



Rating Action

Lahore : 29-Jun-2011

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PACRA Maintains Ratings of Optimus Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term entity rating of Optimus Limited (OL) at "BBB+" (triple B plus), and the short-term rating at "A2" (A two). The ratings indicate that there is currently a low expectation of credit risk. Meanwhile, the ratings for both the TFC and Sukuk issue of PKR 500mln and PKR250mln have been maintained at "A" (Single A). The rating denotes a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect the company's strong market position in operating lease segment, mainly characterized by its association with Hertz Corporation - a global brand in car rental industry. The company, facing a squeeze in its high-margin long-term business - Hertz Lease - in the wake of prevalent socio-economic environment, intends to cautiously expand its operations. Meanwhile, it is keeping a close check on cost structure to sustain margins. Financial risk of the company is high owing to leveraged capital structure and relatively weak debt servicing capacity. The company has sizeable upcoming debt obligations to repay, for which necessary financing arrangements are in process.

About the company: Optimus Limited (OL), a public unlisted company, commenced its commercial operations in May 2005. Mr. Saad Faruqui, the CEO, established the company and currently holds 48% stake in it. He is a notable entrepreneur with experience in startups and project development. OL is Pakistan's largest car rental and fleet management company with around 1,000 vehicles under operation at end-Dec 2010. OL is the exclusive licensee of Hertz Corporation in Pakistan. Hertz is the world's leading car rental company with operations in 155 countries.

During 2007 JS PE Fund 1 LLC - mainly sponsored by International Finance Corporation, Asian Development Bank, SAMBA financial Group and Commonwealth Development Corporation - acquired majority ownership stake (52%) in the company by injecting fresh equity (PKR 400mln).

The TFC Issue: The company has issued a privately place TFC of PKR 500mln in September 2007, with a 5 year tenor. The instrument carries profit at the rate of 6-month KIBOR plus 210bps, payable semi-annually, starting from April 2008. The principle is repayable in three equal semi-annual installments starting from October 2011.

The Sukuk Issue: The company issued a sukuk of PKR 250mln in March 2008 for a tenor of 7 years, which carries profit of 6-month KIBOR plus 125bps, payable quarterly in arrears. Principal redemption will be made in 24 quarterly installments which commenced from the 15th month i.e. June 2009.

The instruments are secured by a specific charge on vehicles with a 25% margin. Given the strong nature of the underlying security, the TFC and Sukuk have been assigned a rating of A (Single A).

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