



**Rating Action**

Lahore: (20-Sept-07)

**Analyst**

Maimoon Rasheed  
(+92-42-586 9504)  
maimoon@pacra.com  
www.pacra.com

**PACRA ASSIGNS AA RATING TO THE PROPOSED TFC OF  
PKR 4,000MLN BY ENGRO CHEMICAL PAKISTAN LIMITED**

The Pakistan Credit Rating Agency (PACRA) has assigned a rating of “AA” (double A) to the proposed issue of listed secured Term Finance Certificates of PKR 4,000mln by Engro Chemical Pakistan Limited. The rating indicates a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect ECPL’s relatively low business risk emanating from a favourable demand / supply equilibrium and stable margins. The ratings also take into account the company’s well-conceived strategy of persevering its position through growth. In line with this strategy, ECPL is undergoing major expansion in its core urea manufacturing facility that would be funded through combination of equity injection and significant procurement of debt. While this would stretch ECPL’s currently low leveraged capital structure and robust cash flows, the financial risk is expected to remain within acceptable limits. Meanwhile, the company’s diversification strategy continues to augment profitability in terms of return on investment in subsidiaries.

**About issuer – the Company:** Engro Chemical Pakistan Limited (ECPL) was incorporated in 1965. The core business of ECPL is manufacturing and marketing of fertilizers. ECPL is the second largest producer of urea in the country, which is produced at the plant site in Daharki. The company has also diversified its interests as strategic investments, which include (a) Engro Vopak Terminal Limited, a jetty and chemical terminal facility at Port Qasim (b) Engro Polymer and Chemical Limited, the first PVC resin manufacturing plant in the country, (c) Engro Foods Limited, currently in the dairy business, (d) Engro Energy (Pvt.) Limited, and (e) Engro Innovative Automation (Pvt.) Limited. The Dawood Group (DG) holds a majority 42% stake in ECPL, while the holding of Engro employees and Employees Trust stands at 12%. The association of DG has augmented the capacity of the Board to guide the management in formulating its long-term strategy.

**About the Issue:** ECPL intends to issue a secured TFC of PKR 4,000mln including Green Shoe Option of PKR 1,000mln in the near-term. The tenor of the instrument would be 8 years carrying profit based on 6month KIBOR plus 155bps. Major portion of the principal would be repaid in two semi-annual instalments, each being 49.86% of the issue amount, beginning 90<sup>th</sup> month. The issuer will have call option exercisable in full at any time after 3 years on the coupon payment date, subject to 30 days notice at a premium of 0.75% on the outstanding face value. The instrument would be secured by way of second ranking charge on all present and future fixed assets of ECPL to be upgraded within 90 days from the date of issue to first pari passu charge.

**Disclaimer**

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA.

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.

PACRA’s comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings.

PACRA’s opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security’s market price or suitability for a particular investor.