



Rating Action

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Analyst

Aahyan Mumtaz
(+92-42-3586 9504)
aahyan.mumtaz@pacra.com
www.pacra.com

PACRA ASSIGNS “AA” RATING TO THE PROPOSED 2ND TFCs ISSUE OF PKR 3,000MLN BY ENGRO CORPORATION LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned a preliminary rating of ‘AA’ (Double A) to the proposed 2nd TFCs issue of PKR 3,000mln by Engro Corporation Limited (ECL). This rating denotes 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 of Companies (DG) holds a majority stake (~48%) in ECL, while the holding of Engro employees and Employees Trust stands at 10%.

Secured TFCs: ECL is in the process of issuing a 2nd TFCs of PKR 3,000mln (including a green shoe option of PKR 1,000mln). The instrument will have a tenor of 3 years, carrying fixed profit rate of 14.5% p.a., paid semi annually. The principal will be fully repaid at the end of the tenor or early through put option. The TFCs are secured by way of first ranking 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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