



Rating Action

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**PACRA DOWNGRADES RATINGS OF AGRITECH LIMITED;
PLACED ON WATCH**

PACRA has downgraded the long term and short term entity ratings of Agritech Limited (formerly Pak American Fertilizers Limited) to “A-” (Single A Minus) and “A2” (A Two) respectively. The ratings of syndicated finance facility of PKR 3,000mln, a privately placed secured diminishing *musharaka* based *sukuk* of PKR 1,600mln and two privately placed secured TFCs issues of PKR 1,500mln and PKR 6,900mln respectively have also been downgraded to ‘A’ (Single A). These ratings denote satisfactory capacity for timely payments of financial commitments. However, such capacity may be susceptible to adverse changes in business, economic, or financial conditions. The ratings are placed on a watch with negative implications.

The ratings reflect Agritech’s subdued financial profile attributed to pressure on its cashflow coverages in the wake of tightened credit markets limiting access to fresh borrowings. The company’s plant is closed since Jan10 on account of revamp integration, further constraining the cash flow stream. The parent’s (Azgard Nine Limited) plan to generate requisite liquidity through divestment of its stake in Agritech has provided limited cushion. Cognizant of this, the parent has embarked upon a debt-restructuring program, the outcome and timeliness of which remains critical for the ratings. Meanwhile, the ratings incorporate low business risk of the company emanating from robust demand of its products mainly urea.

About the TFCs: Agritech issued a secured TFC of PKR 1,500mln in Nov07 for a seven year tenor. Principal repayment will be made in 10 equal semi-annual installments, beginning May10. A secured TFC of PKR 6,900mln was issued in Jan08, for a seven year tenor. Principal repayment will be made in 10 equal semi-annual installments, beginning Jun10. Agritech obtained, in Sep08, a syndicated term finance facility of PKR 3,000mln, for seven years, with principal repayment in 10 equal semi-annual installments, beginning Mar11. The company also issued a secured diminishing *musharaka* based *sukuk* of PKR 1,600mln in Aug08, for seven year tenor, with principal repayment in 10 equal semi-annual installments, beginning Feb11.

About the Company: Agritech, acquired by Azgard Nine Limited (ANL) in 2006, has an annual designed capacity of 346,500MT. Shaikh family has a majority stake (~43%) in ANL, followed by JS Group (~36%). ANL has lately divested ~18 stake in Agritech through a public offer for sale.

Agritech’s board comprises eight members including the CEO. Two members, including the chairman of the board, Mr. Hamyun N. Shaikh, are from Shaikh family while one is from JS group. The remaining members are independent from the sponsors. The CEO, Mr Ahmed Jaudet Bilal, an MBA, is associated with the company since 2006.

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