



Rating Action

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PACRA ASSIGNS RATING TO THE PROPOSED SUKUK ISSUE OF PAK ELEKTRON LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned a rating of “A+” (single A plus) to the proposed privately placed secured Sukuk of PKR 1,200mln by Pak Elektron Limited (PEL). This rating denotes a low expectation of credit risk emanating from strong capacity for timely payment of financial commitments.

The rating reflects PEL’s diversified revenue sources that help in performance sustainability in a highly competitive operating environment. The rating also takes into account the company’s well-conceived business strategy of maintaining revenue growth. Meanwhile, cognizant of changing market dynamics and intensifying competition, PEL has placed higher emphasis on product development, while focusing on product quality. Although the company is accumulating additional debt, gearing is likely to remain at existing levels due to augmentation in the equity base through the increasing trend in profitability.

About the company: PEL, incorporated in 1956, is listed on all the stock exchanges in Pakistan. The company is a leading manufacturer of power equipment and home appliances products. The power division primarily manufactures transformers, energy meters, and switchgears. The appliances division mainly specializes in refrigerators and split air conditioners, while some new products have also been added to the product range. Saigol Group, who acquired the majority ownership in PEL in 1978, has diversified business interests in textile and energy sectors. While effectively family controlled, the company is run by professional management.

About the issue: PEL intends to issue a secured privately-placed Sukuk of PKR 1,000mln in the near future. The Sukuk is for a tenor of 5 years carrying profit at the rate of 3-months KIBOR plus 175bps, with a floor of 10% and a cap of 25%, payable quarterly in arrears. Principal redemption will be based on diminishing Musharakah with a grace period of 18 months. The instrument is secured by way of first pari passu charge on specific assets of the company with a 25% margin. Moreover, total charges on these assets would not increase the market value till the full redemption of the instrument.

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