



Rating Action

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PACRA MAINTAINS ENTITY RATINGS OF IBRAHIM FIBRES LIMITED

The Pakistan Credit Rating Agency (PACRA) has maintained the long term and short term entity ratings of Ibrahim Fibres Limited (IFL) at "AA-" (Double A Minus) and "A1+" (A One Plus), respectively. The ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payments of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

The ratings reflect IFL's leading position in the local polyester staple fiber (PSF) industry supplemented by efficient production process, sound technological infrastructure, and effective control environment. The management permeates a good understanding of PSF industry and building on the same the company is embarked on doubling its polyester plant's capacity. Nevertheless, given tough domestic socio-economic environment and adequate capacities in the region, channelizing the expanded capacity in a timely manner would be challenging. Although IFL has managed stable core margins, these may face pressure, as happened lately; in turn impacting cashflows. Hence, monitoring of the financial risk is critical. Ratings draw comfort from the stable dividend stream from the company's strategic investment - Allied Bank Limited - and the sponsor's continuous support.

The ratings are dependent on the successful execution of the expansion project within the expected timeline without major cost overruns.

About the Company: IFL, incorporated in 1986 and listed on Karachi and Lahore stock exchanges, is engaged in the production and marketing of PSF and blended yarns. The production facilities are located at Shahkot near Faisalabad; these facilities include current annual production capacity of 208,600 M.T. for PSF and 48,700 M.T. for yarn converted into 20/s count. Ibrahim group holds majority stake (88%) in IFL through sponsoring individuals. While IFL holds ~ 24% stake in Allied Bank Limited (ABL), the group's total ownership of the bank is ~ 80%.

The board of directors of IFL comprises seven members with diversified background and relative experience. In addition to the Chief Executive Officer, there are two directors from the sponsoring family. Apart from one independent member, the remaining directors are senior executives of the company. The CEO, Mr. Mohammad Naeem Mukhtar possesses over 24 years experience to manage the affairs of the company. He is assisted by a team of qualified and experienced professionals having vast experience in their related fields.

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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.

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