



Rating Action

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PACRA ASSIGNS INITIAL RATINGS TO THE PROPOSED FACILITIES OF GERMAN WATER & ENERGY PAKISTAN (PRIVATE) LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned a rating of ‘A’ (Single A) to the Syndicate Term Finance Facility of PKR 525mln and rating of ‘A1’ (A one) to the Working Capital facilities of PKR 190mln of German Water & Energy Pakistan (Private) Limited (GWEP). These ratings indicate a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings recognize the pre-default blanket guarantee available to lenders of the rated facilities from BAUER AG, the major sponsor of GWEP, the borrower. BAUER’s operational and financial strength emanating from its diversified operations, adequate leveraging and strong profitability lends requisite strength to the guarantee. Nonetheless, GWEP’s ratings while reflecting the green-field nature of the project, also takes into account the political and economic uncertainty prevalent in the country, which may be a deterrent in BAUER’s long-term commitment to the project.

The company: GWEP, a joint venture between BAUER Resources GmbH (holding: 51%), Germany, Currentage International Marketing (Pvt.) Limited (29%), Pakistan, Mr. Kelly R. Smith (10%) of Canada and Mr. Rami Oweis (10%) of Jordan was incorporated in Aug-08. GWEP is setting up a modern facility for the manufacture of 10,400 MT/annum High & Medium Density Polyethylene (H&MDPE) pipes. In order to part-finance the capital expenditure associated with the venture and meet its working capital requirements, GWEP intends to avail the rated facilities.

The Facilities: The term finance would be for five years including a grace period of one year. It would be repaid in eight consecutive, equal semi-annual installments; the first such installment falling due at the end of eighteen months from the date of first drawdown date. The profit on facility is payable at 6 month KIBOR plus 290bps bi-annually in arrears

The working capital facility would be renewed on an annual basis, and would carry a coupon at 3 months KIBOR plus 250bps.

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