

## Date

24-May-24

## Analyst

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## Applicable Criteria

- Methodology | Corporate Rating | Jul-23
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Jul-23
- Methodology | Rating Modifiers | Apr-24

## Related Research

- Sector Study | Refineries | Nov-23

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## PACRA Updates Entity Ratings of Attock Refinery Limited | Rating Watch Removed

Rating Type	Entity	
	Current (24-May-24 )	Previous (26-May-23 )
<b>Action</b>	Maintain	Maintain
<b>Long Term</b>	AA	AA
<b>Short Term</b>	A1+	A1+
<b>Outlook</b>	Stable	Stable
<b>Rating Watch</b>	-	Yes

The ratings reflect ARL's sound risk absorption capacity emanating from its sizable equity base along with expertise and proven history of operations in the energy sector. The local refinery sector faced challenges during the period due to declining consumption of POL products along with infiltration of smuggled HSD in the economy resulting in slow offtake. 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. Spreads between prices of petroleum products and crude oil remained favorable during the period resulting in better margins which was translated into exceptional performance. During the period ended March 2024, the company supplied 1.266mln MT (9MFY23: 1,369mlnMT) of various petroleum products while operating at about 75% (9MFY23: 80%) of the capacity. The Company earned profit after tax of PKR 20,794mln from refinery operations with addition of dividend income after tax of PKR 888mln from associated companies, resulting in a total profit after taxation of PKR 21,682mln. The Company's profitability was complemented by additional income on the short-term investment portfolio. The Company has zero leverage with no debt in its capital structure, depicting strong financial stability. The government has approved the Pakistan Oil Refining policy for both Greenfield and Brownfield refineries. Going forward, the Company is all set to sign the agreement with OGRA under the policy for upgradation of the refinery.

Although the industry's overall outlook is expected to remain challenging, characterized by unstable refining margins and slower offtake, ARL's management is committed towards successful and efficient management of operations to shield its business profile from ongoing external vulnerabilities. Furthermore, Attock Group's remarkable strength and business acumen along with the sustenance of current performance will further compliment the ratings.

### 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, LPG and various grades of bitumen. Attock Group, through Attock Oil Company (AOC) (~61.06%) and its group company Attock Petroleum Limited retains the majority stake and management control in ARL. Remaining shareholding is divided amongst Institutions (21.70%) and General Public (17.24%). ARL's Board of Directors comprises of seven members including 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. Mr. Adil Khattak, the CEO, has extensive experience in the petroleum sector and has been associated with the company for over 48 years.

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.