



RATING ACTION

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PACRA ASSIGNS RATING TO PROPOSED SUKUK ISSUE OF AMRELI STEELS LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned a rating of 'A' (Single A) to the proposed Sukuk issue of PKR 1,000mln 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 Amreli Steel's established franchise and its ownership and governance structure which is expected to strengthen by addition of new equity partner – JS Private Equity. Existing sponsors – Akberali Family – have demonstrated their commitment to support the company in case the need arises. The company's cash flows in the medium term may remain under stress owing to the ongoing backward integration of re-rolling plant. However, the rating draws comfort from grace period in principal repayment and expected improvement in profitability and cash flows in post integration scenarios.

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 for 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 currently wholly owned by Akberali Family, which has been engaged in steel and allied businesses since early forties. However, the company is in advanced stages of bringing JS Private Equity as new partners in Amreli Steels in the company.

JS Private Equity Fund, subsequent to proposed equity injection of PKR 665mln, would have 40% ownership stake in Amreli Steels.

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 proposed Sukuk: The company intends to issue a Sukuk of PKR 1,000mln. The proceeds of the instrument would mainly be utilized to re-profile its existing short term borrowings. The issue would be 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 after the grace period and the balance amount in sixth and seventh year in eight equal quarterly installments.

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