



Rating Action

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PACRA ASSIGNS ENTITY RATINGS TO DESCON OXYCHEM LIMITED

PACRA has assigned a long term entity rating of "A" (**Single A**) and short term rating of "A2" (**A Two**) to DOL. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings recognize the company's leading position in the local H2O2 market, supplemented by efficient production process, sound technological infrastructure, and effective control environment. The management is pursuing a focused strategy to enhance the product awareness, which would give boost to product demand while ensuring sustainable margins. DOL has significant reliance on gas as a basic raw material wherein, though it has relatively small gas needs, given the prevailing energy shortage in the country this would remain a concern. The company's cashflows, and in turn coverages, remain adequate against challenges of temporary gas shortage and price fluctuations. Ratings draw comfort from DOL's association with a financially sound and diversified business group - Descon - that in the past has demonstrated support.

About the company

Descon Oxychem Limited (DOL), a green-field project for producing Hydrogen Peroxide (H2O2), incorporated in 2004, is listed on Karachi Stock Exchange. The plant started commercial production in Mar09. Descon, the principal sponsor of DOL, holds majority shareholding (60%) of DOL through associated companies (29%) and sponsoring family members (31%). Descon is a diversified group having interests in engineering, chemicals and power businesses. The group, over the years, has expanded its horizons to United Arab Emirates, Saudi Arabia, Qatar, Oman and Egypt.

DOL's board, comprising eight-members, is dominated by representatives of Descon. Mr. Abdul Razak Dawood - Founder and Head of Descon - is the Chairman of the board. The CEO of DOL, Mr. Taimur Saeed, an MBA with majors in Marketing from Mercer University (USA), has extensive experience of over 18 years in local and international chemicals industry.

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