



Rating Action

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PACRA Maintains Ratings of Engro Corporation Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of Engro Corporation Limited (ECL) at "AA" (Double A) and "A1+" (A One Plus), respectively. Meanwhile, the rating of first secured, listed TFCs of PKR 4,000mln [Engro Rupiya Certificate (I)] has also been maintained at "AA" (Double A). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect 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, a focussed strategy-setting function, strengthening of the governance framework, and a comprehensive framework for monitoring the performance of subsidiaries. The ratings incorporate 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.

The Company: Engro Corporation, listed on all three stock exchanges of the country, is 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 (DG) holds a majority stake (~48%) 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.

Secured TFCs: The 1st TFCs issue of PKR 4,000mln (including a green shoe option of PKR 1,000mln) has a tenor of 3 years and carries fixed profit rate of 14.5% p.a., paid semi annually. The principal repayment will be at the end of the tenor 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 TFCs are secured by way of first ranking floating parri passu charge over all the present and future movable properties (including investments) of Engro Corporation Limited but with certain exceptions.

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The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity.

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