



**Date**

27-May-21

**Analyst**

Sana Shameen  
sana.shameen@pacra.com  
+92-42-35869504  
www.pacra.com

**Applicable Criteria**

- Methodology | Corporate Ratings | Jun-20
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale | Jun-20
- Criteria | Rating Modifier | Jun-20

**Related Research**

- Sector Study | Refineries | Nov-20

**Disclaimer**

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA

**PACRA Maintains Entity Ratings of Attock Refinery Limited | Rating Watch**

Rating Type	Entity	
	Current (27-May-21)	Previous (29-May-20)
Action	Maintain	Maintain
Long Term	AA	AA
Short Term	A1+	A1+
Outlook	Negative	Stable
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. The country's refinery sector is going through some significant challenges for an extended period, majorly pertaining to upgradation of the refining complexes. The global oil market was further struck by widespread uncertainty due to outbreak of COVID-19 pandemic. This had severely weakened the International Oil dynamics, creating a manifold impact on the domestic economy as well as the local refinery industry. In order to cater the issue Working Group constituted by the Government, comprising of the Government officials and representative of refineries, had finalised a draft Refining Policy which envisages certain fiscal and tariff concessions to the refining sector which are likely to improve financial condition of the refineries enabling upgradation of plants. However the final approval and actual financial impact is yet to be seen. Inventory accumulation, NRV adjustments and POL demand slide pressurized the GRMs and profitability margins of the sector players drastically. Nonetheless, the concerns are expected to reverse, going forward, as global prices head on a stabilization trajectory and demand takes a gradual uptick on account of eased lockdown. Having said this, uncertainty still prevails as to the timeliness of complete restoration and recovery of losses that the Industry has absorbed under the current situation. During the nine months period ended March 31, 2021, the Company suffered loss from refinery operations while the non-refinery income decreased as well. The margins started to slightly improve around December 2020. However, afterwards with onset of third wave of the pandemic, the margins again started to shrink. Free cashflows from operations, and in turn, coverages, have deteriorated in 9MFY21. ARL's strategic investments and sizable bank placements continue to contribute in the form of dividend and interest income. It provides support to the risk profile of the company. Recurring non-core income remained insufficient to absorb the net losses. The Company's association with the country's only integrated oil group - Attock Group (AG) - demonstrates to be a source of comfort to the ratings.

The ratings remain dependent on ARL's ability to effectively shield its business profile from external vulnerabilities. Upholding of comforting factors, including income flow from other sources, remains imperative. Further outlook of the Company is expected to improve upon approval of proposed Refining Policy, which will enhance Refineries' ability to upgrade and improve profitability. The entity has been put on rating watch on account of inevitable factors and unprecedented situation of Covid-19 outbreak.

**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%) 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) (~20%), b) Banks and other Financial Institutions (~18.9%). ARL's Board of Directors comprises seven members. Board consists of 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. Because of its listing status, financial transparency is considered strong as the company has to comply with the disclosures requirements of the regulators.

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.