



Rating Action

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PACRA REVISES RATINGS OF AZGARD NINE LIMITED; REMAIN ON RATING WATCH WITH NEGATIVE OUTLOOK

The Pakistan Credit Rating Agency (PACRA) has revised the long term and short term entity ratings of Azgard Nine Limited (ANL) to “BB+” (Double BB Plus) and “B” (Single B), respectively (Previous: long term: A-, short term: A2). The rating of PPTFCs issue of PKR 2,500mln has been revised to “BB+” (Double BB Plus, previous rating: A-). These ratings indicate that credit risk is developing, particularly as a result of adverse economic change over time.

Meanwhile, rating of its listed TFCs issue of PKR 2,144mln has been revised to “BBB-” (Triple B Minus, previous rating: A). A higher instrument rating compared to the entity rating captures the security structure of the TFCs.

Azgard Nine Limited’s financial profile came under severe pressure mainly due to subdued profitability, overdue receivables, and tightened credit markets limiting access to fresh borrowings. Consequently, Azgard suffered a serious setback in its operational capability, which went down significantly. The company’s effort to generate requisite liquidity through divestment of minority stake in a strategic investment – Agritech Limited (now 75% owned) – provided limited cushion. Moreover, Agritech witnessed significant deterioration in its financial profile, attributed to substantial delay in the completion of its major BMR program coupled with sizeable cost overrun.

Cognizant of this, the management embarked upon a twofold strategy: (i) divestment of its remaining stake in Agritech and (ii) restructuring of its borrowings, including revival and expansion in working capital lines. The divestment is at an early stage of due diligence by interested investors. Restructuring is at an advanced stage of being finalized. Both TFCs have been restructured though these experienced a certain amount of delay in execution thereof. The company has principal restructuring consent of lenders for other borrowing lines, wherein documentation is in process.

Given the ongoing restructuring process, where timely completion is critical, ratings are kept under watch. Meanwhile, outlook remains negative highlighting high business risk, in addition to financial risk, necessitating active revival of profitable core operations.

RATINGS	NEW	PREVIOUS
ENTITY		
Long Term	BB+	A-
Short Term	B	A2
TFCs (PKR in mln)		
2,144	BBB-	A
2,500	BB+	A-
RATING WATCH	On	On
OUTLOOK	Negative	Negative

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