

RATING REFLECTIONS

JCR-VIS Credit Rating Company Limited

NATIONAL EXCELLENCE, INTERNATIONAL REACH

April, 2011

Amtex Limited – Sukuk Issue of Rs. 650 million

On January 3, 2011, JCR-VIS Credit Rating Co. Ltd. (JCR-VIS) assigned 'D' rating to the five year privately placed Sukuk of Rs. 650m, issued by Amtex Limited (Amtex) on account of non-payment of its latest installment due.

The previous rating of 'A' assigned to the instrument was based on the Sukuk being fully secured by a bank guarantee from The Bank of Punjab, which had an outstanding rating of 'AA-/A-1+' (not rated by JCR-VIS). The guarantee, which had not been called by this date, could be enforced by the investors, through the trustee, under the mechanism laid down in the trust deed to the issue. The collateral to the issue also included second charge on all present and future fixed assets excluding freehold land and building on freehold land of the company.

While as per standard practice, ratings are required to be downgraded immediately to 'D' upon non-payment on due date, in this case, given the nature of guarantee, covering both principal and interest payments due, there was full credit risk substitution by the guarantor. The probability of default of the issuer itself may have been different from the rating attached to the issue, since the rating reflected JCR-VIS' opinion on the underlying structure. However, the guarantee was not called by the investors, and payment remained outstanding. Instead, the Sukuk is being restructured.

TABLE - I Rating Actions	Rating History
	TFC Rs. 650m
October 8, 2007	A+ (Preliminary)
June 2, 2008	'A' (Final)
December 1, 2008	A (Reaffirmed)
December 27, 2010	A (Reaffirmed)
January 3, 2011	D

About the issuer

Amtex is a vertically integrated composite unit with a significant portion of total sales comprising exports. The facility operates on a Direct to Store (DTS) basis. The company had established strong export customer base over the years through provision of quality products and a well-established marketing network in several geographical regions.

Sales of the company had been adversely affected in FY10, given the developments in international markets. Fresh capital injection by way of initial public offering had eased the company's capital structure to some extent. With the impact of global recession gradually subsiding, demand of home textiles in international markets had gradually started to pick up in late calendar year 2010. However, at the time, JCR-VIS believed that the increasing trend in cotton and fuel prices, if it persists, may put pressure on margins.