PEL

PAK ELEKTRON LIMITED

17 - Aziz Avenue, Canal Bank, Gulberg - V, Lahore - 54660, Pakistan.
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December 7, 2015

The General Manager
Karachi Stock Exchange Limited
Stock Exchange Building/Road,
Karachi.
Fax No. 111-573-329

The General Manager
Lahore Stock Exchange Limited
19-Khyaban-e-Aiwan-e-Iqbal,
Lahore.
Fax No. 042-3636-8485

The General Manager
Islamabad Stock Exchange Limited
55-B, Jinnah Avenue, Blue Area,
Islamabad.
Fax No. 051-111-473-329

Subject: **PACRA RATING**

Dear Sir,

We are pleased to inform you that PACRA has upgraded our Rating for Long term to (Single A) "A" from (A Minus) "A-" and for Short term to "A1" from "A2". Furthermore rating of Sukuk I and Sukuk II have also been upgraded to (Single A) 'A' from (A minus) 'A-'. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

Thank you.

Yours Sincerely,
For **PAK ELEKTRON LIMITED**

M.OMER FAROOQ
Company Secretary

The Pakistan Credit Rating Agency Limited

NL FY16-149 (PEL-041215)

Mr. Haroon Ahmad Khan
Managing Director
Pak Elektron Limited
Lahore

Confidential
Dec 04, 2015

Pak Elektron Limited
Entity & Sukuk Ratings - Update

Dear Sir

This is with reference to the entity and sukuk ratings of Pak Elektron Limited (PEL). PACRA has upgraded the long-term and short-term entity ratings of PEL to **"A"** (Single A) [Previous: A-] and **"A1"** (A One) [Previous: A2], respectively. The ratings of Sukuk I and Sukuk II have also been upgraded to **"A"** (Single A) [Previous: A-]. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

Regards

Shahzad Saleem

(Muhammad Shahzad Saleem)
Chief Operating Officer

Encl: 1) Press Release
2) Rating Report

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The Pakistan Credit Rating Agency Limited

PRESS RELEASE

Rating Action

Lahore : 04-Dec-2015

Analyst

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PACRA Upgrades Ratings of Pak Elektron Limited

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the long-term and short-term entity ratings of Pak Elektron Limited (PEL) to **"A"** (Single A) [Previous: A-] and **"A1"** (A One) [Previous: A2], respectively. The ratings of Sukuk I and Sukuk II have also been upgraded to **"A"** (Single A) [Previous: A-]. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect PEL's improving position in its respective markets - Appliances and Power - supplemented by its strong brand. The company, while expanding its product slate, has continued its focus on improving quality and cost efficiency in its key revenue generating products. This resulted in higher sales volumes and enhanced business margins. Improved profitability, in turn cash flows strengthened the company's debt servicing ability; thus risk absorption capacity beefed up. Increasing working capital needs emanating from long inventory and receivable cycle expose the company to financial risk. However, comfort is drawn from the sponsors' support to manage these needs (equity injection and subordinate loan). Meanwhile, the company has articulated on adequate debt management policy a) total debt would be restricted to 2.5 times of free casflows and b) short term borrowings would not exceed 50% of net working capital needs. The company's seasoned management team, beneficial support infrastructure, and healthy sector fundamentals provide support to the company's ratings.

The ratings are dependent on sustainability in business performance. Meanwhile, close monitoring of working capital requirements and debt servicing capacity remain imperative to maintain the company's financial health; wherein, any deterioration would have negative implications.

Sukuks: Sukuk I was issued in Sep07 for PKR 1,200mln. The instrument has a life till Sep16 with 4 equal quarterly installments outstanding. The profit on issue, payable quarterly, is at 3M Kibor + 175bps. As of Nov15, PKR 343mln is outstanding. Sukuk II was issued in Mar08 for PKR 1,100mln. The instrument has a life till March 2019 with 14 equal quarterly installments outstanding. The profit on issue, payable quarterly, is at 3M Kibor + 100bps. As of Nov15, PKR 963mln is outstanding.

The Company: PEL, incorporated in 1956, is listed on all the stock exchanges in Pakistan. The company is principally engaged in manufacturing and sale of electrical equipment and home appliances.

Mr. Naseem Saigol is the executive chairman of the twelve member board, which includes seven nominees of Saigol Group and five executive directors. Mr. Haroon Ahmed Khan, a chartered accountant, is the Managing Director. Mr. Murad Saigol is the Chief Executive Officer and Mr. Zeid Saigol is the Director Operations of Power Divisions. They are supported by an experienced and stable management team.

Applicable Criteria and Related Research

- Household Appliances - Viewpoint | Nov-15
- Electrical Distribution - Viewpoint | Nov-15
- Corporate Rating Methodology

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