



Rating Action

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Analyst

Usama Liaquat
(+92-42-35869504)
usama.liaquat@pacra.com
www.pacra.com

Applicable Criteria and Related Research

- Corporate Rating Methodology

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PACRA assigns "Positive" outlook to Entity Ratings of Pakistan State Oil Company Limited

The Pakistan Credit Rating Agency (PACRA) has assigned a "Positive" outlook to the long-term entity ratings of "AA" (Double A) while maintaining the short-term entity ratings at "A1+" (A one plus) for Pakistan State Oil Company Limited (PSO). 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 the strong ownership structure of the company, with controlling interest vested in the Government of Pakistan (GoP), and high propensity of state support in distressed situations, considering the strategic nature of the company. With its leading status in the OMC sector, PSO retains pivotal position in the energy supply chain of the country, supplemented by an extensive distribution network, largest storage capacity, and improved support structure. The company has diversified into LNG, which started supporting its revenue stream and working capital associated with LNG operation is managed carefully. The company has sustained its operations based on cash transactions with few strategic customers beyond the stuck-up receivables. Meanwhile, comfort can be drawn from stability in short term leverage emanating from decrease in the magnitude of circular debt issue and restoration of governance structure.

The "Positive" outlook captures the sustainability in operations of the company, management team in place and concerted efforts to settle the circular debt. Timely materialization of these efforts is essential. Meanwhile, financial and business metrics need to remain aligned with the current risk profile of the company. Upholding the governance framework including independence and continuity of management is important.

About the Company:

PSO is listed on Pakistan Stock Exchange (PSX). The company is engaged in import, storage, distribution and marketing of various petroleum products. Being the oil market leader and largest company in terms of revenue, PSO has the largest storage capacity amongst OMCs in Pakistan and offers its products through a vast network of around 3,536 retail outlets across the country. Though GoP owns only ~51% shareholding in the company through direct and indirect holdings, the Marketing of Petroleum Products (Federal Control) Act 1974 authorize the GoP complete control in terms of appointment of the Board of Management and Managing Director.

Mr. Sheikh Imran ul Haque assumed charge of MD in Sep15. Mr. Haque was previously serving as the chief executive officer of Engro Vopak Terminal Limited. He is a seasoned professional, carrying over two decades of experience. He is supported by core management team comprising qualified and experienced professionals.

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.

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