



## Rating Action

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## PACRA MAINTAINS ENTITY RATINGS OF PROSPERITY WEAVING MILLS LIMITED

The Pakistan Credit Rating Agency Limited (PACRA) has maintained long term and short term entity ratings of Prosperity Weaving Mills Limited at 'A-' (single A minus) and 'A2' (A Two), respectively. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect PWML's conservative business strategy supported by its ability to improve its position in local textile industry while strengthening its presence in identified international markets by capturing demand opportunities therein. The management of PWML, while following its prudent expansion approach, intends to retain its profitability by focusing on product mix, which is high in demand. Although the company maintains a leveraged capital structure, comfort is drawn from improving operational cash flows, in turn, coverages.

The ratings are dependent on the management's ability to maintain its performance trends. Sustainability in the demand pattern of the major consumption centers supporting the company's margins would be critical. Meanwhile, any deterioration in the company's cash flows or debt structure, resultantly weakening the coverages would have negative implications for the ratings.

**About the company:** Prosperity Weaving Mills Limited (PWML), incorporated in November 1991, is primarily engaged in production of apparel and home furnishing greige fabric and dyed yarn fabric of various widths and contractions (capacity: 340 air jet looms). The company is listed on Karachi and Lahore Stock Exchanges. PWML is majority owned by Nagina Group (NG), through key sponsoring individuals (57%) and group companies (30%). NG, also operating in the spinning business, has a collective capacity of 100,956 spindles.

PWML's board of directors, comprising seven members including the Managing Director (MD), is dominated by key sponsoring individuals. The company's MD, Mr. Shaukat Ellahi Shaikh, is a graduate of Columbia University and has been associated with PWML since its inception.

## Applicable Criteria and Related Research

- Textile Sector Study | Oct-12
- Corporate Rating Methodology

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