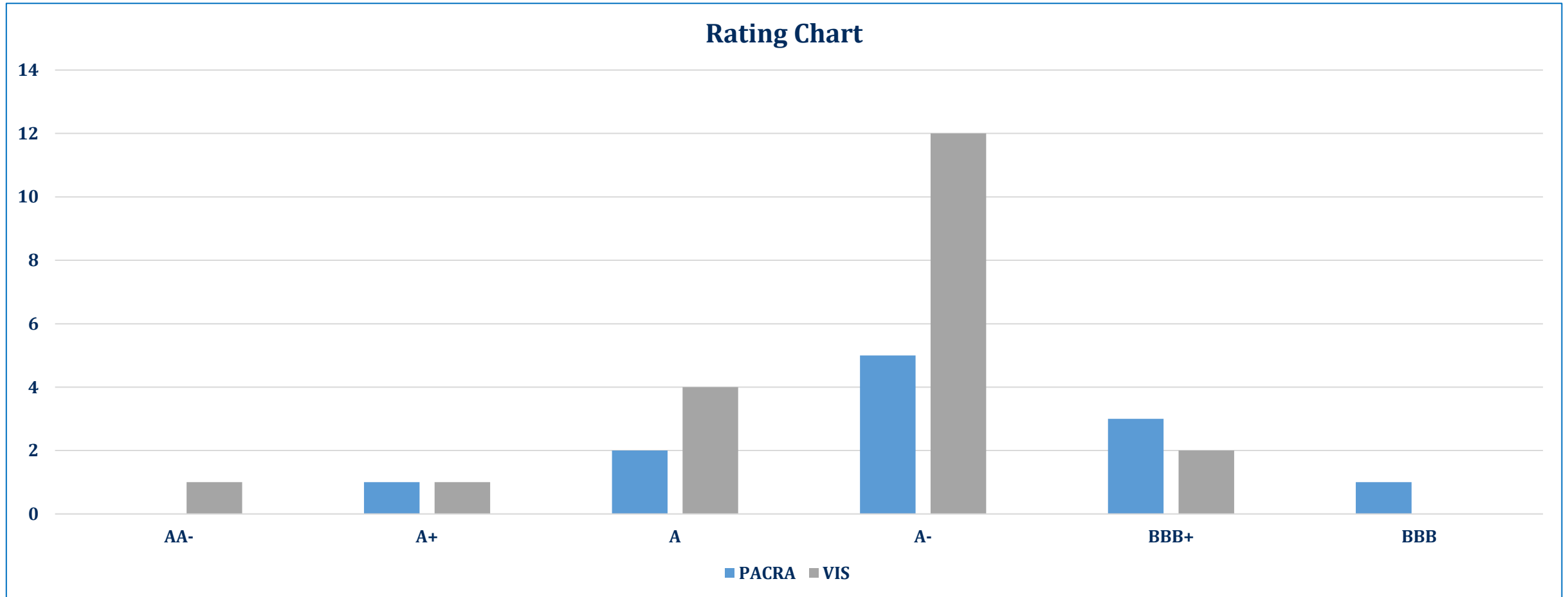
Sugar

Regulatory Framework

- **Sugarcane Act 1934:** Previously regulated the price of sugarcane purchased by factories, assuring growers a fair return (originally enacted by the British Indian central legislature pre-partition, later adapted for Pakistan).
- **Sugar Factory Control Act 1950:** Regulates supply of sugarcane to factories (area reservation, crushing season start dates, and cane sourcing) in addition to price.
- **Punjab Sugarcane Control Order 1972:** Regulates and, where necessary, prohibits the movement, transport, supply, and distribution of sugarcane, along with trade and commerce in it.
- **Punjab Foodstuff Act 1958 / Sindh Foodstuff (Control) Act 1958:** Provincial powers to control the supply, distribution, and movement of, and trade and commerce in, foodstuffs within each province.
- **Price Control and Prevention of Profiteering and Hoarding Act 1977:** Empowered price control and anti-hoarding measures for essential commodities; its nationwide application was struck down by the Lahore High Court in CY23 as unconstitutional beyond provincial scope, leaving federal price-control authority under this Act contested.
- **Punjab Registration of Godowns Act 2014:** Requires registration of godowns to create a comprehensive system ensuring stable supply and availability of essential articles like Sugar.
- **Competition Act 2010:** Empowers the CCP to monitor anti-competitive practices in the Sugar Sector, covering not just sugar mills and private parties but also government bodies such as the Sugarcane Control Board.
- **National Sugar Deregulation Policy 2026:** A pending IMF-linked reform proposing to remove zoning and licensing restrictions, abolish the minimum support price in favor of market-determined pricing, and liberalize Sugar imports/exports by Nov'26; still under negotiation, with Sindh opposing immediate rollout and pushing to retain the Sugar Factories Control Act instead.

Rating Curve

- PACRA rates 12 entities in Sugar sector. Rating bandwidth for the Sector is AA- to BBB.



Sugar

Outlook: Stable

- Pakistan's GDP (nominal) in FY26 reached PKR ~126.9Tn, reflecting a YoY growth of ~11.3% in nominal terms, compared to ~8.3% in FY25. Within the economy, agriculture accounted for ~23.5% of GDP, industry contributed ~18.1%, while the services sector held the largest share at ~58.4%. Looking ahead, the GoP has projected real GDP growth of ~4.0% for FY27.
- Sugarcane production rebounded in MY26, rising to ~89.5Mn MT (MY25: ~84.2Mn MT), an increase of ~6.3% YoY, driven by improved yields to ~73.2 MT/Ha (MY25: ~71.8 MT/Ha) despite broadly unchanged cultivation area. In MY26, the average annual Sugar recovery rate from sugarcane climbed to ~9.8% (MY25: ~9.6%), as crushing increased by ~31.0% while sugar output increased a steeper ~32.8%, indicating more sugar was extracted per tonne of cane.
- During MY26, Sugar production rebounded sharply to ~7.6Mn MT (MY25: ~5.8Mn MT), an increase of ~31.0% YoY. This came as recovering sugarcane availability fed through to the crushing season. It follows a MY25 shortfall driven by lower production alongside ~0.8Mn MT of exports, which had created a genuine domestic shortage and sharply higher retail prices. In MY26, the GoP reversed course by restricting exports and instead importing ~0.3Mn MT to rebuild the depleted stock position, rather than repeat the prior year's export-driven drawdown.
- In 9MMY26, the Sector's margins improved across the Sector, with gross, operating and net margins strengthening to ~13.4%, ~10.1% and ~3.1%, respectively (9MMY25: ~12.8%, ~9.3% and ~3.0%). On a full-year basis, MY25 margins were mixed. Gross margins eased to ~13.4% (MY24: ~14.5%), while operating margins declined to ~9.4% (MY24: ~11.0%). Net margins, however, improved sharply to ~3.0% (MY24: ~1.7%), aided by a ~34.7% YoY contraction in finance cost.
- The Sector's near-term trajectory hinges on the Sugar deregulation policy, which the GoP committed under its IMF program. That deadline has now passed without implementation, as Sindh's provincial cabinet formally opposed key elements of the draft policy in May'26, leaving the reform's timing and final shape uncertain.
- Meanwhile, PSMA continues to press for export approval on a surplus now estimated at ~1.3Mn MT as of Jul'26, with mills reportedly selling below the cost of production. This has left a large volume of inventory sitting unsold, as mills hold back stock in anticipation of a more favorable pricing environment rather than offload at current levels. Continued delay on both fronts risks further margin pressure heading into the next crushing season, while timely resolution could meaningfully ease the Sector's pricing and profitability outlook.

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- Food and Agriculture Organization (FAO)
- PACRA Database

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