



Rating Action

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PACRA ASSIGNS 'AA-' RATING TO THE PROPOSED SECURITIZED TFC ISSUE OF PRIME ELECTRONICS SECURITIZATION COMPANY LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned a rating of 'AA-' (Double A minus) to the proposed securitized TFC issue of PKR 800mln by Prime Electronics Securitization Company Limited (PESCL). The rating denotes a very low expectation of credit risk emanating from a very strong capacity for timely payments of financial commitments. The cash flows to be generated on from sale of equipment to WAPDA are considered very strong to allow PESCL to meet the contractual TFC obligations comfortably.

About the Issuer: PESCL is a non-bankruptcy-remote special purpose vehicle. It will acquire exclusive right over future cash flows of Pak Elektron Limited (PEL) originating from sale of transformers, energy meters, switchgears and other equipment to Water and Power development Authority (WAPDA) – including the successor distribution companies, DISCOs – through inland LCs. The transaction between PESCL and WAPDA will be a true sale. Payments to the TFC holders shall be made from collection against sale to WAPDA.

About the Instrument: The TFCs will have a tenor of 5 years, carrying profit based on average ask rate of 6 months KIBOR plus 2.50%, payable monthly. The principal will be redeemed in equal monthly installments in arrears.

About the Originator: PEL was incorporated as a public limited company in 1956, and is currently listed on all the stock exchanges in Pakistan. The company is a leading manufacturer of power equipment and domestic appliances. The power division primarily manufactures transformers, energy meters and switchgears, and major proportion of its sales are to WAPDA. The majority ownership in the company was acquired by Saigol Group in 1978, having diversified business interests in textiles, engineering, and energy sectors. PEL plans to utilize the funds raised through the TFC for expanding its business operations to meet the increasing demand in both the power equipment and home appliances market, and also for debt reprofiling.

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