



**Rating Action**

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**PACRA REVISES RATINGS OF AGRITECH LIMITED:  
REMAIN ON RATING WATCH WITH NEGATIVE OUTLOOK**

PACRA has revised the long term and short term entity ratings of Agritech Limited to “**BB+**” (Double BB+) and “**B**” (Single B) respectively (Previous: long term: A-, short term: A2). The ratings indicate that credit risk is developing, particularly as a result of adverse economic change over time.

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 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.

Agritech Limited’s financial profile has been severely impacted in the wake of high interest and tightened credit markets limiting access to fresh borrowings. The company’s urea revamp project, besides experiencing significant cost overruns, has met with significant delays. This caused substantial stress on the company’s liquidity profile. Another reason leading to sizeable deterioration in Agritech’s financial profile was lending to both the parent (Azgard Nine Limited) and the subsidiary (Hazara Phosphate Fertilizers Limited).

Cognizant of this, the company embarked upon a restructuring program, which in addition to change in repayment terms of existing long term lines includes conversion of most of existing short-term lines into long-term facilities. The process is currently at an advanced stage of being finalized. PPTFCs of PKR 1,500mln have been restructured though the process experienced a certain amount of delay.

Given the ongoing restructuring process, where timely completion is critical, ratings are kept under watch. Meanwhile, outlook remains negative due to constrained cashflows to meet high financial cost necessitating timely completion of revamp project to supplement the core profitability.

| <b>Ratings</b>                           | <b>New</b>      | <b>Previous</b> |
|--|-----------------|-----------------|
| <i>Entity</i>                            |                 |                 |
| Long Term                                | <b>BB+</b>      | A-              |
| Short Term                               | <b>B</b>        | A2              |
| <i>Secured, Privately Placed</i>         |                 |                 |
| TFC I PKR 1,500mln                       | <b>BBB-</b>     | A               |
| TFC II PKR 6,900mln                      | <b>BBB-</b>     | A               |
| Syndicated Finance Facility PKR 3,000mln | <b>BBB-</b>     | A               |
| Sukuk PKR 1,600mln                       | <b>BBB-</b>     | A               |
| Rating Watch                             | <b>On</b>       | On              |
| Outlook                                  | <b>Negative</b> | Negative        |

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