



Rating Action

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PACRA MAINTAINS ENTITY RATINGS OF FAZAL CLOTH MILLS LIMITED

The Pakistan Credit Rating Agency (PACRA) has maintained long term and short term entity ratings of Fazal Cloth Mills Limited (FCML) at 'A-' (single A minus) and 'A2' (A Two), respectively. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect FCML's improved profitability, emanating from favorable supply/demand equilibrium in the global market. The ratings continue to take support from the company's seasoned management team, having sound understanding of the industry dynamics and quality support infrastructure. Although the company's leveraging is on rise to finance ongoing expansion in the spinning capacity and establishment of a weaving unit, relatively strong core cashflows are expected to keep this at a manageable level.

The ratings are dependent on the successful execution of the expansion projects within the expected timeline without major cost overruns. The ratings depend upon effective management of the company's financial risk profile. In the meantime, continued competitiveness of the company through volatile global economic fundamentals remains important.

About the company :

Fazal Cloth Mills Limited (FCML), incorporated in 1966 and listed on Karachi and Lahore Stock Exchanges, is engaged in the manufacturing and marketing of different varieties of yarn with a capacity of 141,816 spindles. The major shareholder of the company are Fazal Group (FaG) and Fatima Group (FG), holding ~ 45% and ~44% respectively. FaG, enjoying management control of FCML, is also engaged in the business of cotton ginning, ring spinning, and greige fabric manufacturing. FG, with close to seven decades of experience in textile business, has interests in sugar, fertilizer and foreign trade.

FCML has a seven member board. With the exception of one member - a nominee of NIT - all members are from the families of major shareholders. There are three executive directors on the board. The CEO, Mr. Sheikh Naseem Ahmed, is also the chairman of the board. The top management, mainly dominated by the CEO and his two sons, is supported by a team of professionals with relevant experience in the textile industry.

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The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity.

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