



Rating Action

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PACRA MAINTAINS ENTITY RATINGS OF NATIONAL REFINERY LIMITED

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and the short-term entity ratings of National Refinery Limited (NRL) at 'AAA' (Triple A) and 'A1+' (A One Plus), respectively. The ratings denote the lowest expectation of credit risk emanating from exceptionally strong capacity for timely payments of financial commitments.

The ratings reflect National Refinery's very strong risk absorption capacity emanating from a debt-free capital structure, strong cashflows and robust liquidity in the form of sizeable bank placements. This engenders capacity in the company to manage persisting inter-corporate debt prevailing in the energy chain of the country. The ratings incorporate NRL's low business risk, originating from its relatively stable margins and its dominant position in the highly profitable lube segment. At the same time, the company enjoys synergic advantages as part of an integrated oil group - Attock Group.

The ratings could be impacted by external factors such as unfavorable movements in international oil prices and adverse regulatory changes, leading to prolonged downturn in margins. The company's ability to maintain its leading position in the lube segment, thus, sustaining profitability, and effectively manage circular debt issue to avoid stress on cash flows remain important for the ratings. Meanwhile, it is crucial that the company maintains its seamless financial profile. Any debt driven expansion has to be taken carefully as that may impact coverages, in turn, ratings.

The Company:

NRL, incorporated in 1963, was privatized in 2005. The Attock Group (AG) acquired the majority stake (51%) in NRL through its group companies - Pakistan Oilfields Limited (25%), Attock Refinery Limited (25%) and Attock Petroleum Limited (1%). Islamic Development Bank, Jeddah and NIT are other significant shareholders with 15% and 11% stake, respectively. The BoD has strong presence of AG's representatives. The CEO, Mr. Shuaib A. Malik, is a seasoned professional in the oil business. Attock Group, an integrated business group in the country's oil chain, has presence in all segments of the industry from exploration to marketing.

NRL, with the second largest refining capacity in the country (2.71mln tpa), has two different refining segments - Fuel Refinery and Lube Refinery - and a BTX plant. All production facilities are located at the Karachi refinery site.

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