



Rating Action

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PACRA ASSIGNS RATINGS TO HUSSAIN MILLS LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned a long term entity rating of "A-" (Single A minus) and short term rating of "A2" (A Two) to Hussain Mills Limited (HML). These ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong.

The ratings reflect strength in the business model of the company, which aims at quality and diversity of product basket, sustainable customer relationships, and efficient production process. This has helped company in achieving relatively better and stable core margins. The organizational structure is designed to segregate key roles in order to ensure due focus and responsibility. HML has an advanced technology infrastructure, though manufacturing module is yet to come and some key MIS is not system generated. The company is primarily driven by the key sponsors - Chairman & family. Although this is a feature of most family owned enterprises, upholding of good governance standards remain critical. The financial risk profile of the company, considering director's interest free loan as quasi equity, is expected to remain manageable.

The ratings are dependent on the continued competitiveness of the company in its key markets, which may be subject to volatility due to ongoing economic crisis in Europe, a key market for HML. Meanwhile, any material deterioration in the company's margins or adverse drop in operational cash flows, emanating from business risk, would have negative implication for the ratings.

About the company: Hussain Mills Limited, incorporated in 1980, commenced its operations in the same year. The company is engaged in the manufacturing of different varieties of yarn and fabric. The installed capacities of the company are 93,720 spindles and 210 looms. The major shareholders of the company are Hussain Group (HG), Fatima Enterprises Limited (FEL), and Fazal Group (FaG), holding 53%, 42% and 5%, respectively; while the management control of the company lies with HG. All the three groups belong to the same family descending from Mr. Fazal-ur-Rehman. Textile is their basic forte with prime focus on spinning and weaving.

HML has a seven member board including the CEO - Mr. Mohammad Ismail, a long serving employee of the company. The Chairman of the board is Mr. Sheikh Umar Farooq, who is the founder of Hussain Group. The management of the company lies with the Chairman and his son - Mr. Hussain Ahmad Fazal, also a director on the board. The top management is assisted by a team of experienced professionals.

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