



Rating Action

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Applicable Criteria and Related Research

- Sugar Sector - Viewpoint | Mar-16
- Corporate Rating Methodology

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PACRA maintains Entity Ratings of Al-Abbas Sugar Mills Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the long term and short term entity ratings of Al-Abbas Sugar Mills Limited (AASML) at '**A**' (**Single A**) and '**A1**' (**A One**) respectively. The ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect AASML's significant positioning in its core business segments - sugar and ethanol. While sugar is characterized by stable demand supported by fundamentals, ethanol takes benefit of the value addition that it signifies as a product. Although margins are thin in sugar due to structure of domestic industry and softening of commodities in international markets, revenues of ethanol division support profitability. With full repayment of long term debt; the company's financial profile is in strength. The company's financial profile becomes stretched during crushing season, owing to working capital related sizable borrowings. Nevertheless, adequate cashflows and largely stable coverages provide relief to it. The ratings continue to take support from the company's seasoned management team, having sound understanding of the industry dynamics. AASML also has built storage terminal at Kemari port; this provides stable rental income. The company owns a small power plant for which it is negotiating power purchase agreement with K-Electric. This should add another stable revenue stream.

The ratings are dependent on the sustained risk profile of the company. Herein, business volumes and related margins are important. Deleveraging and addition of stable revenue streams are likely to positively impact the ratings.

About the Company: Al-Abbas Sugar Mills limited, listed on the Karachi Stock exchange (KSE), was incorporated in May 1991. Haji Ghani Group (HG) through family and associates own majority shareholding (54%) in AASML and exercise management control. Jahangir Siddiqui (JS) group (28%) is the other major shareholder. There are certain lawsuits between the two groups that are pending adjudication. The business include a) Sugar capacity of 7,500 M. tons per day, b) Ethanol-capacity 172,500 liters per day, and c) Storage tank terminal-capacity of 22,850 M. tons per month.

AASML's BoD, including CEO, comprises nine members. Six members represent HG and associates, two representative of JS group and one independent director. Mr. Shunaid Qureshi, the CEO since inception, played critical role in development of company. However, he is gradually limiting himself to strategic decision while Mr. Asim Ghani, an executive director and Ghani family member, has an increasing role in operational management. The executives are supported by a core team of dynamic and experienced professionals.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity.

PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.