



The Pakistan Credit Rating Agency Limited

Rating Report

Be Energy Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
25-Aug-2023	A+	A1	Stable	Maintain	-
26-Aug-2022	A+	A1	Stable	Maintain	-
27-Aug-2021	A+	A1	Stable	Maintain	-
28-Aug-2020	A+	A1	Stable	Maintain	-
28-Aug-2019	A+	A1	Stable	Maintain	-
28-Feb-2019	A+	A1	Stable	Maintain	-
28-Aug-2018	A+	A1+	Stable	Maintain	-
15-Feb-2018	A+	A1+	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Pakistan heavily depends on imports for its energy requirements due to its limited domestic POL production. A substantial increase in POL import costs was witnessed supported by rupee depreciation (FY22: US\$17bln, FY21: US\$8bln); however, the demand remains stable. While, during FY23, the demand for POL products, furnace oil (FO), high-speed diesel (HSD), motor spirit (MS), and high octane blended component (HOBC) - which make up ~95% of the total sales, declined by ~15% due to macroeconomic pressures. The transportation and power sectors remain the main consumers, accounting for ~89% of total demand. Despite challenges, the sector's overall outlook - cashflows and liquidity - remains stable.

The ratings drive comfort from Be Energy Limited's ('Be Energy' or 'the Company') strong association with BE Group (previously known as the Bakri Group) ('the Group'). The Group, incorporated in Saudi Arabia, holds a substantial global presence in energy-related businesses that includes downstream operations in oil segment located across Asia and Africa. The Company mainly generates revenue, posting consistent growth, from HSD and MOGAS; however, HSFO and Lubricants also support the topline. Be Energy has successfully expanded its market share, establishing a robust foothold in the local oil marketing segment. A network of 465 retail pumps has been strategically located across the country, while there are two company-operated pump. Rupee depreciation keeps the margins considerable. This along with enhanced storage capacity and hospitality income, generated through subletting unutilized storage units, braces the Company's bottom-line; Also the Company is strategizing to expand its storage capacity on the KPK side to mitigate transportation costs and strengthens its hospitality income. This strategic initiative of a license agreement with Chevron (to use Caltex brand on Be Energy's outlet) will further strengthen the Company's performance in the highly competitive market. In the near future, Be Energy aims to establish 45-50 new retail stations under the Caltex Brand, which will contribute to boosting the Company's volumetric sales and will lead to enhance financial performance. Be Energy holds an adequate financial profile with a moderate working capital cycle and leveraging. While coverages have stretched, lately. The Company has maintained a consistent borrowing level, demonstrating a prudent approach to leveraging while conscientiously managing its debt exposure. The strong business acumen of sponsors remains imperative for ratings.

The ratings remain dependent on Be Energy's ability to enhance its capacity utilization, through infrastructure and supply chain development, in order to augment its market penetration and strengthen its relative position. Sustainability of bottom-line and key financial metrics, in terms of working capital ratios, coverages and leveraging, remains crucial to the rating.

Disclosure

Name of Rated Entity	Be Energy Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Corporate Rating(Jun-22),Methodology Correlation Between Long-term & Short-term Rating Scales(Jun-22),Methodology Rating Modifiers(Jun-22)
Related Research	Sector Study Oil Marketing Companies(Nov-22)
Rating Analysts	Faiqa Qamar faiqa.qamar@pacra.com +92-42-35869504

POL Distribution - OMCs & Dealers

Profile

Legal Structure Be Energy Limited ('Be Energy' or the 'Company') was incorporated in Oct-96 as Private Limited Company and subsequently transformed its legal status to Public Unlisted Company in Nov-17.

Background The Company had commenced its operations from Overseas Oil Trading Company (Pvt.) Limited ('Oil Trading') and Bakri Trading Company Pakistan (Pvt.) Limited ('Bakri Trading'). In 2016, the Company was granted permission to merge the Overseas Oil Trading Company with and into Bakri Trading. Post merger, Bakri Trading changed its name to Bakri Energy (Pvt.) Limited.

Operations The Company is engaged in the procurement, storage, distribution and marketing of petroleum products & lubricants. The Company has a strong presence in Sindh and Punjab region whereas its presence is growing in KPK as well. The Company has one of the largest oil-storage infra-structure of ~231,725MTs spread across the country. The registered office of the Company is situated at Shahrah e-Faisal, Karachi.

Ownership

Ownership Structure The shareholding of the Company is distributed through three channels, namely; i) Rawafid Investments LLC (90.997%) ii) Energy Petroleum Consultant Company (8.99%) iii) Company Directors (0.03%). Further 100% ownership of Energy Petroleum Consultant Company lies with Mr. Hussain Majed Al Sayed Noor Al Shamma, the Chief Executive Officer of the Company.

Stability The Group Business has been governed and administered by the members of Bakri Family and they are in process of preparing a succession plan for their business in the future. So far, succession planning is not well-documented.

Business Acumen Bakri group was founded in 1973 initially the group provided bunkering services to calling and passing vessels. Soon the group started trading in physical oil and oil products. The Bakri group then established companies that provided shipping, time charter services, shipping management, and marine support services. Bakri group continues to provide services in the Middle East, Sub- Indian and the Far East with the ambition to cover the rest of the world.

Financial Strength The financial strength of the sponsors is considered as good as the Company represents that sponsors have well diversified profitable businesses. Sponsors have the ability to understand and deal with a "business situation" (risks and opportunities) in a manner that is likely to lead to a good outcome.

Governance

Board Structure The board of Be Energy comprises five experienced professionals. Two members are sponsors of the Group, one is the CEO, one member holds a key position in BE Energy (SA), and one member holds key position in Be Energy Limited. All of them serves as executive member on the board of Be Energy Limited.

Members' Profile Dr. Zohair Abdul Kader B AlBakri, a Saudi national, serves as the Chairman of BoD. He holds directorship in various group companies, including Al Fatah International, National Petroleum & Petrochemical Tanks & Pipe Line Co & Abdul Kader Al Bakri & Sons Holding.

Board Effectiveness The experience of the board will help in providing useful insight into the oil & marketing and finance industry, guiding the management in developing effective operational and financial policies. There is one committee at board level; Board of Directors Committee.

Financial Transparency The External Auditors of the Company, M/S EY Ford Rhodes & Co., have provided an unqualified opinion on the financial statements FY22.

Management

Organizational Structure The Company has a well-defined organizational structure with clear segregation of responsibilities. The operations of the company have been bifurcated into five broad functional areas which comprise: i) Operations, supply chain & logistics, ii) Projects, iii) Marketing, iv) Finance and v) Human Resource.

Management Team Mr. Hussain Al Shammaa is the CEO of the Company. Currently, he resides in Kuwait. However, he takes a regular update from Mr. Javed Alam, who is the Managing Director (MD) of the Company. Mr. Javed holds a Bachelor's degree in Electrical Engineering. He has over 4 decades of total professional experience, howbeit, his association with the company is ~10 years

Effectiveness To oversee the management of the Company, four committees have been formed, comprising various members of the management team. The committees include i) Purchase Committee, ii) Product Pricing Committee and iii) HR Committee.

MIS The Company's operating environment relies on an IT infrastructure supported by ERP (Enterprise Resource Planning) solutions. The software has been acquired from M/S Sidat Hyder. The IT infrastructure is effectively integrated with all the departments and ensures proper financial and operational control.

Control Environment The Company has customer sales representatives at head office and regional office who take orders from the dealers. The orders are then punched in the system which is directed to the finance department. Finance department runs a credit check on the dealer, once cleared order is then forwarded to the operations who then fulfill the order. The company has developed an online portal where dealers can place their orders and track them. Once the order is fulfilled and tank lorry leaves the storage facility of the company, the dealer is responsible for the safe delivery of the product.

Business Risk

Industry Dynamics Pakistan relies significantly on imports to meet its energy demand. During FY22, the country consumed ~23.1mln MT of petroleum products (FY21: ~20.1mln MT), up ~14.9% YoY. Owing to declining local oil reserves amid low new discoveries, the dependence on imported POL products is increasing with each passing year. Currently, there are ~35 registered OMCs. There are five (5) Listed OMCs operating in the country namely (i) Pakistan State Oil (PSO) (ii) Shell Pakistan (SHELL) (iii) Hascol Petroleum (HASCOL) (iv) Hi-Tech Lubricants (HTL) and (v) Attock Petroleum (APL). OMCs generated an aggregate revenue of PKR ~5,278bln in FY22 (FY21: PKR ~3,076bln), with an annual GDP contribution of ~7.9% (FY21: 5.5%). The sector's revenues during FY22 registered a YoY growth of ~71.6% on account of higher prices of petroleum products.

Relative Position The big-five OMCs (PSO, Shell, Total PARCO, Hascol & Attock Petroleum) retain a large chunk of the market above 80%. Be Energy is considered one of the top ten players in the OMC industry, Be Energy Limited has contributed to increased competition in the industry. 20% market share of other OMCs in which the part of Be Energy holds only 4.5% of market share in terms of retail outlets.

Revenues The Company's revenue demonstrated a robust, and healthy growth trend during FY23 the total revenue amounted ~PKR 111,771mln, witnessing growth of ~9.7% compared to the previous year (FY21: ~PKR 101,851mln). Among the various revenue streams, MOGAS stood out as the primary contributor, amounting to ~57.0% of the total revenue, followed by HSD ~32.7%, while HSF and Lubricant contributed approximately 9.9% and 0.3%, respectively.

Margins During FY23, the gross profit of the Company depicted a dip of ~51.9% and reported at ~PKR 2,951mln compared previous corresponding year (FY22: ~PKR 6,143mln) owing to a substantial increase in raw material cost, which was also reflected in gross profit margin ~2.6% (FY22: ~6.0%). Operating Profit of the Company decreased to ~PKR 1,419mln in FY23 (FY22: ~PKR 4,587mln) due to cascading effect of increased raw material cost and operating profit margin of the Company stood at ~1.3% (FY22: ~4.5%). Further, net profit of the Company were reported at ~PKR 500mln in FY23 (FY22: ~PKR 2,433mln) a dip in net profit owing to same underlying reason; net profit margin of the Company plummeted to ~0.4% (FY22: ~2.4%).

Sustainability Chevron Brands International LLC (Chevron), a subsidiary of Chevron Corporation, has entered into a long-term trademark licensing agreement with Be Energy Limited, marking a return of the Caltex brand to fuel retailing in Pakistan. All operations of Caltex will be managed by Be Energy.

Financial Risk

Working Capital In FY23, the Company witnessed an increase in net working capital days to ~21 days, compared to ~14 days in FY22. Inventory days also rose to ~21 days in FY23 from ~19 days in FY22, resulting from a slight increase in inventory levels. Trade receivable days remained unchanged at ~19 days in FY23, the same as FY22. However, trade payable days decreased to ~19 days in FY23 from ~24 days in FY22, attributed to a decrease in payable amounts of ~PKR 3,876mln compared to FY22's ~PKR 7,498mln

Coverages During FY23, Company's EBITDA dropped to ~PKR 1,695mln (FY22: ~PKR 4,854mln), whereas FCFO of the Company stood at ~PKR 676mln (FY22: ~PKR 4,049mln). The decrease in EBITDA and FCFO resulted in decrease of coverage ratio EBITDA/Finance cost which stood at ~9.6x (FY22: ~21.7x).

Capitalization As at end FY23, total borrowings of the Company were reported at ~PKR 2,732mln (FY22: ~PKR 3,102mln), decrease in total borrowings owing to a decrease in STB. Moreover, the equity of the Company has stood at ~PKR 9,860mln (end-FY22: PKR 9,685mln) mainly due to retaining the profits.



The Pakistan Credit Rating Agency Limited

PKR mln

Be Energy Limited Oil Marketing Companies	Jun-23 12M	Jun-22 12M	Jun-21 12M	Jun-20 12M
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A BALANCE SHEET

1 Non-Current Assets	7,065	7,268	7,291	6,922
2 Investments	-	-	-	-
3 Related Party Exposure	-	-	-	-
4 Current Assets	10,952	15,554	9,574	4,773
a Inventories	6,983	5,606	5,257	2,774
b Trade Receivables	2,781	8,980	1,428	379
5 Total Assets	18,017	22,822	16,865	11,695
6 Current Liabilities	4,678	9,292	7,166	1,895
a Trade Payables	3,867	7,498	5,742	603
7 Borrowings	2,732	3,102	1,639	3,387
8 Related Party Exposure	-	-	-	-
9 Non-Current Liabilities	747	743	610	371
10 Net Assets	9,860	9,685	7,450	6,042
11 Shareholders' Equity	9,860	9,685	7,450	6,042

B INCOME STATEMENT

1 Sales	111,771	101,851	59,127	46,103
a Cost of Good Sold	(108,820)	(95,708)	(55,508)	(44,232)
2 Gross Profit	2,951	6,143	3,619	1,871
a Operating Expenses	(1,532)	(1,556)	(1,289)	(1,122)
3 Operating Profit	1,419	4,587	2,329	749
a Non Operating Income or (Expense)	(99)	(244)	71	107
4 Profit or (Loss) before Interest and Tax	1,320	4,343	2,400	856
a Total Finance Cost	(217)	(273)	(142)	(515)
b Taxation	(603)	(1,637)	(850)	(127)
6 Net Income Or (Loss)	500	2,433	1,408	214

C CASH FLOW STATEMENT

a Free Cash Flows from Operations (FCFO)	676	4,049	2,355	781
b Net Cash from Operating Activities before Working Capital Changes	481	3,679	2,206	311
c Changes in Working Capital	371	(6,294)	2,172	3,864
1 Net Cash provided by Operating Activities	852	(2,616)	4,378	4,175
2 Net Cash (Used in) or Available From Investing Activities	(125)	(189)	(467)	(866)
3 Net Cash (Used in) or Available From Financing Activities	(1,500)	873	(516)	(3,704)
4 Net Cash generated or (Used) during the period	(774)	(1,931)	3,394	(395)

D RATIO ANALYSIS

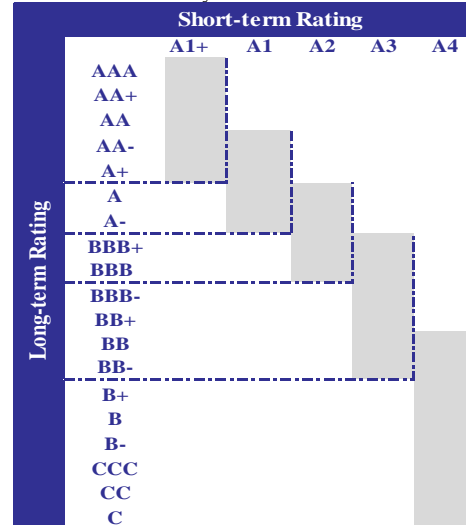
1 Performance				
a Sales Growth (for the period)	9.7%	72.3%	28.3%	-21.3%
b Gross Profit Margin	2.6%	6.0%	6.1%	4.1%
c Net Profit Margin	0.4%	2.4%	2.4%	0.5%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	0.9%	-2.2%	7.7%	10.1%
e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Share	5.1%	28.4%	20.9%	4.0%
2 Working Capital Management				
a Gross Working Capital (Average Days)	40	38	30	54
b Net Working Capital (Average Days)	21	14	11	38
c Current Ratio (Current Assets / Current Liabilities)	2.3	1.7	1.3	2.5
3 Coverages				
a EBITDA / Finance Cost	9.6	21.7	23.5	2.4
b FCFO / Finance Cost+CMLTB+Excess STB	1.8	8.4	6.2	1.3
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	1.7	0.2	0.4	2.0
4 Capital Structure				
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	21.7%	24.3%	18.0%	35.9%
b Interest or Markup Payable (Days)	62.5	96.2	674.0	212.4
c Entity Average Borrowing Rate	7.3%	6.1%	4.4%	10.0%

Credit Rating

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.

Scale	Long-term Rating Definition
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
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.
AA-	
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.
A-	
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 and in economic conditions are more likely to impair this capacity.
BBB-	
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.
BB-	
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.
B-	
CCC	
CC	Very high credit risk. Substantial 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.
C	
D	Obligations are currently in default.

Scale	Short-term Rating Definition
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



**The correlation shown is indicative and, in certain cases, may not hold.*

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'.

Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

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, the rating should be considered withdrawn.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults, or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s):

- a) Broker Entity Rating
- b) Corporate Rating
- c) Debt Instrument Rating
- d) Financial Institution Rating
- e) Holding Company Rating
- f) Independent Power Producer Rating
- g) Microfinance Institution Rating
- h) Non-Banking Finance Companies Rating

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Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term “family members” shall include only those family members who are dependent on the analyst and members of the rating committee

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- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA’s opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers’ associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst’s area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)
- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

Probability of Default

(22) 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 | Chapter III | 14-(F-VII)

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