



Rating Action

Lahore: (22-Jan-10)

Analyst

Nazia Ramzan
(+92-42-586 9504)
nazia@pacra.com

PACRA MAINTAINS RATINGS OF PAKISTAN STATE OIL COMPANY LIMITED

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of Pakistan State Oil Company Limited (PSO) at “AA+” (Double A plus) and “A1+” (A one plus) respectively. 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 – majority owned and controlled by Government of Pakistan – and high propensity of state support in distressed situations, considering the strategic nature of the company. The ratings also consider the leading market position of company in the OMC sector, supported by its extensive storage, distribution infrastructure, and robust IT system. Meanwhile, the cash flows of the company are currently stressed, as it is a part of the circular debt chain, and PSO remains exposed to the international oil price volatility which may transpire into inventory losses.

About the company: PSO, listed on all bourses in Pakistan, is primarily engaged in storage, distribution and marketing of Petroleum, Oil and Lubricant (POL) products in Pakistan. While being among the country’s largest corporate entities, the company offers its products through a vast network of retail outlet (~3,600) across the country, including around 1,700 New Vision Retail Outlets. GoP has complete authority in terms of appointment of the Board of Directors and Managing Director.

The current Managing Director, Mr. Irfan Khalil Qureshi, was appointed in February 2009. He is a veteran of the oil industry with local and international experience. PSO has a well defined organizational structure with clear segregation of responsibilities.

Disclaimer

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA.

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'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.