



Rating Action

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PACRA Upgrades Entity Ratings of Fatima Fertilizer Company Limited

The Pakistan Credit Rating Agency (PACRA) has upgraded the long-term entity rating of Fatima Fertilizer Company Limited (Fatima) to "A+" (**Single A Plus**) [previously "A"], while the short term rating is maintained at "A1" (**A One**). These ratings denote low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect significant improvement in the risk profile of Fatima Fertilizer. Fatima has achieved CoD beginning this July for its entire fertilizer complex. The plants have demonstrated sustainable performance, and mostly operational capability close to the level of design capacity. The company benefits from strong inherent demand of nitrogenous fertilizers in the country. For phosphatic product having lower market size and price sensitivity, the management has envisioned a plan to develop sustainable demand. A sizeable proportion of the country's fertilizer industry is gripping with acute gas shortage. However, Fatima, being on Mari shallow field, mainly dedicated to fertilizers, is largely insulated from this loadshedding. Fatima has benefitted from compensatory urea-led increase in fertilizer prices, wherein the impact is fully translated into its profits and cashflows. Resultantly, the company's financial risk profile has eased off, though overall debt levels remain high.

The ratings depend on sustainability in the performance of Fatima Fertilizer, which, in turn, recognize stable supply of basic raw material to the company. Meanwhile, upholding of best corporate governance practices and improvement in the control environment coupled with risk evaluation and management framework, inline with its upcoming expansionary plans, would be crucial.

About the company

Fatima Fertilizer, listed on all bourses of the country, is owned by Arif Habib Group (AH) and Fatima Group (FG) through group companies and individuals. Fatima owns a fertilizer complex at Mukhtar Garh, Rahim Yar Khan with nameplate capacity of 1.28mln MT p.a. The complex comprises three production lines: a) Urea (500,000MT p.a.), b) Calcium Ammonium Nitrate (420,000MT p.a.), and c) Nitro Phosphate (360,000MT p.a.).

Fatima Fertilizer's board of directors comprises nine members, including the Chief Executive Officer (CEO). The chairman of Fatima Group, Mr. Fawad Ahmed Mukhtar, is the CEO of Fatima Fertilizer; he also holds the same position in Pakarab Fertilizers Limited. The chairman of Arif Habib Group Mr. Arif Habib, a well known business professional of the country, chairs the company's board in non-executive role.

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