

JCR-VIS Credit Rating Company Limited

Founder Shareholder - Islamic International Rating Agency (IIRA), Bahrain
Joint Venture Partner - Credit Rating & Information Services Ltd. (CRISL), Bangladesh
Member - Association of Credit Rating Agencies in Asia (ACRAA)

Press Release

JCR-VIS Assigns Initial Ratings to Thatta Cement Company Limited

Karachi, November 30, 2016: JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned initial entity ratings to Thatta Cement Company Limited (TCCL) at 'A-/A-2' (Single A Minus/A-Two). Outlook on the assigned rating is 'Stable'.

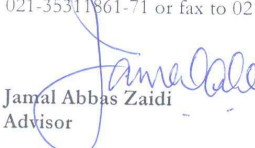
The assigned ratings to TCCL take into account improvement across various financial and operational performance metrics. Financial indicators are supported by adequate liquidity and sound capitalization indicators. Moreover, higher capacity utilization and improvement in plant efficiency has supported operational performance indicators. Ratings also reflect company's existing market position; lower market share and brand strength compared to peers.

The growing cement demand in Pakistan is expected to gain momentum with the advent of China Pakistan Economic Corridor and its corollary projects. Accordingly, planned capacity expansion in the South is expected to double its existing capacity, going forward. Additional capacities may pose a risk but industry players anticipate growth in domestic demand to largely absorb additional capacities.

TCCL has a 7% market share in terms of installed capacity in the South Zone. During July 2015, the company completed its Balancing, Modernization and Rehabilitation (BMR) initiative resulting in an increase in production capacity to 1,700TPD from 1,500TPD of clinker. Moreover, efficiency indicators of the plant also improved. For power related needs, power arrangement has been made through the company's subsidiary, Thatta Power (Private) Limited, which is a source of competitive advantage for TCCL.

Liquidity profile of the company is considered adequate in view of healthy cash flows in relation to outstanding borrowings. Moreover, leverage indicators have also improved given the increase in equity base and decline in borrowings. Ability to maintain leverage, liquidity indicators and operational efficiencies along with sector dynamics will be key rating determinants over the rating horizon.

For further information on this rating announcement, please contact Mr. Javed Callea (Ext: 201) or the undersigned (Ext: 207) at 021-35311861-71 or fax to 021-35311872-3.


Jamal Abbas Zaidi
Advisor

Applicable Rating Criteria: Industrial Corporates (May 2016)

<http://www.jcrvis.com.pk/docs/Corporate-Methodology-201605.pdf>

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