



Rating Action

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PACRA ASSIGNS “A+” RATING TO THE PROPOSED SUKUK ISSUE BY MAPLE LEAF CEMENT FACTORY LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned a rating of ‘A+’ (Single A plus) to the proposed secured Sukuk issue of PKR 8,000mln by Maple Leaf Cement Factory Limited (MLCFL). The rating denotes a low expectation of credit risk emanating from a strong capacity for timely payments of financial commitments.

The rating reflects the expected improvement in the overall performance of the company based on better business prospects and likely increase in efficiency as new production lines commence full operations. The rating also takes into account MLCFL’s strong equity base and its association with a reputed business group. The rating is dependent on successful execution of the management’s export strategy and its ability to effectively utilize new capacity to improve turnover, margins and cashflows. The sustainability of the export operations, especially in the medium-term, also remains critical.

About the company: Maple Leaf Cement Factory Limited (MLCFL), established in 1956 as joint collaboration between West Pakistan Industrial Development Corporation and Government of Canada, was taken over by the Kohinoor Maple Leaf Group, subsequent to its privatisation in 1992.

The group – mainly through Kohinoor Textile Mills Limited (KTML) – owns the majority stake (50%) in the company, while various financial institutions, corporate entities and individuals own the rest. The group has presence in the textile sector (KTML) and in trading of agriculture machinery industry. Saigol family, renowned and established industrialists of Pakistan, effectively controls group companies including MLCFL with strong presence on the board of directors and key management positions.

About the Sukuk issue: MLCFL intends to issue a secured Sukuk of PKR 8,000mln – including a Green Shoe option of PKR 4,000mln – to re-profile its existing long-term borrowings. The Sukuk is for a tenor of 6 years (with two years grace period), carrying profit at the rate of 6-months KIBOR plus 170bps, payable semi-annually in arrears. The Musharaka investments will be repurchased in eight installments commencing from the 30th month after the date of first contribution. Each of first four installments will be of 10% of original principal amount, while each of the remaining four installments will be of 15% of the original issue amount. The instrument would be secured by way of a ranking charge to be upgraded to first pari passu charge within 150 days after the date of first contribution over all present and future fixed assets of the company with 25% margin.

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