



**Rating Action**

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**PACRA ASSIGNS PRELIMINARY RATING OF “AA” TO THE PROPOSED TFCs OF ENGRO CORPORATION LIMITED**

The Pakistan Credit Rating Agency (PACRA) has assigned preliminary rating of “AA” (Double A) to the proposed listed and secured TFCs issue of PKR 4,000mln, including a green shoe option of PKR 2,000mln, by Engro Corporation Limited (ECL). The rating denotes a very low expectation of credit risk emanating from a very strong capacity for timely payments of financial commitments.

The rating reflects ECL’s articulated corporate center mandate aimed at creating value in excess of the sum of its parts. The salient features of this mandate include development of a central pool of executive management capable of managing independent businesses, designation of a group CEO, strengthening of the governance framework with independent directors, and a comprehensive framework for monitoring the performance of subsidiaries. The rating incorporates ECL’s diversified investment portfolio including a stable, indeed growing, fertilizer presence, wherein business risk is low. Although some of the company’s subsidiaries are currently in the growth phase, a sustained dividend stream from established enterprises supplements ECL’s financial profile.

**About the TFCs issue:**

ECL is in the process of issuing TFCs of PKR 4,000mln (including a green shoe option of PKR 2,000mln). The instrument will have a tenor of 3 years, carrying fixed profit rate of 14.5% p.a., paid semi annually. The principal payment will be in the 3<sup>rd</sup> year or early through put option. In case put option is exercised the investor will have to pay a service charge of 2% on the principal. The TFC is secured by way of first ranking floating charge over all the present and future movable properties (including investments) of Engro Corporation Limited but excluding present and future trademarks and copyrights of ECL and excluding its shares in Engro Energy Limited and Engro Polymer & Chemicals Limited.

**About the company:** Incorporated in 1965, Engro Chemicals Pakistan Limited was renamed as Engro Corporation Limited on January 01, 2010, following a demerger of the fertilizer business to Engro Fertilizer Limited. Engro Corporation, listed on all three stock exchanges of the country, is now a holding company mainly responsible for overseeing and managing the performance of its subsidiaries and associates. ECL’s investment book encompasses business interests in fertilizers, food and commodities, energy, chemicals, and storage sectors. Dawood Group of Companies (DG) holds a majority stake (~42%) in ECL, while the holding of Engro employees and Employees Trust stands at 10%.

ECL has a thirteen member board. The chairman of the board is Mr. Hussain Dawood, a well known entrepreneurial veteran. The CEO, Mr. Asad Umar, an MBA with significant professional experience, has been associated with the company for long. Apart from the CEO, there is equal representation on the board: four members from the Dawood Group, four from the company’s management and four independent directors.

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