



Rating Action

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PACRA UPDATES RATINGS OF AGRITECH LIMITED

The financial profile of Agritech Limited remained under pressure, owing to acquisition of sizable borrowings on its balance sheet, transferred from the parent company, Azgard Nine Limited (ANL). Agritech, to finance its BMR program which experienced significant cost overrun and delays, also borrowed additional funds. This led to a high leveraging and ultimately caused mismatch in the company's asset/liability structure and non-performance on most financial obligations.

A comprehensive debt restructuring was completed in Dec10, whereby all the stakeholders signed the master restructuring agreement. The agreement, while capturing various aspects of debt restructuring, has stipulated a number of qualitative covenants.

Nevertheless, Agritech has accumulated overdues on its obligations, owing to a prolonged period taken by the restructuring exercise. This fact is reflected in its "D" ratings (entity and TFCI & II of PKR 1,500mln and PKR 6,900mln respectively, STFF of PKR 3,000mln and Sukuk of PKR 1,600mln). Going forward, the company is expected to exhibit fast recovery. Apart from the negative impact of gas load-shedding, the company has been operating well. Its BMR program has been fully implemented, that would enable the company to achieve capacity utilization of approximately 125% (previous: 107%). This, alongwith recent price hike, would help Agritech to achieve improvement in its profitability as well as liquidity profile. This is expected to help company cure delays in meeting debt obligations; PACRA would continue to monitor Agritech's performance and would update its rating opinion accordingly.

The sale transaction of Agritech Limited has experienced delays but the management is hopeful of early conclusion of the same at anticipated price. Although the main beneficiary of sale would be the parent – ANL, Agritech is expected to benefit if acquisition is done by a financially strong group.

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