



## Rating Action

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## PACRA AFFIRMS RATINGS OF TFCs OF ENGRO FERTILIZER LIMITED

The Pakistan Credit Rating Agency (PACRA) affirms “AA” (Double A) rating of four TFCs transferred from Engro Chemical Pakistan Limited to Engro Fertilizer Limited (EFL) after the recent de-merger. 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 EFL’s low business risk resulting from a robust – indeed growing – demand of urea in the domestic market. In addition, the rating recognizes an implicit support from the parent – Engro Corporation Limited – as and when needed.

### *Engro Demerger & Rating Update*

With effect from January 01, 2010, all fertilizer assets and liabilities (including borrowings) of Engro Chemical Pakistan Limited (ECPL) have been transferred to Engro Fertilizer Limited. ECPL has been renamed as Engro Corporation Limited (ECL) – the holding company for all strategic investments including fertilizer operations. Subsequent to the de-merger, entity ratings of Engro Chemical Pakistan Limited (AA/A1+) ceases to exist. PACRA is in the process of assigning entity ratings to both Engro Fertilizer and Engro Corporation.

### *About the TFC issues:*

Engro Chemical Pakistan Limited issued four TFCs for its urea expansion project, which have been transferred to Engro Fertilizer Limited. These TFCs are namely: (i) TFCII of PKR 4,000mln, issued in Nov-07, with a tenor of 8 years. The principal repayment would be in two equal installment commencing from May 2015. (ii) PPTFCI of PKR 4,000mln and (iii) PPTFCII of PKR 2,000mln. Both PPTFCs, issued in Mar08, are perpetual with a five-year call and ten year put option. (iv) TFCIII of PKR 2,000mln issued in Dec09, with a tenor of 7 years. The principal repayment will be in 10 semi-annual installments, starting from June 2012.

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