



The Pakistan Credit Rating Agency Limited

PAKISTAN STATE OIL COMPANY LIMITED

ENTITY RATING REPORT

	NEW [JUN-17]	PREVIOUS [MAY-16]
Long-Term	AA	AA
Short-Term	A1+	A1+
Outlook	Stable	Positive

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JUNE 2017



Pakistan State Oil Company Limited (PSO)

BALANCE SHEET	31-Mar-17	30-Jun-16	30-Jun-15	30-Jun-14
	9M	FY	FY	FY
Non-Current Assets	18,844	17,931	14,878	12,848
Investments (Incl. Associates)	48,850	50,133	50,681	45,789
a. Equity Securities	4,323	3,838	3,371	2,782
b. Debt Securities	44,527	46,295	47,310	43,007
Current Assets	328,345	274,255	275,749	313,514
Inventory	81,228	50,834	58,492	86,297
Trade Receivables	214,551	178,271	180,778	175,386
Others	32,567	45,150	36,478	51,831
Total Assets	396,040	342,319	341,307	372,151
Debt/Borrowings	139,170	105,113	102,076	92,321
Short-Term	139,170	105,113	102,076	92,321
Long-Term (Incl. Current Maturity of Long-Term Debt)	-	-	-	-
Other Short-Term Liabilities	147,642	139,390	148,601	196,025
Other Long-Term Liabilities	6,506	6,234	8,321	5,184
Shareholder's Equity	102,722	91,581	82,310	78,621
Total Liabilities & Equity	396,040	342,319	341,307	372,151

INCOME STATEMENT

Turnover	629,498	677,967	913,094	1,187,639
Gross Profit	27,041	22,863	23,579	36,824
Net Other Income	7,445	11,425	10,891	16,169
Financial Charges	(4,331)	(7,150)	(11,017)	(9,544)
Net Income	14,156	10,273	6,936	21,818

CASH FLOW STATEMENT

Free Cash Flow from Operations (FCFO)	13,525	12,420	1,594	13,013
Net Cash changes in Working Capital	(48,324)	(7,976)	(28,053)	(81,880)
Net Cash from Operating Activities	(33,173)	4,368	(23,864)	(56,690)
Net Cash from Investing Activities	(852)	(1,264)	(2,221)	(1,396)
Net Cash from Financing Activities	31,862	320	7,790	73,465

Ratio Analysis

Performance				
Turnover Growth (vs SPLY)	29%	-26%	-23%	8%
Gross Margin	4%	3%	3%	3%
Net Margin	2%	2%	1%	2%
ROE	20%	11%	8%	32%
Coverages				
Interest Coverage (FCFO/Gross Interest)	3.1	1.7	0.1	1.4
Core: (FCFO/Gross Interest+CMLTD+Uncovered Total STB)	3.1	1.7	0.1	1.4
Total: (TCF) / (Gross Interest+CMLTD+Uncovered Total STB)	3.2	1.8	0.2	1.4
Debt Payback (Total LT Debt Including Uncovered Total STBs) / (FCFO- Gross Interest)	0.0	0.0	0.0	0.0
Liquidity				
Net Cash Cycle (Inventory Days + Receivable Days - Payable Days)	59	75	65	39
Capital Structure (Total Debt/Total Debt+Equity)	58%	53%	55%	54%



STANDARD RATING SCALES & DEFINITIONS

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

LONG TERM RATINGS		SHORT TERM RATINGS
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments.	<p>A1+: The highest capacity for timely repayment.</p> <p>A1: A strong capacity for timely repayment.</p> <p>A2: A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.</p> <p>A3: An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.</p> <p>B: The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.</p> <p>C: An inadequate capacity to ensure timely repayment.</p>
AA+ AA AA-	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.	
A+ A A-	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.	
BBB+ BBB BBB-	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances or economic conditions are more likely to impair this capacity.	
BB+ BB BB-	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.	
B+ B B-	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business, and economic environment.	
CCC CC C	Very high credit risk. “CCC” Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. “CC” Rating indicates that default of some kind appears probable. “C” Ratings signal imminent default.	
D	Obligations are currently in default.	

<p>Rating Watch Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. Rating Watch may carry designation – Positive (rating may be raised, negative (lowered), or developing (direction is unclear). A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled.</p>	<p>Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.</p>	<p>Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, a suspended rating should be considered withdrawn.</p>	<p>Withdrawn A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, or e) the entity/issuer defaults.</p>
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Disclaimer: PACRA's rating is an assessment of the credit standing of an entity/issue in Pakistan. They do not take into account the potential transfer / convertibility risk that may exist for foreign currency creditors. PACRA's 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.



Name of Entity
Sector
Type of Relationship
Purpose of the Rating

Pakistan State Oil Limited
Oil Marketing Company
Solicited
Independent Risk Assessment

Rating History

Dissemination Date	Long Term	Short Term	Outlook	Action
29-Jun-17	AA	A1+	Stable	Maintain
13-May-16	AA	A1+	Positive	Maintain
14-May-15	AA	A1+	Stable	Downgrade
15-Jan-14	AA+	A1+	Positive	Maintain
30-Mar-12	AA+	A1+	Stable	Maintain

Related Criteria and Research

Rating Methodology
Research

Corporate Rating Methodology
Oil Marketing Companies | June-2017

Rating Analyst

Haider Imran
haider.imran@pacra.com
(92-42-35869504)

Rai Umar Zafar
rai.umar@pacra.com
(92-42-35869504)

[Rating Team Statement](#)

Rating Procedure

Rating is an opinion on relative credit worthiness of an entity or debt instrument. It does not constitute recommendation to buy, hold or sell any security. The rating team for this assignment does not have any beneficial interest, direct or indirect in the rated entity/instrument.

[Disclaimer](#)

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mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and ii) fee mandate - signed with the payer, which can be different from the entity

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Surveillance

PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the rated entity/ issuer, the security arrangement, the industry etc, is disseminated to the market, in a timely and effective manner, after appropriate consultation with the entity/issuer

PACRA reviews all the outstanding ratings on annual basis or as and when required by any stakeholder (including creditor) or upon the occurrence of such an event which requires to do so

PACRA initiates immediate review of the outstanding rating(s) upon becoming aware of any information that may be reasonable be expected to result in any change (including downgrade) in the rating

Reporting of Misconduct

PACRA has framed and implemented whistle-blower policy encouraging all employees to intimate the compliance officer any unethical practice or misconduct relating to the credit rating by another employees of the company that came to his/her knowledge. The Compliance Officer reports to the BoD and SECP

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Where feasible and appropriate, prior to issuing or revising a rating, PACRA informs the issuer of the critical information and principal considerations upon which a rating will be based and provide the opportunity to clarify any likely factual misperception or other matter that PACRA would wish to be made aware of in order to produce a fair rating. PACRA duly evaluates the response. Where in a particular circumstance PACRA has not informed the entity/issuer prior to issuing or revising a rating, it informs the entity/issuer as soon as practical thereafter

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[Probability of Default \(PD\)](#)

PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past