



Rating Action

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PACRA DOWNGRADES RATINGS OF AZGARD NINE LIMITED TO “SD”

The Pakistan Credit Rating Agency (PACRA) has downgraded the entity ratings of Azgard Nine Limited to “SD” (Selective Default), [Previous entity ratings; long-term: BB+; short term B]. The rating denotes that a portion of the financial obligations are currently in default.

The company has experienced significant deterioration in its financial profile, that has led to further weakening in its core performance. Cognizant of this, ANL went into wholesale restructuring of its obligations to rationalize its financial profile. The company, to date, has been successful in restructuring its rated instruments. However, ANL's business performance further plummeted due to continuing delay in replenishment of the company's working capital as principally agreed in the restructuring program. The recent floods have played incremental havoc with the company's ability to generate cash. These factors have resulted in significant overdues on account of ANL's unrated debts. Early completion of principal restructuring and timely divestment of ANL's stake in Agritech Limited are expected to support the company in regaining its position in the lucrative denim business, in turn improved margins and cashflows.

The ratings of its listed TFCs issue of PKR 2,144mln and PPTFCs issue of PKR 2,500mln have been revised to “CCC” (previous rating: BBB- and BB+, respectively). The ratings, in addition to security structure, reflect the cushion available for the repayment (beginning 1QCY11) by which time the entire restructuring process is expected to complete, supporting cashflow generation of the company. Meanwhile, the ratings would continue to remain on a watch.

RATINGS	NEW	PREVIOUS
ENTITY		
Long Term	SD	BB+
Short Term	-	B
TFCs (PKR in mln)		
2,144	CCC	BBB-
2,500	CCC	BB+
RATING WATCH	On	On

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