



## Rating Action

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## PACRA ASSIGNS ENTITY RATINGS TO PAK AMERICAN FERTILIZERS LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned the long-term rating of “A+” (Single A plus) and short-term rating of “A1” (A One) to Pak American Fertilizers Limited (PAFL). These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payments of financial commitments.

The ratings reflect the relatively low business risk profile of the company emanating from growing demand for fertilizers amidst the continuing domestic supply deficit. Subsequent to acquisition, the new management has initiated a number of efficiency measures that are expected to improve cost efficiency. This, in turn, is likely to enhance margins, which are already protected given the advantage of committed subsidy on feedstock pricing till 2009. The ratings, at the same time, recognize the relatively stressed capital structure of the company engendering high, albeit manageable, financial risk.

### *About the company:*

Incorporated in 1959, PAFL is an unquoted public limited company and a wholly owned subsidiary of Azgard Nine Limited (ANL). The company’s plant is located at Daudkhel, district *Mianwali*, Punjab. In 1999, a new urea plant, with an annual nameplate urea production capacity of 346,500 metric tons was installed at PAFL. ANL is one of the top quality manufacturers and exporters of yarn, denim fabric and garments. ANL is majority owned by *Shaikh* family (40%) and JS group (36%).

The CEO of the company has been recently appointed. He holds a masters degree in business administration, with professional experience of more than 16 years in various organizations of good repute. He is assisted by a team of experienced professionals who have been associated with the fertilizer business for long. The BoD of the company mainly consists of members belonging to the *Shaikh* family and JS group.

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