



Date

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Analyst

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Applicable Criteria

- Methodology | Corporate Rating | Jun-21
- Criteria | Correlation Between Long-term & Short-term Rating Scales | Jun-21
- Criteria | Rating Modifiers | Jun-21

Related Research

- Sector Study | Refineries | Nov-21

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PACRA Maintains Entity Ratings of Attock Refinery Limited

Rating Type	Entity	
	Current (27-May-22)	Previous (27-May-21)
Action	Maintain	Maintain
Long Term	AA	AA
Short Term	A1+	A1+
Outlook	Negative	Negative
Rating Watch	Yes	Yes

The ratings reflect ARL's sound risk absorption capacity emanating from its sizable equity base. ARL's core business remains exposed to the vicissitudes in international crude oil and products prices, which in turn, steer the gross refining margins (GRMs) of the Company. Global recovery has been witnessed in the oil demand leading to higher volumetric sales coupled with higher pricing of petroleum products, leading to better GRMs and profitability margins for the local refinery sector. Uncertainty still prevails with respect to oil supplies as a result of Russia- Ukraine conflict which could further impact the pricing dynamics. However, ARL is less susceptible to this risk due to its pre dominantly local procurement of crude oil. During the period ended March 2022, the company supplied 1,348 thousand Metric Tons of various petroleum products while operating at about 78% (9MFY21: 76%) of the capacity. The Company earned profit after tax of PKR 2,840mln from refinery operations with addition of dividend income after tax of PKR 947mln from associated companies, resulting in a total profit after taxation of PKR 3,787mln. Sales have improved majorly on the back of increase in sales price and better volumes. The increase in oil prices resulted in an overall inventory gain to the company. However, this was partially offset by the exchange loss due to decline in Pak Rupee against US Dollar during the period. The local refinery sector is going through some significant challenges pertaining to up-gradation of the refining complex. The company along with other refineries has been in continuous discussion with the government to finalize a refinery policy that would address the upgradation concerns along with certain fiscal and tariff concessions to the refining sector. However, no final approval has been granted by the government which is expected to get delayed further amid current political instability in the country. The ratings remain dependent on ARL's ability to effectively shield its business profile from external vulnerabilities. Revived performance indicators and prudent financial matrix are imperative to uphold the ratings. Further outlook of the Company is expected to improve as the company is projected to recover from the losses incurred previously during the lockdown period on account of sustainability in international oil prices and available demand drivers in the market. Further, the approval of proposed Refining Policy, which will enhance Refineries' ability to upgrade remains imperative for the ratings.

About the Entity

Attock Refinery Limited (ARL) is principally engaged in the refining of crude oil. The company primarily produces premium motor gasoline, jet fuels, kerosene, high-speed diesel, light diesel oil, furnace fuel oil, mineral turpentine oil, jute batching oil, solvent oil, LPG and various grades of bitumen. Attock Group, through Attock Oil Company (AOC) (~61.06%) and its group company Attock Petroleum Limited retains the majority stake and management control in ARL. Other major shareholders consist of a) Individuals (Local & Foreign) (~11.54%), b) Banks and other Financial Institutions (~27.4%). ARL's Board of Directors comprises of seven members including five Non-Executive members and two Independent Non-Executive directors. The Chairman of the BoD, Mr. Shuaib A. Malik, is also the CEO of Attock Oil Group. Mr. Adil Khattak, the CEO, has extensive experience in the petroleum sector and has been associated with the company for over 45 years.

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. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.