



Rating Action

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PACRA MAINTAINS RATINGS OF NATIONAL REFINERY LIMITED

The Pakistan Credit Rating Agency (PACRA) has maintained the long term and short term entity ratings of National Refinery Limited (NRL) at "AA+" (**Double A Plus**) and "A1+" (**A One Plus**) respectively. These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect NRL's strong financial profile emanating from sound cashflows and healthy liquidity. NRL possesses dominating position in the domestic high margin lube segment alongwith established relationships. Strengthening of international LBO market fundamentals bodes well for the company's lube segment performance. The fuel segment showed increased performance on account of stability in the international crude prices benefitting GRMs. NRL has embarked upon value added projects to reinvigorate high margin products through ISOM and DHDS. NRL has injected major CAPEX in the projects through internally generated funds. Currently, both projects are 75% completed and to be commissioned by May'17. The expected leverage may not reach the envisaged proportion, further supporting the ratings. NRL's association with the country's only integrated oil group - Attock Group (AG), which on a net basis remains low leveraged - remains a source of comfort.

The ratings could be impacted by external factors such as prolonged downturn in margins and adverse regulatory changes. The company's ability to maintain its leading position in the lube segment to avoid stress on cash flows remains important for the ratings. Meanwhile, it is crucial that the company maintains its seamless financial profile. Timely completion of the projects in order to avoid any pressure on repayments would be essential.

About the Company:

With a refining capacity of 2.7mln tpa, NRL, the third largest refinery in the country was incorporated in 1963 and privatized in 2005. AG through its group companies retains the majority stake (51%) in NRL. Other major shareholders include: Islamic Development Bank (15%), NIT's funds (4%) and State Life Insurance Company of Pakistan (4%). NRL's seven member Board of Directors includes four representatives of AG. The remaining three members are independent directors including one nominee representing IDB, one nominee of NIT & one minority shareholder.

The CEO, Mr. Shuaib A. Malik, a seasoned professional in the oil business is supported by a team of experienced professionals.

Applicable Criteria and Related Research

- Refining Sector Viewpoint | Sep-15
- Corporate Rating Methodology

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