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Applicable Criteria

- Rating Modifiers | Outlook and Rating Watch (Jun 16)
- Correlation between Long-term and Short-term rating (Jun 16)
- Corporate Rating (Jun 16)

Related Research

- Sector Study | Oil and Gas (Oct 16)

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PACRA Maintains Entity Ratings of Attock Refinery Limited

Rating Type	Entity	
	Current (23-Jun-2017)	Previous (13-Oct-2016)
Action	Maintain	Maintain
Long Term	AA	AA
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	-

The ratings reflect ARL's very strong risk absorption capacity emanating from sizable equity base. ARL's core business remains exposed to the vicissitude of international crude oil and refined product margins. Herein, ARL's product slate with large contribution of high margin products provides comfort. At the same time, ARL's strategic investments and sizable bank placements continue to provide risk absorption capacity and a stable source of income. The ratings encapsulate ARL's sizable debt for ongoing projects. The company has completed its up gradation (Isomerization and DHDS) and expansion (Pre Flash) projects. Moreover, as a result of up gradation and in-house Research & Development (R&D), the company has started producing RON 90 PMG. Subsequently the company has started benefiting from incremental cash flows. The improved performance translating into incremental cash flows provides the room for accelerated debt repayments, supplementing the company's financial profile. The company's association with the country's only integrated oil group - Attock Group (AG), low leveraged - remains a source of comfort for the ratings.

The ratings remain dependent on ARL's ability to effectively shield its business profile from volatility in international oil prices. ARL's financial profile, in turn, its ratings, could be negatively impacted from persistent downturn in refining margins, or un-expected drop in dividend stream. The continuity of deemed duty on Diesel is crucial.

About the Entity

ARL's refining capacity after the completion of expansion project (pre-flash) has reached to 53,400 bpd (previous: 43,000 bpd). The Attock Oil Company (AOC) retains the majority stake (63%), in turn, management control in ARL. ARL's Board of Directors comprises seven members. Out of these six are representatives of AOC - family - while the remaining one is independent director. The Chairman of the BoD, Mr. Shuaib A. Malik, is also CEO of Attock Oil Group. Mr. Adil Khattak, the CEO, has extensive experience in the petroleum sector. He is supported by an experienced management team which has demonstrated stability over time.

ARL has completed the following projects a) Pre-Flash Unit - to enhance refining capacity by 10,400bpd. b) Isomerization Unit - to enhance production of PMG; c) The Diesel Hydro Desulphurization(DHDS) - to reduce sulphur content in diesel d) Expansion of existing captive power plant by 18 Mega Watt.

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.