



## Rating Action

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## PACRA UPGRADES ENTITY AND TFC RATINGS OF AZGARD NINE LIMITED

The Pakistan Credit Rating Agency (PACRA) has upgraded the long-term rating to “A+” (Single A plus) while maintaining the short-term rating at “A1” (A One) of Azgard Nine Limited (ANL). These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payments of financial commitments. The rating of the first secured TFC issue of PKR 2,144mln has been upgraded to “AA-” (Double A minus). Meanwhile, short term rating of “A1+” (A one plus) has been assigned to the second secured TFC issue of PKR 2,500mln, pending redemption in Jan 2008.

The ratings reflect the company’s sustained progression towards higher value addition in denim products, supplemented by efficient vertical integration of textile operations, and long-standing relationships with customers. At the same time, the ratings recognize the beneficial implications of the acquisition of fertilizer operations for the overall business risk of ANL. Meanwhile, the management has embarked upon a plan to re-profile the company’s borrowings in the near term, which would help in reducing the financial risk. The improving cash flows of the company, as fortified by the fertilizer business, are also a key-rating factor.

### *About the TFC Issues:*

The company issued a secured TFC of PKR 2,144mln in 2005 to meet its expansion plans as well as BMR expenditure. The TFC issue is of a seven-year tenure, and carries a profit rate of 6 months KIBOR plus 240 basis points, with no cap or floor. Principal redemption will be in ten unequal semi-annual installments starting from Mar-08. The TFC is secured by way of first parri passu charge on the present and future fixed assets of the company with a 25% margin. The company issued another TFC of PKR 2,500mln for acquisition of Pak American Fertilizers Limited in July 2006. The TFC carries profit, payable quarterly, at the rate of 6-months KIBOR plus 300 basis points, with no floor and cap. The TFC was originally issued for a thirteen months tenor. However, its redemption has been rescheduled to Jan 2008.

### *About the company:*

Azgard Nine Limited (ANL) – listed on the Karachi stock exchange – started commercial production in 1997, and is a leading exporter of denim fabric and garments. The company completed 100% acquisition of Pak American Fertilizers Limited (PAFL), during July 2006 – 5<sup>th</sup> largest fertilizer company in Pakistan. *Shaikh* family has a majority stake (40%) in ANL, followed by JS Group (36%). The CEO of the company, a professional of proven standing, is assisted by a team of experienced professionals.

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