



Rating Action

Lahore : 13-Jun-2016

Analyst

Sanna Khan
(+92-42-35869504)
sanna.khan@pacra.com
www.pacra.com

PACRA ASSIGNS ENTITY RATINGS TO ETIMAAD ENGINEERING (PRIVATE) LIMITED

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term entity rating of "**BB+**" (Double B Plus) and short-term rating of "**A3**" (A three) to Etimaad Engineering (Private) Limited (Etimaad). These ratings denote a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however business or financial alternatives may be available to allow financial commitments to be met.

Etimaad, engaged in providing engineering, procurement, construction and maintenance services, was established in 2007. The Company's profile draws strength from its quality management team. Over the years, the sponsors established similar businesses mainly in Saudi Arabia (subsidiary) and Qatar (associate). Considering worsening market conditions due to geopolitical tensions in the region and the turmoil in oil prices, Etimaad decided to divest its shares and continued its focus in Pakistan. Etimaad has completed various projects in Pakistan and overseas. Etimaad faced challenges in its pursuit to build a sound business profile. These challenges mainly emanated from few projects involving cost overruns and legal/contractual disputes, leaving drag on overall equity base. Debt service coverages remained stressed given weak cash flows from operations. Nevertheless, the sponsors demonstrated their commitment by operationally supporting the business and providing, i) fresh capital whenever the need arose, and ii) security and personal guarantees to obtain financial facilities and guarantees.

In the recent past, the management has undertaken several initiatives to streamline its business. These include, i) sale of foreign operations to increase focus on local business, ii) organizational restructuring, and iii) revamping of overall business model in line with market dynamics with a strategic focus on subcontracting. The management is confident that the financial profile will gradually gain strength through organic growth. At the same time, the management remains focused to settle disputes and recover receivables to minimize deficit in projects where the company had incurred losses. The success of the management's initiatives is critical for prosperity of the company. Meanwhile, strengthening of governance structure is important which can be achieved by induction of non-executive member(s) on the Board.

ABOUT ETIMAAD: Established by a team of professionals in May 2007, Etimaad is an integrated engineering and contracting company. The company is engaged in providing turnkey, retrofit and de-bottlenecking solutions for power/oil & gas sector, project management, general industrial construction (Civil, Mechanical, E&I), shut-down and turnaround services.

Etimaad's three member board is chaired by Mr. Mazharuddin Ansari, who holds 38% shareholding, is a Chartered Mechanical Engineer with more than four decades of experience with renowned local and foreign organizations. Mr. Laeequddin Ansari, the founding Chairman, (along with his family) holds 43% shareholding. Mr. Farooq Hussain Mughal, President & CEO, is a fellow chartered accountant, holds 6% shareholding and is supported by a qualified team.

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.

Applicable Criteria and Related Research

- Engineering Procurement and Construction - Viewpoint | May-16
- Corporate Rating Methodology

Disclaimer

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA.