



Rating Action

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PACRA REVISES ENTITY RATINGS OF REEM RICE MILLS

The Pakistan Credit Rating Agency (PACRA) has revised the long-term entity rating and short-term rating Reem Rice Mills (Pvt.) Limited (RRM) to “**BBB**” (Triple B) and “**A3**” (A three) respectively. These ratings denote a currently low expectation of credit risk and an adequate capacity for timely payment of financial commitments, but adverse changes in circumstances and economic conditions are more likely to impair this capacity.

The ratings reflect RRM’s relatively high risk profile emanating from its leveraged, albeit seasonal, capital structure and volatile dynamics of the rice business. Nevertheless, the company enjoys sustainable demand from its key sponsors, though this has an impact upon its profitability attributable to non-competitive pricing. RRM is taking steps to diversify its markets primarily in the west, with some success in the local market. However, the company’s overall production capacity and financial flexibility pose major constraints for further growth, for which sponsors’ commitment is required.

About the company:

RRM, incorporated in 1992, is engaged in milling, processing and export of rice – mainly to sponsors (~80%). The factory, situated in Sheikhpura district, has annual processing capacity of 65,000 tons. RRM is a joint venture of Abdullah A. Al-Ghurair Group (AAAG) of UAE and Al Muhaidib Group (AMG) of Saudi Arabia. AAAG has diversified business interests in industries such as banking, heavy machinery, telecommunication, cement, petrochemicals, financial services, food & commodities and education. AMG’s business interests includes industrial manufacturing, financial, real estate, commercial, food & commodities and retailing sectors.

RRM’s board of directors comprises eight members, including the CEO. Apart from the CEO, four members represent AAAG, while three members come from AMG. The chairman of the board, Mr. Abdulla Ahmed Al-Ghurair, is also the chairman of the Abdullah A. Al Ghurair Group. The CEO, Mr. Javed Islam Agha, possesses more than 20 years of experience in the rice sector. He is an electrical engineer by profession and was the founding chairman of the Rice Exporters Association of Pakistan (REAP).

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