



Rating Action

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PACRA Assigns Ratings to Sapphire Fibres Limited

The Pakistan Credit Rating Agency (PACRA) has assigned a long term entity rating of "A" (Single A) and short term rating of "A2" (A Two) to Sapphire Fibres Limited (SFL). These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect SFL's demonstrated ability to maintain its gross margin, predominantly through horizontal value-addition in its main business segment - spinning. Meanwhile, SFL has been investing significantly in balancing, modernizing and replacement over the last couple of years, which has resulted in more efficient production processes. The company has a diversified investment portfolio, providing a stable income stream to its bottomline. At the same time, SFL's strong risk absorption capacity, mainly emanating from its low leveraged capital structure, is a key rating factor.

The ratings are dependent on the company's ability to sustain its steady growth without compromising its competitive positioning among its peers. Meanwhile, any adverse changes in the economic environment deteriorating its margins and putting its coverages under significant pressure would have negative impact upon the ratings.

About the company: Sapphire Fibers Limited (SFL), incorporated in 1979 and listed on all three bourses of the country, is one of the largest specialized yarn manufacturing and marketing company in Pakistan. Apart from producing a range of finer quality yarn, the company is also engaged in dyeing, finishing, and stitching. SFL has five manufacturing facilities: three are located in Sheikhpura (one in Kharianwala and two in Feroze watwan), one located at Manga Raiwind Road and the other is located in Lahore. Sapphire family together with other group companies collectively owns majority (80%) shares of the company.

SFL has a seven members board including the CEO. The Chairman of the board is Mr. Mohammad Abdullah, who is the group founder as well as Chairman. The CEO, Mr. Shahid Abdullah, possesses rich textile industry experience and has been associated with the company since its inception. He is assisted by a team of experienced management.

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