



## Rating Action

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## PACRA Assigns Entity Ratings to Kohat Cement Company Limited (KCCL)

The Pakistan Credit Rating Agency (PACRA) has made downward adjustment to the long- term and short-term entity ratings of Kohat Cement Company Limited to A- (Single A Minus) and A2 (A Two), respectively. The ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect the cyclical nature of the cement industry, which exposes cement manufacturing companies to a relatively high business risk. Moreover, given the current supply surplus in the industry, it would be difficult for KCCL to achieve higher capacity utilization at reasonable margins in the near-term. At the same time, the ratings recognise the company's relatively low leveraged capital structure that has helped in managing the financial risk.

**About the company:** Kohat Cement Company Limited (KCCL), established in 1980 under the State Cement Corporation of Pakistan, was acquired by Atta group subsequent to its privatisation in 1992. The group currently holds around 70% of the stake in KCCL. All the directors, belonging to the Atta family, are high net worth individuals. The group also has major interests in real estate and hotel business. The chief executive has an extensive exposure to the cement industry and remained the Chairman of All Pakistan Cement Manufacturers Association (APCMA) for six years (Apr97-Mar03).

After commencement of the new line, the installed capacity of grey cement would increase substantially from 0.6mln tpa to 2.7mln tpa, and the company's share in the overall sector's capacity would increase to around 6% from less than 2% at present. The company also has a white cement production facility (capacity: 0.141mln tpa).

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