VIS
Credit Rating Company Limited

ENGRO FERTILIZER LIMITED

Analysts:
Abdul Ahad Jamsa
ahad.jamsa@vis.com.pk

RATING DETAILS		
Ratings Category	**Final Rating**	**Initial Rating**
	Short-term Sukuk	Short-term Sukuk
Preliminary Sukuk Rating	A1+	A1+ (Plim)
Rating Action	Final	Preliminary
Rating Date	January 21, 2026	November 07, 2025

Shareholding (5% or More)	Other Information
Engro Corporation Limited - 56.3%	Incorporated in 2009
General public – 20.9%	Public Limited Company (Listed)
Insurance companies – 8.29%	Chief Executive: Mr. Ali Rathore
	External Auditor: A.F. Ferguson & Co Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates - https://docs.vis.com.pk/docs/CorporateMethodology.pdf
Instrument Rating - https://docs.vis.com.pk/Methodologies-2025/IRM-Apr-25.pdf

Rating Scale

https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

The assigned rating reflects Engro Fertilizers Limited's ("EFert" or "the Company") resilient business fundamentals, strong sponsor support from the Engro Group, and a consistent track record of strong cash flow generation. The fertilizer sector remains strategically important, given its central role in sustaining crop yields. EFert is currently rated AA / A1+*, denoting very strong capacity to meet financial commitments.

The short-term sukuk (STS) is a rollover of an existing facility and is primarily aimed at meeting higher working capital needs. These inventories reflect slower urea offtake and muted DAP sales in recent quarters, which have contributed to higher leverage. Management expects this to improve over the coming quarters as product offtake strengthens and inventory normalizes. Rating draws comfort from EFert's strong cash flow history which provides buffer against near -term pressures and help contain rollover risk, supported further by the Company's strong banking relationships and established market position. However, timely offtake recovery and disciplined working capital management will remain important to sustain short-term credit metrics.

**Entity Rating by PACRA*

Company Profile

Engro Fertilizers Limited, a key subsidiary of Engro Corporation, is one of Pakistan's leading fertilizer producers. Incorporated in 2009 and listed on the Pakistan Stock Exchange, the Company operates with a broad commercial and logistics network across the country. The Company maintains a strong position in the domestic market, engaged in the manufacturing and sale of urea, NPK complex fertilizers (Zarkhez), phosphate-based products including DAP and MAP (marketed as Engro DAP and Zorawar), and zinc-based fertilizers (Zingro). The Company operates two urea plants at Daharki Base and EnVen, with a combined designed capacity of 2.25 million metric tons per annum, along with an NPK plant at Port Qasim having a capacity of 100,000 metric tons per annum. DAP requirements are met through imports.

Short-Term Sukuk (STS)

Engro Fertilizers Limited has issued a rated, unsecured, privately placed Short-Term Sukuk (STS) of PKR 20 billion, including a green-shoe option of PKR 5 billion, with a tenor of six months from the issue date. This issuance is a rollover of an existing PKR 20 billion STS Sukuk, which matured on November 14, 2025. The proceeds of the STS were directed towards meeting the Company's working capital requirements, particularly to support inventory. The profit rate is 3M KIBOR minus 0.15%, with both profit and principal payable in a single bullet payment at maturity.

Management and Governance

OWNERSHIP/SPONSOR

Engro Corporation remains the majority shareholder of EFert, holding approximately 56.3% of the Company's issued share capital. The remaining 43.7% constitutes the free float and is owned by a diverse base of public shareholders, including institutional investors and individual investors.

Engro Fertilizers follows a governance framework anchored in a diverse and actively engaged Board, supported by specialized committees that ensure effective oversight of strategy, controls, and human capital. The Board People Committee strengthens governance execution by rigorously reviewing senior management remuneration, organizational policies, and leadership succession while maintaining high attendance and compliance standards. Despite Board and CEO changes during the year, the Company demonstrated strong institutional stability through transparent disclosures and timely appointments, reflecting a mature and resilient governance culture.

Business Risk

Pakistan's fertilizer industry remains a critical pillar of the agriculture sector, with urea dominating overall consumption, followed by DAP, NP, CAN and other blends. The market is led by Fauji Fertilizer Company Limited (FFC), Engro Fertilizers Limited (EFert), and Fatima Fertilizer Company Limited (Fatima), which together account for over 90% of domestic urea offtake. Based on National Fertilizer Development Centre (NFDC) data, in CY24 FFC remained the largest player with a ~44% share, followed by EFert at 31% and Fatima at 27%. Local urea production largely meets national demand, but Pakistan remains structurally dependent on DAP and other phosphatic imports, keeping the sector exposed to global price swings. Business risk remains medium to low for the fertilizer sector.

During 9MCY25, Pakistan's Urea industry sales declined ~8% YoY to 4.6Mn tons (SPLY: 4.2Mn tons) and DAP sales declined ~15% YoY to 0.8Mn tons (SPLY: 0.9Mn tons). Urea industry market shares stood at EFERT (30%), FFC (46%), FATIMA (17%) and AGL (6%) in 3QCY25. Whereas DAP industry market shares were EFERT (12%), FFC (68%) and FATIMA (3%). According to NFDC, offtake projected for the Rabi 2025–26 season (October–March) is around 3,486 Kt for urea, compared with an average of 3,380 Kt over the past four seasons (2020–21 to 2023–24). DAP offtake for Rabi 2025–26 is projected to remain close to the five-year average of 894 Kt.

Operational Update

During 9M 2025, urea production stood at 1,705 Kt compared to 1,553 Kt in the corresponding period last year, when production was lower due to the EnVen plant turnaround. Urea sales in 9M CY25 were 1,280 Kt against 1,321 Kt in 9M CY24, while DAP sales declined to 95 Kt from 195 Kt due to reduced imports and lower market demand.

Quarterly Sales Performance			**(000 tonnes)**
	1QCY25	**2QCY25**	**3QCY25**
Urea			
Engro	260	431	589
Industry	1,100	1,251	1,854
Market Share (%)	24%	34%	32%
DAP			
Engro	24	56	15
Industry	148	298	349
Market Share (%)	16%	19%	4%

Financial Risk

CAPITAL STRUCTURE

Engro Fertilizers maintains a broadly balanced capital structure, supported by stable cash flows and consistent profitability. However, gearing and leverage have increased in recent quarters, primarily due to the ongoing investment cycle and softer market demand, which have led to higher inventory accumulation. Management anticipates that these indicators will gradually improve over the coming quarters as fertilizer demand normalizes and sales volumes recover. The funding profile, reflecting an uptick in long-term debt, indicates balance sheet reprofiling arising from recent capital expenditures. Equity declined by around 10% by the end of 9M CY25, mainly due to dividend payouts.

Going forward, Engro Fertilizers' leverage metrics will continue to be influenced by the ongoing Gas Pressure Enhancement Facility (PEF) project and working capital requirements amid evolving demand offtake. The PEF is a multi-phase initiative aimed at stabilizing and enhancing gas pressure supplied from the Mari Gas Field to the company's urea plants in Daharki. Phase 1 of the PEF is progressing as planned and is expected to reach completion by CY26. Progress on Phase 2, part of the broader USD 300 million capital expenditure program, also remains steady, with planned outlays of approximately PKR 12 billion in 1Q CY26. Management expects leverage and gearing ratios to begin tapering off by 4Q CY25, supported by stronger cash collections. Should collections outperform expectations, the company intends to channel the additional liquidity toward early repayment of long-term borrowings to further strengthen its capital structure.

PROFITABILITY

EFert's profitability softened in 9M CY25 compared to the same period last year, largely due to subdued urea and DAP offtake and the need for higher discounting to manage elevated inventory levels. Demand remained constrained amid rising farmer input costs, withdrawal of support prices, climate-related production pressures, and elevated international phosphatic prices. The resulting inventory buildup compelled price incentives, weighing on near-term earnings.

Despite topline and volume pressures, gross margins improved markedly to 37% in 9M CY25 from 29% in the corresponding period, reflecting a return to normalized profitability following CY24, when mandated sales of GoP-imported urea at below-cost rates had significantly compressed margins. Underlying manufacturing margins remain robust, providing a stable foundation for earnings quality. However, the earnings trajectory will hinge on a recovery in product offtake, normalization of inventory levels, and greater stability in global fertilizer pricing. EFert's strong cost position and entrenched market presence support its medium-term profitability outlook, although prolonged demand softness could pose risks.

DEBT COVERAGE & LIQUIDITY

Despite an increase in leverage during 9M CY25, the company's healthy profitability and consistent operating cash generation ensure comfortable coverage of interest and principal obligations. Coverage indicators remain satisfactory, supported by resilient margins and the sector's steady demand dynamics. Liquidity is also sound, underpinned by adequate cash balances, strong banking relationships, and ample unutilized credit lines that provide flexibility during periods of elevated working capital needs. While short-term pressures from softer offtake persist, comfort is drawn from the financial strength of the broader Engro Group.

FINANCIAL SUMMARY					(Rs. in millions)
BALANCE SHEET	**CY21**	**CY22**	**CY23**	**CY24**	**9MCY25**
Property, plant and equipment	72,115	77,880	78,440	83,137	85,123
Stock-in-Trade	5,176	8,427	5,364	12,205	35,823
Trade Debts	2,152	2,478	2,069	5,687	3,587
Cash & Bank Balances	1,180	2,710	3,437	4,261	2,401
Total Assets	128,811	139,755	147,727	162,922	192,396
Trade Payables	5,317	4,974	2,167	939	1,375
Long Term Debt	17,432	29,700	25,839	21,598	45,203
Short Term Debt	4,118	8,826	323	12,452	25,664
Total Debt	21,550	38,526	26,161	34,050	70,867
Total Liabilities	83,493	97,065	102,700	116,393	150,627
Paid Up Capital	13,353	13,353	13,353	13,353	13,353
Total Equity	45,318	42,690	45,026	46,529	41,769
INCOME STATEMENT	**CY21**	**CY22**	**CY23**	**CY24**	**9MCY25**
Net Sales	90,585	96,945	161,666	186,709	112,138
Gross Profit	35,498	29,401	59,422	61,538	41,538
Operating Profit	29,591	25,204	46,869	48,802	27,381
Profit Before Tax	27,910	22,505	44,985	44,820	23,343
Profit After Tax	21,069	15,408	25,678	30,207	14,603
RATIO ANALYSIS	**CY21**	**CY22**	**CY23**	**CY24**	**9MCY25**
Gross Margin (%)	39.2%	30.3%	36.8%	33.0%	37.0%
Operating Margin (%)	32.7%	26.0%	29.0%	26.1%	24.4%
Net Margin (%)	23.3%	15.9%	15.9%	16.2%	13.0%
Funds from Operation (FFO)	23,563	10,900	22,965	5,500	13,374
FFO to Total Debt* (%)	109%	28%	88%	16%	25%
FFO to Long Term Debt* (%)	135%	37%	89%	25%	39%
Gearing (x)	0.48	0.90	0.58	0.73	1.70
Leverage (x)	1.84	2.27	2.28	2.50	3.61
Debt Servicing Coverage Ratio* (x)	3.28	0.50	1.03	1.22	1.33
Current Ratio (x)	0.96	0.68	0.72	0.75	0.86
(Stock in trade + trade debts) / STD (x)	1.78	1.24	23.02	1.44	1.54
Return on Average Assets* (%)	16.4%	11.5%	17.9%	19.4%	10.9%
Return on Average Equity* (%)	46.7%	35.0%	58.5%	66.0%	44.0%
Cash Conversion Cycle (days)	7	18	17	29	100

REGULATORY DISCLOSURES	**Appendix II**
Name of Rated Entity	Engro Fertilizers Limited
Sector	Fertilizers
Type of Relationship	Solicited
Purpose of Rating	Short-term Sukuk Rating

Rating History

Rating Type: Short Term Sukuk		
Rating Date	**Ratings**	**Rating Action**
21-Jan-2026	A1+	Final
07-Nov-2025	A1+ (plim)	Preliminary

Instrument Structure

Instrument Name	**Short Term Sukuk**
Nature of Instrument	STS
Tenure of Instrument	6 months
Size of the Issue	PKR 20 billion (inclusive of a Green Shoe Option of PKR 5 billion)
Principle Redemption Schedule	Bullet Payment at Maturity
Interest Redemption Schedule	Bullet Payment at Maturity
Issue Date	13-Nov-2025
Grace Period	NA
Redemption Date	13-May-2026
Nature of Security	Unsecured
Rating	A1+
Name of Trustee	Pak Oman Investment Company

Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

Due Diligence Meetings Conducted

S. No	**Name**	**Designation**	**Date**
1	Hassan Ghulam	Manager - Group Treasury	04th November, 2025
2	Hassan Mujtaba	Deputy Manager – Group Treasury	