



RATING ACTION

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ANALYST

Samiya Mukhtar
(+92-42-3586 9504)
samiya@pacra.com
www.pacra.com

PACRA ASSIGNS RATING TO SECURED SUKUK ISSUE OF AMRELI STEELS LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned a rating of 'A-' (Single A Minus) [Preliminary Rating: 'A' (Single A)] to privately placed secured Sukuk of PKR 880mln by Amreli Steels Limited (ASL). The rating denotes a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The rating reflects ASL's stressed financial profile owing to weak core performance and, in turn, strained cash flows. The impact, to a great degree, has been managed through injection of fresh equity by sponsors and lately improved business fundamentals. Nevertheless, delays in completion of backward integration plan have added to company's business hitches, mainly in the form of sizeable finance cost. The rating incorporates the established franchise of the company and continuing commitment of Akberali Family – the major sponsor. The rating of the sukuk also draws comfort from grace period in principal repayment, wherein cash flows are expected to improve post integration of new plant.

The rating is dependent upon company's ability to successfully execute its planned integration and translation into improved margins while arresting further erosion in equity. Meanwhile, material increase in leveraging wherein sponsors fall short of fresh injection to sustain an adequate capital structure may negatively impact the rating.

The company: ASL, incorporated in 1984, is principally engaged in manufacturing and sale of reinforcement bars, mainly used for the construction of dams, high rise buildings, flyovers, industrial sheds and residential buildings. The company is producing steel bars according to British and American standards, with an installed capacity of 150,000 tonnes per annum. The company is fully owned by Akberali Family, which has been engaged in steel and allied businesses since early forties.

Mr. Abbas Akberali, the CEO of the company, is a metallurgical engineer and holds an MBA degree from Columbia University, USA. He has over 36 years of experience in local and the Middle-East markets. He is assisted by a team of relatively young but well- qualified professionals.

The Sukuk: The Sukuk of PKR 880mln was issued in December 2009. The issue is for a term of seven years including a grace period of two years. The profit is payable at 3 month KIBOR plus 250bps quarterly in arrears. At least 24% of the Issue amount would be redeemed during a period of three years starting from Dec-11 and the balance amount in sixth and seventh year in eight equal quarterly installments.

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