



Rating Action

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PACRA MAINTAINS ENTITY RATINGS OF DESCON OXYCHEM

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and the short-term entity ratings of Descon Oxychem Limited (DOL) at "A" (Single A) and "A1" (A one), respectively. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings recognize the company's leading position in the local H₂O₂ market, supplemented by efficient production process, sound technological infrastructure and effective control environment. The ratings draw comfort from DOL's association with a financially sound and experienced business group - DESCON - which has continuously demonstrated support. The conversion of company's outstanding liability to associated companies into preference shares signifies the sponsor's strong commitment. The company has significantly improved its operational reliability by introducing reliability centre management. Meanwhile, management's methodical marketing strategy along with service quality helped the company to increase the margin with further penetration in the north region. Furthermore, duty imposed by NTC on anti-dumping, as ratified for medium term bodes well for the company's profitability.

The ratings are dependent on sustained competitiveness of the company. Meanwhile, any deterioration in the overall business dynamics adversely impacting the company's viability would be critical for the ratings. Deemed support of the group is a key consideration.

About the Company:

Descon Oxychem Limited (DOL), incorporated in 2004, is listed on Pakistan Stock Exchange and produces Hydrogen Peroxide (H₂O₂). The plant started commercial production in Mar09. DESCON, the principal sponsor of DOL, holds majority shareholding (61%) through associated companies (28%) and sponsoring family members (33%). DESCON has footholds in engineering business through its flagship company - Descon Engineering Limited. The group, over the years, has expanded its horizons beyond Pakistan, particularly the Middle East.

DOL's board, comprising eight-members, is dominated by representatives of DESCON. Mr. Razzak Dawood - founder and Head of DESCON - is the Chairman of the board. Mr. Aamir Niazi, CEO of the company since 2015, carries more than three decades of local and international experience, mainly in textile, FMCG and chemical sectors. With his seasoned profile, the company has higher focus towards reliability, efficiency and profitability.

Applicable Criteria and Related Research

- Chemicals - Hydrogen Peroxide | Nov-15
- Corporate Rating Methodology

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