



Rating Action

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PACRA Maintains Rating of Sukuk Issue of Amreli Steels Limited

The Pakistan Credit Rating Agency (PACRA) has maintained rating of 'A-' (Single A Minus) of privately placed secured Sukuk of PKR 880mln by Amreli Steels Limited (ASL). The rating denotes a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The rating reflects the established franchise of the company in reinforcement steel bars manufacturing segment. The rating incorporates continuing demonstrated commitment of sponsors - Akberali Family. However, financial profile of the company remains weak owing to lower profitability and constrained cash flows, resulting in weak debt servicing coverages. Cognizant of this, the management is making efforts to revamp its financial discipline while bringing efficiency in overall plant operations. In addition, commissioning of billet manufacturing plant would help company to ensure stable raw material supply while improving its re-bar capacity utilization and margins. Meanwhile, the rating draws comfort from grace period and staggered repayment structure of Sukuk, wherein cash flows are expected to improve post integration of new plant.

The Company: ASL, incorporated in 1984, is principally engaged in manufacturing of reinforcement bars. The company is producing steel bars according to British and American standards, with an installed capacity of 150,000 tonnes per annum. The company is fully owned by Akberali Family, which has been engaged in steel and allied businesses since early forties. Mr. Abbas Akberali, the CEO of the company, is a metallurgical engineer and holds an MBA degree from Columbia University, USA. He has over 36 years of experience in local and the Middle-East markets. He is assisted by a team of relatively young but well-qualified professionals.

The Sukuk: The Sukuk of PKR 880mln was issued in December 2009. The issue is for a term of seven years including a grace period of two years. The profit is payable at 3 Month KIBOR plus 250 bps quarterly in arrears. At least 24% of the issue amount would be redeemed during a period of three years starting from Dec-11 and the balance amount in sixth and seventh year in eighty equal quarterly installments.

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