



Rating Action

Lahore : 05-Jul-2011

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PACRA UPGRADES ENTITY RATINGS OF IBRAHIM FIBRES LIMITED

The Pakistan Credit Rating Agency (PACRA) has upgraded the long term and short term entity ratings of Ibrahim Fibres Limited (IFL) to **AA-** (Double A Minus) and **A1+** (A One Plus), respectively. The ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payments of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

The ratings reflect IFL's dominant market position in the local polyester staple fiber (PSF) industry. The ratings recognize the company's seasoned management team, efficient production process, sound technological infrastructure, and effective control environment. The company is doubling its polyester plant's capacity for which it has taken adequate measures to achieve project completion within set targets (time as well as cost), and onward smooth operations. Given significant expansion related debt (~PKR 13bln), management of financial risk would be challenging. This is accentuated by subdued socio-economic environment and need to establish new markets to achieve higher utilization of expanded capacity. However, comfort is drawn from the fact that current quantum of free cash flows, is sufficient to hold debt coverages at adequate level. The stable dividend stream from the company's strategic investment - Allied Bank Limited - and the sponsor's continuing support remain key rating factors.

About the company: Ibrahim Fibres Limited (IFL), incorporated in 1986, is primarily engaged in the production and marketing of polyester staple fibre / polyester chips and blended yarns. The production facilities are located at Shahkot near Faisalabad; these facilities have annual production capacity of 208,600 metric tonnes for polyester staple fibre / polyester chips and 41,696 metric tons for yarn converted into 20/s count. The company is listed on Karachi and Lahore Stock Exchanges. Ibrahim group holds majority stake (~88%) in IFL directly through sponsoring individuals. In addition to IFL, the group holds a significant ownership stake in Allied Bank Limited.

IFL's board of directors comprises seven members, including the CEO. Apart from the CEO, there are two directors from the sponsoring family while the remaining directors are senior executives of the group. The company is headed by Chief Executive Officer, Mr. Mohammad Naem Mukhtar, who is duly supported by Mr. Muhammad Waseem Mukhtar and a team of senior executives having vast experience in their related fields.

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