



Rating Action

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PACRA ASSIGNS RATING OF A+ TO PROPOSED SECURED TFC ISSUE BY AL-ABBAS SUGAR MILLS LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned 'A+' (Single A plus) rating to the proposed privately placed secured TFC issue of PKR 750mln including green shoe option of PKR 250mln by Al-Abbas Sugar Mills Limited (AASML). The rating denotes a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The rating reflects the company's sound capital structure, operational efficiency and management quality. The rating also recognizes diversification in the company's operations – sugar and distillery –that has helped to some extent in managing relatively high business risk, an inherent feature of the cyclical nature of sugar business.

About the TFC Issue:

AASML is in the process of issuing a secured privately placed TFC of PKR 750mln including a green shoe option of PKR 250 for a tenure of 6 years. The instrument carries profit at a rate of 6 month KIBOR + 175bps payable semi-annually. The issue is secured by first pari passu charge on the present and future fixed assets of AASML with 25% margin. The proceeds of the TFC would be utilized to finance ongoing working capital requirements, in addition to retiring a portion of existing short-term debts. The company has a strong capacity to satisfy its TFC holders' obligations, as reflected by improving performance combined with a strong capital structure.

About the Company:

Al-Abbas Sugar Mills Limited (AASML), listed on the Karachi Stock Exchange (KSE), was incorporated in May 1991. The company operates a sugar plant and an Industrial Alcohol Distillery (IAD) located in Mirpurkhas, a district of lower Sindh. Al-Abbas group owns majority shareholding (around 50%) in AASML followed by Jahangir Siddiqui (JS) group. AASML has recently acquired 100% shareholding of Al-Abbas Industries Limited (AAIL), which is engaged in the business of manufacture and sale of Medium Density Fiber Board, based on local wood, Calcium Carbide and also has a 10MW power plant. The acquisition of AAIL has provided AASML diversification into non-sugar segments, though the time line and quantum of contribution towards the overall bottom line remains to be seen.

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