



**Rating Action**

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**PACRA DOWNGRADES RATINGS OF AZGARD NINE LIMITED; PLACED ON WATCH**

The Pakistan Credit Rating Agency (PACRA) has downgraded the long term and short term entity ratings of Azgard Nine Limited (ANL) to “A-” (Single A Minus) and “A2” (A two) respectively. The ratings of two secured TFC issues of PKR 2,144mln and PKR 2,500mln, have also been downgraded to “A” (Single A) and “A-” (Single A Minus), respectively. The capacity for timely payments of financial commitments may be susceptible to adverse changes in business, economic, or financial conditions. The ratings are placed on a watch with negative implications.

The ratings reflect ANL’s constrained financial profile emanating from a mismatch in its asset/liability structure, accentuated by tightened credit markets limiting access to fresh borrowings. The company’s effort to generate requisite liquidity through divestment of strategic investment has provided limited cushion. Cognizant of this, the management has embarked upon a debt-restructuring program, the outcome and timeliness of which remains critical for the ratings. Meanwhile, the ratings incorporate the company’s sustained progression towards higher value addition in denim products, augmented by vertical integration of its production and effective marketing infrastructure. The strengthening of control environment remains critical.

***About the TFCs:***

The company issued a secured TFC of PKR 2,144mln in September 2005. The TFC is of a seven-year tenor, with principal redemption, to be made in ten unequal semi-annual installments, starting from March 2008. ANL issued another TFC of PKR 2,500mln in December 2007. The TFC has seven years tenor, with principal repayment starting in June 2010.

***About the company:***

ANL – listed on the Karachi Stock Exchange – started commercial production in 1997. The sponsoring shareholders of ANL are Shaikh family (43%) followed by JS Group (36%).

ANL’s board of directors, comprising seven members including the Chief Executive Officer (CEO), has mostly non-executive members. Apart from the CEO, there are three directors from the sponsoring shareholders. The CEO, Mr. Ahmed Humayun Shaikh, has been associated with the company since its inception.

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