



## Rating Action

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## Applicable Criteria and Related Research

- Holding Companies - Viewpoint | May-16
- Holding Companies Rating Methodology

## Disclaimer

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## PACRA MAINTAINS RATINGS OF PACKAGES LIMITED

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

The ratings reflect sustainability in the risk profile of the company. Over the years, Packages has portrayed a strong character managing well the challenges impacting the company. The sponsor's business acumen and their widespread - domestic and international - reach have always benefited the company. The JV - Bulleh Shah Packaging - with an international player is progressing as envisaged. This allowed focus on other planned projects; most mentionable is in the real-estate. The completion is targeted within this calendar year. The company has further diversified its investment book through acquisition of a flexible packaging subsidiary in South Africa. The ratings draw comfort from stable dividend stream from its sound investment portfolio along with a low leveraged capital structure.

The ratings are dependent on the company's ability to execute its envisaged strategy of growth and expansion.

**About the Company:** Packages Limited, a flagship company of Ali group, was established in 1957. The company is listed in Pakistan Stock Exchange (PSX).

Packages maintains a sizeable Investment book (end-Mar16: BV: PKR 42.4bln). The diversified book comprises the following main companies: Nestle, Bulleh Shah Packaging, Packages Construction, Tri-Pack Films, and IGI Insurance. The other companies are small in size. Although Packages sold its voting stake in Tetra Pak in 2009, it enjoys the right to 44% of the company's profits until 2018. Last year, Packages acquired 55% share in Flexible Packages Convertors (Pty) Ltd (South Africa) that produces mono layer & co-extruded flexible packaging material which also has a wide export base around major African countries. The company, Packages Lanka (79% owned subsidiary based near Colombo in Sri Lanka), is primarily engaged in production of flexible packaging materials.

The ten members BoD of Packages comprises one independent, seven non-executive, and two executive directors. Diversified background and relative expertise of the members, is a key source of guidance to the management. The Managing Director, Syed Hyder Ali, has worked in the company in different capacities since 1987. He is assisted by a team of qualified and experienced professionals.

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.