



## The Pakistan Credit Rating Agency Limited

### Rating Report

#### Engro Fertilizer Limited - PPSTS - PKR 20bln - TBI

##### Report Contents

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##### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
13-May-2025	AA	A1+	Stable	Preliminary	-

##### Rating Rationale and Key Rating Drivers

Engro Fertilizers Limited ('Efert' or 'the Company') ratings reflect strong sponsorship of the company: Engro Holdings, which is one of Pakistan's leading groups, having a strategically diversified business portfolio. EFert benefits from a strong business model underpinned by the inherent strength of its products and operational efficacy. The ratings incorporate the low business risk profile of the fertilizer industry, reinforced by the growing strategic importance of food security in the evolved global scenario. Urea is one of the major inputs to crops produced in Pakistan, followed by DAP. In CY24, the quarterly sales analysis of the Company depicted a rising trend of turnover and improved margins, especially in 4Q. The 2Q was the lowest in profitability. Nevertheless, the overall profits were maintained in 2024 in an absolute sense. In 1QCY25, reported turnover and margins reflected dilution, attributable to muted demand. The reported inventory levels in 1QCY25 were high, generally across the industry, and more so for EFert. The management has represented that this is a seasonal impact and it would get settled over the next six months, along the lines of the proposed debt instrument. EFert has sustained high operational efficiency through continuous investments in plant optimization, translating into higher utilization capability and extended operational run times. EFert has a sound financial structure, characterized by the fundamental nature of the underlying sector. The strain on the financial metrics in the recent period is noticeable, which, as per management projections, would subside in the coming quarters, based on the anticipated rise in sales. The higher utilization of short-term borrowings is attributed to this phenomenon. The planned privately placed short-term sukuk is expected to provide financial flexibility, given the prevailing market conditions. Cash flow generation was very strong in CY24, and with this capability, managing the current fiscal pressure is not a major challenge. Hence, the future anticipated sales pattern remains imperative. Profit margins are largely influenced by the spread between fertilizer prices and natural gas costs, making cost volatility a significant risk factor. EFert's capital structure remains conservatively leveraged on the long-term debt. Hence, management of the short term debt seems essential.

##### Disclosure

<b>Name of Rated Entity</b>	Engro Fertilizer Limited - PPSTS - PKR 20bln - TBI
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Debt Instrument Rating
<b>Applicable Criteria</b>	Methodology   Corporate Rating(Jul-24),Methodology   Debt Instrument Rating(Oct-24),Methodology   Correlation Between Long-term & Short-term Rating Scales(Apr-25),Methodology   Rating Modifiers(Apr-25)
<b>Related Research</b>	Sector Study   Fertilizers(Feb-25)
<b>Rating Analysts</b>	Faiqa Qamar   faiqa.qamar@pacra.com   +92-42-35869504

## Issuer Profile

**Profile** Engro Fertilizers Limited ("EFert" or "the Company") is a public listed company, incorporated in 2009. Continual expansions and diversifications in the Company's enterprises necessitated a broad restructuring of Engro Chemical Pakistan Ltd., which demerged to form a new Engro subsidiary – Engro Fertilizers Limited. The shareholding was gradually reduced from 100% as part of a strategic realignment to explore new opportunities in other promising sectors. EFert, a leading name in the country's urea producers, is primarily in the business of manufacturing and marketing urea and deals in other fertilizers. The product line of EFert comprises Urea sold under the brand name of Engro Urea, NPK – complex fertilizer – as Zarkhez, Phosphate-based products – DAP and MAP as Engro DAP, and Zorawar respectively, and zinc-based fertilizers as Zingro. The Company has three production facilities, out of which two are Urea plants located in Daharki (Base and Enven Plant) and one is an NPK plant in Port Qasim, Karachi. The total designed capacity of EFert's urea plants – base plant: 975,000 MT per annum and Enven: 1,300,000 MT per annum. NPK has a total capacity of 100,000 MT. DAP is imported. EFert has a strong countrywide distribution network.

**Ownership** EFert is majorly (~56.3%) owned by Engro Holdings through Engro Corporation Ltd., while insurance companies hold ~8.29%, followed by mutual funds (~2.20%) and financial institutions (~1.81%). The general public holds ~20.90%. The ownership structure of the Company is seen as stable in the foreseeable future, as the majority of shareholding vests with the sponsors through Engro Holdings. EFert's business acumen is characterized by its strategic foresight, operational efficiency, innovation in product development, and commitment to sustainability and corporate responsibility. The Company gathers financial strength through a consolidated equity base of ~PKR 47bln (CY23: ~PKR 48bln) with an asset base of ~PKR 170bln (CY23: ~PKR 160bln).

**Governance** The control of the Board (BoD) vests with the eight-members, including four Non-Executive Directors, three Independent Directors, including one female Director, and one Executive Director. The Company's Board is chaired by Mr. Ahsan Zafar Syed. He is the CEO of Engro Corporation Ltd., with an association of over three decades with the Group. Mr. Asad Said Jafar, Non-Executive Director, holds more than three decades of professional experience. He has held the position of the CEO and BoDs chairman of Philips Pakistan Ltd., and has also worked in ICI Pakistan. He currently works as a management consultant. All other members on the BoD have diversified experience and have been associated with the Company's BoD for a long span of time. The Board is assisted by Audit Committee and People Committee. Both committees are chaired by an Independent Director. These committees meet quarterly, and the minutes of these meetings are well documented. A.F. Ferguson & Co., Chartered Accountants, has given an unqualified opinion on the financial statements for CY24. The auditor is QCR rated and on SBP panel of 'A' category.

**Management** The Company has a well-defined organizational structure that is divided into fourteen main departments; (i) Marketing, (ii) Manufacturing, (iii) People Division, (iv) Digital Transformation, (v) Finance & Accounting, (vi) HSE, (vii) Information Technology, (viii) Engro Formulation, (ix) Public Affairs, (x) Central Procurement, (xi) Central Treasury, (xii) Central Payables, (xiii) Operations and (xiv) Technical. Each departmental Head reports to the CEO, who then reports to the BoD. However, the Head of Internal Audit and HR reports administratively to the CEO and functionally to the respective BoD Committee. The Head of the Board Audit Committee has an indirect reporting line to the Head of Corporate Audit of Engro Holdings. Mr. Ali Rathore was appointed as the CEO of the Company in Apr-24. He has an overall experience of 26 years in financial planning & analysis, business development, operations, and M&A, with a diverse industry background. Mr. M. Imran Khalil has been associated with DH Group for more than a decade. He is a seasoned finance professional with experience in large scale digital transformation, risk management and project management. He is assisted by a team of professionals. The management is assisted by four committees, i.e., Management Committee, Pricing Committee, Corporate HSE Committee, and Capex Committee. These committees are chaired by the CEO, and meetings of the committee are held on a periodic basis to ensure efficiency and strategic planning. EFert utilizes a completely integrated and real-time ERP solution, developed by SAP AG Malaysia, with technical services provided by IBM Global Services. The ERP enables a high level of integration between functions to ensure smoother data flow amongst related business processes. EFert maintains an effective control environment with clear reporting lines, predefined authority limits, and well-defined policies and procedures. The review and accountability function runs through the entire organizational structure.

**Business Risk** During CY24, Pakistan's fertilizer market faced challenges from farmer liquidity constraints due to the wheat crisis, climate-related disruptions, and declining crop productivity. Urea production improved to ~6.6mln MT (CY23: ~6.4mln MT), whereas total sales were reported at ~6.7mln MT (CY23: ~6.5mln MT). EFert has been significantly contributing to the urea market (~31%) and is the second largest player in the fertilizer industry. The Company's urea production stood at ~2,147 KT in CY24 (CY23: ~2,313 KT). In CY24, standalone revenue stood at ~PKR 187bln (CY23: ~PKR 162bln), achieving a sales growth of ~15.5%. This increase is primarily due to price impact as the sales volume of urea decreased to ~2,026 KT (CY23: ~2,327 KT). In CY24, gross profit margins declined to ~33% (CY23: ~37%), driven by rising costs of raw materials, highlighting the cessation of concessionary gas supply. Similarly, operating margins declined to ~22% (CY23: 27%) due to a significant increase in selling and marketing expenses. However, net profit margin improved slightly to ~16.2% (CY23: ~15.9%) due to the inflow of non-operating income along with tax efficiencies. In IQCY25, the Company witnessed a sharp decline of ~55% in revenue reported at ~PKR 24.3bln (IQCY24: ~PKR 53.8bln) due to reduction in demand for fertilizers. However, gross margin witnessed an improvement reported at ~41% (3MCY24: ~24%). The Company's ability to control marketing and selling expenses resulted in an improved operating margin of ~24% (IQCY24: ~15%). The effect trickled down, and the net profit margin was reported at ~16.2% (IQCY24: ~10.7%). The Company continues to explore new avenues, particularly in pesticides and agri farming sectors, which are expected to yield positive results in the long run. Moreover, the Company is actively evaluating alternate sources of gas with the Government to mitigate the risk of depleting gas reserves.

**Financial Risk** As of CY24, inventory days increased slightly to ~17 days (CY23: ~16 days) due to an increase in finished goods days. Trade receivable days increased to ~8 days (CY23: ~7days) leading to a gross working capital of ~25 days (CY23: ~22 days). However, net working capital days remained stable at ~6 days (CY23: ~6 days) due to an increase in trade payable days to ~19 days (CY23: ~16 days). However, the borrowing cushion remains stretched. As of CY24, the Company reported FCFO of ~PKR 12bln (CY23: ~PKR 33bln) due to an increase in taxes paid. Consequently, FCFO/Finance Cost cover reported at ~3x (CY23: ~17.3x). Leveraging ratio stood at ~42% (CY23: ~12%) due to a significant increase in borrowings reported at ~PKR 34bln (CY23: ~PKR 6bln). Shareholders equity slightly increased to ~PKR 46bln (CY23: ~PKR 45bln) due to profit accumulation. As of 3MCY25, gross working capital days increased significantly to ~86 days (3MCY24: ~15 days), due to an increase in finished goods days reported at ~54 days (3MCY24: ~2 days), demonstrating lower fertilizer demand. In IQCY25, inventory levels remain elevated across the industry, particularly at EFert. This is attributed to seasonal factors, expecting normalization over the next six months. Consequently, net working capital days were stretched and reported at ~59 days (3MCY24: (1) day). The FCFO stood at ~PKR 3.5bln (3MCY23: ~PKR 2bln-loss), resulting in FCFO/Finance cover of ~3.4x (3MCY24: (~12.3x)). The leverage ratio increased to ~57% (3MCY24: ~13%) due to an uptick in total borrowings reported at ~PKR 53bln (3MCY24: ~PKR 6bln). Increased reliance on short-term borrowings is tied to the inventory build and the related pressure. While long-term leverage remains low, prudent management of short-term debt is essential. The shareholders' equity has reduced slightly to ~PKR 39bln (3MCY24: ~PKR 43bln) due to dividend payout.

## Instrument Rating Considerations

**About The Instrument** EFert is set to issue a Privately Placed Short Term Sukuk (PPSTS) with an issue size of PKR 20bln, including a green shoe option of PKR 5bln, for a tenor of 6M from the issue date. It carries a profit rate of 3MK less 0.15%. PPSTS will be disbursed as a single tranche and will be repaid as a bullet payment on maturity. Profit on the outstanding principal amount will be payable at the time of redemption of the PPSTS, calculated on a 365/366-day year basis, and will be due six months from the issue date, referred to as the Profit Payment Date. The proceeds from the PPSTS will be utilized to manage EFert's working capital requirements.

**Relative Seniority/Subordination Of Instrument** The claims of Sukuk holders will rank superior to the claims of ordinary shareholders.

**Credit Enhancement** The PPSTS is unsecured and will be issued with a call option clause. This allows the Company to prepay the entire outstanding facility amount or a portion of it using the internal cash flows after one month, provided that an irrevocable written notice is given to the Facility Agent at least fifteen days in advance. Prepayments must be made in integral multiples of PKR 100mln.



The Pakistan Credit Rating Agency Limited

Financial Summary

PKR mln

Engro Fertilizers Listed Public Limited	Mar-25 3M Management	Dec-24 12M Audited	Mar-24 3M Management	Dec-23 12M Audited	Dec-22 12M Audited
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#### A BALANCE SHEET

1 Non-Current Assets	87,847	88,343	85,079	83,834	83,374
2 Investments	3,868	6,006	6,515	23,703	10,657
3 Related Party Exposure	8,966	12,370	3,040	2,368	9,944
4 Current Assets	70,159	56,203	56,026	37,821	35,801
a Inventories	25,636	12,205	7,714	5,364	8,427
b Trade Receivables	1,627	5,687	2,786	2,069	3,772
5 Total Assets	170,839	162,922	150,660	147,727	139,775
6 Current Liabilities	75,885	79,785	93,659	85,040	63,939
a Trade Payables	4,315	10,107	9,730	9,441	5,105
7 Borrowings	52,877	33,987	6,328	6,305	20,496
8 Related Party Exposure	-	-	-	-	1,053
9 Non-Current Liabilities	2,301	2,621	7,529	11,355	11,599
10 Net Assets	39,775	46,529	43,143	45,026	42,690
11 Shareholders' Equity	39,775	46,529	43,143	45,026	42,690

#### B INCOME STATEMENT

1 Sales	24,313	186,709	53,804	161,666	96,945
a Cost of Good Sold	(14,261)	(125,171)	(40,895)	(102,244)	(67,544)
2 Gross Profit	10,052	61,538	12,909	59,422	29,401
a Operating Expenses	(4,273)	(20,602)	(4,955)	(15,707)	(10,950)
3 Operating Profit	5,778	40,937	7,954	43,715	18,451
a Non Operating Income or (Expense)	1,177	7,865	1,056	3,154	6,752
4 Profit or (Loss) before Interest and Tax	6,956	48,802	9,009	46,869	25,204
a Total Finance Cost	(1,070)	(3,982)	(158)	(1,885)	(2,699)
b Taxation	(1,957)	(14,613)	(3,075)	(19,306)	(7,096)
6 Net Income Or (Loss)	3,929	30,207	5,776	25,678	15,408

#### C CASH FLOW STATEMENT

a Free Cash Flows from Operations (FCFO)	3,588	11,906	(1,956)	32,589	16,244
b Net Cash from Operating Activities before Working Capital t	2,102	9,016	(2,006)	29,819	15,749
c Changes in Working Capital	(18,128)	(12,159)	(4,152)	25,296	6,327
1 Net Cash provided by Operating Activities	(16,026)	(3,143)	(6,158)	55,115	22,077
2 Net Cash (Used in) or Available From Investing Activities	5,191	5,451	15,078	(13,427)	(8,840)
3 Net Cash (Used in) or Available From Financing Activities	(5,206)	(8,862)	(4,699)	(33,703)	(29,267)
4 Net Cash generated or (Used) during the period	(16,041)	(6,554)	4,221	7,984	(16,030)

#### D RATIO ANALYSIS

1 Performance					
a Sales Growth (for the period)	-47.9%	15.5%	33.1%	66.8%	7.0%
b Gross Profit Margin	41.3%	33.0%	24.0%	36.8%	30.3%
c Net Profit Margin	16.2%	16.2%	10.7%	15.9%	15.9%
d Cash Conversion Efficiency (FCFO adjusted for Working Ca	-59.8%	-0.1%	-11.4%	35.8%	23.3%
e Return on Equity [ Net Profit Margin * Asset Turnover * (To	36.4%	66.0%	52.4%	58.5%	35.0%
2 Working Capital Management					
a Gross Working Capital (Average Days)	86	25	15	22	37
b Net Working Capital (Average Days)	59	6	-1	6	17
3 Coverages					
a EBITDA / Finance Cost	6.5	10.9	56.5	28.1	10.7
b FCFO / Finance Cost+CMLTB+Excess STB	0.4	0.3	-0.2	1.1	0.5
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Fin	5.4	6.5	-4.4	1.0	2.9
4 Capital Structure					
a Total Borrowings / (Total Borrowings+Shareholders' Equity	57.1%	42.2%	12.8%	12.3%	33.5%
b Interest or Markup Payable (Days)	66.1	109.2	43.1	14.0	90.6
c Entity Average Borrowing Rate	12.4%	15.9%	5.5%	12.9%	11.6%

### Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-term Rating Definition
AAA	<b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	<b>Very high credit quality.</b> Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
AA-	
A+	
A	<b>High credit quality.</b> Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
A-	
BBB+	
BBB	<b>Good credit quality.</b> Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BBB-	
BB+	
BB	<b>Moderate risk.</b> Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
BB-	
B+	
B	<b>High credit risk.</b> A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
B-	
CCC	
CC	<b>Very high credit risk.</b> Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
C	
D	Obligations are currently in default.

Scale	Short-term Rating Definition
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



\*The correlation shown is indicative and, in certain cases, may not hold.

**Outlook (Stable, Positive, Negative, Developing)** Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

**Rating Watch** Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

**Suspension** It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

**Withdrawn** A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults, or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

**Harmonization** A change in rating due to revision in applicable methodology or underlying scale.

**Surveillance.** Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

**Note.** This scale is applicable to the following methodology(s):

- a) Broker Entity Rating
- b) Corporate Rating
- c) Debt Instrument Rating
- d) Financial Institution Rating
- e) Holding Company Rating
- f) Independent Power Producer Rating
- g) Microfinance Institution Rating
- h) Non-Banking Finance Companies Rating

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(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

### **2) Conflict of Interest**

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

### **Conduct of Business**

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

### **Independence & Conflict of interest**

- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

### **Monitoring and review**

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 17-(d)

### **Probability of Default**

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

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## Regulatory and Supplementary Disclosure

Nature of Instrument	Size of Issue (PKR)	Tenor	Security	Quantum of Security	Nature of Assets	Book Value of Assets (PKR)	Investment Agent
Privately placed Short Term Sukuk (PPSTS)	Up to PKR 20,000 Million inclusive of a Green Shoe Option of PKR 5,000 Million	6 months from the first day of subscription	Unsecured	N/A	N/A	N/A	Pak Oman Investment Company Limited

Name of Issuer	Engro Fertilizer Limited
Issue Date	TBI
Maturity	6 months from the first day of subscription

### Engro Fertilizer Limited | PPSTS | Repayment Schedule | Estimated

Sr.	Due Date Principal*	Opening Principal	Principal Repayment	Due Date Markup/ Profit	3M KIBOR	3M Kibor minus 15ps	Markup/Profit Payment	Total	Principal Outstanding
		PKR					PKR		
Tentative Issue Date	13-May-25	20,000,000,000	-	13-May-25	11.41%	11.26%	-	-	20,000,000,000
1*	13-Aug-25	20,000,000,000	-	13-Aug-25	11.41%	11.26%	-	-	20,000,000,000
2	13-Nov-25	20,000,000,000	20,000,000,000	13-Nov-25	11.41%	11.26%	1,135,254,795	21,135,254,795	-
			20,000,000,000				1,135,254,795	21,135,254,795	

\* Quarterly repricing with entire profit payment at maturity