



Rating Action

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Analyst

Saira Rizwan
(+92-42-35869504)
saira.rizwan@pacra.com
www.pacra.com

PACRA Maintains Entity Ratings of Ibrahim Fibres Limited

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term and short-term entity ratings of Ibrahim Fibres Limited (IFL) at "AA-" (Double A minus) and "A1+" (Single A One Plus), respectively. The ratings denote a very low expectation of credit risk emanating from a very strong capacity of timely payment of financial commitments.

The ratings reflect IFL's association with financially sound and reputed sponsors - Ibrahim Group. This is augmented by IFL's leading position in the local polyester staple fibre (PSF) industry. Lately added capacity is gradually achieving higher utilization. However, significant increase in volume is challenging given influx of imported PSF at non-competitive rates - the industry is pursuing imposition of anti-dumping duty. Price of PSF's feed stock is linked to crude oil, where recent decline is expected to provide some support to volumes and margins. With expansion mainly financed through debt, IFL's financial risk profile is presently stretched; also reflected in constraint coverages. Comfort is drawn from permanent stream of dividends from IFL's investment in associated company - Allied Bank Limited - providing support to the financial profile. Meanwhile, the ratings recognize sponsor's demonstrated support in times of need.

The ratings require careful management of i) business risk - profitable utilization of expanded capacity and, ii) financial risk - generation of sufficient cash flows to strengthen the coverages. At the same time, regular dividend income to keep coverages in comfortable range is considered rating critical.

About Company

IFL, incorporated in 1986 and listed on Karachi and Lahore stock exchanges, is engaged in the production & marketing of PSF and yarn. The production facilities are located at Shahkot near Faisalabad; these facilities include current annual production capacity of 390,600 tons for PSF and 137,856 spindles for Yarn. IFL holds ~17% stake in associated company - Allied Bank Limited, the fifth largest bank of Pakistan. Ibrahim Group holds majority stake (88%) in IFL through sponsoring individuals.

IFL's board of directors comprises seven members, including the CEO, Mr. Mohammad Naeem Mukhtar. In addition to the CEO, there are two directors from the sponsoring family; two are company executives, one non-executive, and one independent director. All board members have significant industry related experience.

Applicable Criteria and Related Research

- Corporate Rating Methodology

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