



## Rating Action

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## Analyst

Aisha Khalid  
(+92-42-35869504)  
aisha@pacra.com  
www.pacra.com

## 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 to gradually expand its scale of operations, while maintaining its overall risk profile at manageable level. This, besides strengthening its presence in identified international markets, is helping capitalizing on conducive business environment for the overall textile industry. The same is reflected in improved profitability of the company in recent periods. The ratings continue to take support from the company's quality support infrastructure and seasoned management team having sound understanding of the industry dynamics. The company's financial profile has strengthened due to strong cashflows. This has yielded the room for debt-driven capacity expansion. Healthy operational cash flows are expected to keep debt servicing ability of the company at decent level.

The ratings are dependent on the company's ability to remain abreast and aligned to changing dynamics in weaving segment, particularly given this being the only business segment. Successful and timely execution of the expansion projects without major cost overruns is important. Meanwhile effective management of the company's financial risk profile is crucial.

**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 constructions (capacity: 344 air jet looms; planned expansion: 48 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 eight members including the Managing Director (MD), is dominated by sponsoring family. The company's MD, Mr. Shaukat Ellahi Shaikh, is a graduate of Columbia University and has been associated with PWML since its inception. He is supported by a team of professionals with relevant experience in the textile industry.

## Applicable Criteria and Related Research

- Textile Sector Study | Oct-12

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