



Rating Action

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PACRA ASSIGNS “AA-” RATING TO PAKISTAN NATIONAL SHIPPING CORPORATION

The Pakistan Credit Rating Agency (PACRA) has assigned long-term and short-term entity ratings of “AA-” (Double A minus), and “A1+” (A One Plus), respectively, to the Pakistan National Shipping Corporation (PNSC). The ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect PNSC’s sovereign ownership structure – majority (77%) owned by the Government of Pakistan (GoP) – and its strategic importance. The ratings incorporate the company’s strong risk absorption capacity, emanating from a robust equity base and healthy liquidity position. Meanwhile, the monopolist position of PNSC, as the only domestic shipping company in the country, and the long-term nature of its contracts insulate the company to a certain degree from the inherent cyclical nature of the shipping industry.

The ratings remain dependent upon the successful implementation of the company’s fleet expansion/replacement plan and subsequent higher revenues, translating into strong cash flow generation. Adverse business developments, resulting in lower freight and charter revenues and/or excessive leveraging, impacting PNSC’s financial profile, would have negative rating implications. In this regard, the management’s ability to proactively manage the company’s financial obligations is important for the ratings. Meanwhile, upholding a strong governance framework would remain critical.

About the company: Incorporated under the provisions of the Pakistan National Shipping Ordinance, 1979, and the Companies Ordinance, 1984, the Pakistan National Shipping Corporation (PNSC) functions as the holding company with 19 subsidiary companies (18 wholly owned) and an associate company. PNSC and its subsidiaries, operating on a one ship one company model, are principally engaged in the business of charter of vessels and cargo transportation. PNSC’s fleet currently consists of ten vessels, comprising 5 oil tankers, 4 combi vessels and 1 bulk carrier, with a total capacity of 633,273 DWT.

The seven member board has five nominees of the GoP, including the Chairman, who is also the Chief Executive Officer, with the remaining two members elected by other shareholders.

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