



The Pakistan Credit Rating Agency Limited

PAK ARAB REFINERY LIMITED

	NEW [JUN-17]	PREVIOUS [DEC-16]
Long-Term	AAA	AAA
Short-Term	A1+	A1+
Outlook	Stable	Stable

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JUNE 2017



The Pakistan Credit Rating Agency Limited

PARCO Limited

BALANCE SHEET - CUMULATIVE

As at	31-Mar-17	30-Jun-16	31-Mar-16	30-Jun-15
	<i>Cumulative</i> 9MFY17	<i>Cumulative</i> Annual	<i>Cumulative</i> 9M	<i>Cumulative</i> Annual
A NON-CURRENT ASSETS				
1 Operating Fixed Assets - Owned and Leasehold	21,643	21,685	22,448	24,732
2 Intangible Assets	4	4	4	7
3 Other Non-Current Assets	1,067	289	246	277
<i>Non-Current Assets</i>	22,714	21,978	22,698	25,015
B INVESTMENTS				
1 Associates / Subsidiaries				
a. Equity	9,833	9,833	9,833	9,833
b. Debt Securities / Loans	1,506	1,045	1,312	1,523
	11,339	10,878	11,145	11,356
2 Investment Property	-	-	-	-
3 Other Investments				
a. Equity Securities	26,252	29,681	60,246	28,497
b. Debt Securities	22,387	21,056	8,879	4,200
	48,640	50,738	69,125	32,697
<i>Investments</i>	59,979	61,616	80,270	44,053
C CURRENT ASSETS				
1 Stores and Spares	3,407	3,178	2,012	3,015
2 Inventories				
Raw Material	17,686	13,150	12,387	18,555
Work in Process	2,411	1,729	1,768	2,649
Finished Goods	2,934	2,953	2,395	3,588
	23,031	17,832	16,550	24,792
3 Trade Receivables	13,260	12,519	11,317	14,836
4 Other Current Assets	7,267	7,934	7,890	8,769
5 Cash and Bank Balances	1,154	620	7,684	6,013
<i>Current Assets</i>	48,119	42,084	45,453	57,425
D TOTAL ASSETS (A+B+C)	130,812	125,678	148,422	126,493
E CURRENT LIABILITIES				
1 Current Maturity of Long Term Debt	523	523	523	991
2 Short Term Borrowings	7	7,031	14,248	1
3 Trade Payables	17,563	17,478	24,219	26,049
4 Other Current Liabilities	17,563	19,783	12,305	8,332
5 Provision for Taxation	228	253	-	-
6 Dividend Payable	-	-	-	-
<i>Current Liabilities</i>	35,884	45,066	51,295	35,373
F NON-CURRENT LIABILITIES				
1 Borrowings	785	1,045	1,308	1,523
2 Due to Associates	-	-	-	-
3 Other Non-Current Liabilities	7,730	7,479	9,447	7,890
<i>Non-Current Liabilities</i>	8,515	8,524	10,754	9,412
G NET ASSETS (D-E-F)	86,413	72,088	86,373	81,708
H SHAREHOLDERS' EQUITY				
1 Ordinary Share Capital	11,605	11,605	11,605	11,605
2 Preference Share Capital	-	-	-	-
3 Share Premium Account	-	-	-	-
4 Revaluation Reserve				
a. Fixed Assets	-	-	-	-
b. Investments	-	-	-	-
	-	-	-	-
5 Revenue Reserves	19,782	19,782	19,782	19,782
6 Unappropriated Profit	55,026	40,701	54,978	50,321
<i>Shareholders' Equity</i>	86,413	72,088	86,365	81,708



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PROFIT & LOSS ACCOUNT- CUMULATIVE

For the period ending

	31-Mar-17	30-Jun-16	31-Mar-16	30-Jun-15
	<i>Cumulative</i> 9MFY17	<i>Cumulative</i> Annual	<i>Cumulative</i> 9M	<i>Cumulative</i> Annual
A Turnover	166,406	198,099	155,943	307,285
B Operating Costs	(147,134)	(170,685)	(134,701)	(287,359)
C Gross Profit	<u>19,272</u>	<u>27,413</u>	<u>21,242</u>	<u>19,927</u>
D Operating Expenses				
1 Administrative and General Expenses	(2,071)	(2,311)	(1,539)	(2,226)
2 Selling and Marketing Expenses	-	-	-	-
	(2,071)	(2,311)	(1,539)	(2,226)
E Operating Profit / (Loss)	<u>17,201</u>	<u>25,102</u>	<u>19,702</u>	<u>17,701</u>
F Other Income / Expenses				
Recurring Non-Core				
1 Dividend from Associates	1,898	1,921	904	1,074
2 Share of Profit/ (Loss) from Associates	-	-	-	-
3 Dividend Income from Investments	-	-	-	-
4 Rental Income	-	108	(103)	108
5 Interest Income	2,788	2,623	2,467	2,933
	4,686	4,652	3,268	4,116
G Profit / (Loss) before Non-Recurring Impact	<u>21,887</u>	<u>29,755</u>	<u>22,970</u>	<u>21,817</u>
Non-Recurring Non-Core				
1 Profit/(Loss) on Sale of Assets	-	4	-	23
2 Profit/(Loss) on Sale of Investments	-	-	-	-
2 Surplus / (Deficit) on revaluation	-	-	-	-
3 Exchange Gain (Loss)	(1,332)	162	1,012	(1,065)
4 Other Income/(Expense)	(202)	(822)	389	(409)
5 Extraordinary Items	-	-	-	-
	(1,534)	(657)	1,401	(1,451)
H Profit / (Loss) before Financial Charges	<u>20,353</u>	<u>29,098</u>	<u>24,371</u>	<u>20,366</u>
I Financial Charges				
1 Interest Expense				
Gross Interest	(41)	(663)	(344)	(1,009)
Interest Capitalized	-	-	-	-
	(41)	(663)	(344)	(1,009)
J Profit / (Loss) before Taxation	20,312	28,435	24,027	19,356
K Taxation	(5,985)	(9,604)	(6,774)	(5,709)
L Net Income / (Loss)	<u>14,327</u>	<u>18,831</u>	<u>17,253</u>	<u>13,647</u>
M Unappropriated Profit/(Loss) Brought Forward	40,701	50,321	50,321	44,170
	55,028	69,152	67,574	57,817
N Adjustments (+/-)	-	(451)	-	(296)
O Available for Appropriation	<u>55,028</u>	<u>68,701</u>	<u>67,574</u>	<u>57,521</u>
P Appropriations				
1 Reserves	-	-	-	-
2 Dividends				
a. Stock	-	-	-	-
b. Cash	-	(28,000)	(10,000)	(7,200)
c. Preference	-	-	-	-
	-	(28,000)	(10,000)	(7,200)
Q Effect of change in Accounting Policy (+/-)	-	-	-	-
R Unappropriated Profit Carried Forward	<u>55,028</u>	<u>40,701</u>	<u>57,574</u>	<u>50,321</u>



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CASH FLOW STATEMENT- CUMULATIVE

For the period ending

A CASH FLOWS FROM OPERATING ACTIVITIES

	31-Mar-17	30-Jun-16	31-Mar-16	30-Jun-15
	<i>Cumulative 9MFY17</i>	<i>Cumulative Annual</i>	<i>Cumulative 9M</i>	<i>Cumulative Annual</i>
1 Profit Before Tax	20,312	28,435	21,431	19,356
2 Adjustments for:				
a. Depreciation/Amortization	2,557	3,443	2,260	3,492
b. Adjustments for other Non-Cash Charges/Items	346	(175)	334	1,609
c. Recurring non core (income)/expense	-	-	-	-
3 Add back:				
a. Interest Expense/(Income)	(1,247)	(1,960)	(1,101)	(1,924)
EBITDA	21,968	29,743	22,924	22,533
4 Subtract:				
a. Taxes paid	(6,009)	(10,409)	(7,161)	(6,332)
b. Others (+/-)	14	1,640	1,705	(2,147)
Free Cash Flows from Operations (FCFO)	15,973	20,974	17,468	14,054
5 Recurring non core income/(expense) from Subsidiaries/Associates	-	-	-	-
6 Recurring non core income/(expense) from Other Investments	-	-	1,372	-
Total Operating Cash Flows (TCF)	15,973	20,974	18,840	14,054
7 Interest paid	(36)	(662)	(338)	(1,114)
Net Cash from Operating Activities before Working Capital Changes (WCC)	15,937	20,312	18,502	12,940
8 Changes in Working Capital				
a. (Increase)/Decrease in Current Assets	(3,520)	9,647	14,132	24,059
b. Increase/(Decrease) in Current Liabilities (Excl. Debt)	5,342	(5,323)	16,207	(18,457)
Net Cash provided by Operating Activities	17,759	24,636	48,841	18,541
B CASH FLOWS FROM INVESTING ACTIVITIES				
1 Capital Expenditure	(2,501)	(397)	(293)	(445)
2 Proceeds from sale of Fixed Assets	-	6	-	27
3 (Purchase)/Sale of Investments	-	-	-	(5,239)
4 Investment/Loan in Subsidiary/Associated Companies	-	-	-	-
5 Others	1,243	2,533	-	2,984
Net Cash (Used in)/Available From Investing Activities	(1,258)	2,143	(293)	(2,673)
C CASH FLOWS FROM FINANCING ACTIVITIES				
1 Proceeds from Issue of Ordinary Shares	-	-	-	-
2 Dividends Paid	(7,200)	(20,800)	(10,000)	(7,200)
3 Net increase (decrease) in short term borrowings	-	7,028	(483)	-
4 Net increase (decrease) in long term borrowings	-	(961)	-	(4,415)
5 Net increase (decrease) in preference share capital	-	-	-	-
6 Rentals against finance lease	-	-	-	-
7 Others (+/-)	-	478	-	449
Net Cash (Used in)/Available From Financing Activities	(7,200)	(14,255)	(10,483)	(11,167)
D Non recurring/unusual and non core (expense) income	-	-	-	-
E NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,301	12,524	38,064	4,702
F OPENING BALANCE OF CASH AND CASH EQUIVALENTS	51,235	38,711	38,711	34,009
G CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	60,535	51,235	76,775	38,711



The Pakistan Credit Rating Agency Limited

PARCO Limited

RATIO ANALYSIS- CUMULATIVE

For the period ending

	31-Mar-17	30-Jun-16	31-Mar-16	30-Jun-15
	Cumulative 9MFY17	Cumulative Annual	Cumulative 9M	Cumulative Annual
A EARNINGS/PROFITABILITY				
<i>Turnover (PKR mln)</i>	166,406	198,099	155,943	307,285
1 Turnover Growth (same period last year)	6.7%	-35.5%	-35.5%	-26.4%
2 Turnover Growth (for the period)	52.3%	-35.5%	-32.3%	-26.4%
3 Gross Margin	11.6%	13.8%	13.6%	6.5%
4 Operating Margin	10.3%	12.7%	12.6%	5.8%
5 Pre-Tax Profit Margin	12.2%	14.4%	15.4%	6.3%
6 Effective Tax Rate	29.5%	33.8%	28.2%	29.5%
7 Pre-Tax Return on Equity	24.2%	37.0%	38.1%	24.6%
8 Return on Assets (ROA)	11.1%	14.9%	16.7%	10.1%
9 Net Non-core Income (Expenses) / Net Income	22.0%	21.2%	27.1%	19.5%
10 Non-core non-recurring Income (Expenses) / Net Income	-10.7%	-3.5%	8.1%	-10.6%
11 Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	10.7%	12.8%	30.7%	6.4%
12 Cash Conversion Efficiency (FCFO/Sales)	9.6%	10.6%	11.2%	4.6%
13 Dividend Cover (X)	0.0	0.7	(1.7)	1.9
<i>DuPont Analysis</i>				
14 Return on Equity (ROE)	16.8%	26.0%	28.8%	15.6%
15 Net Profit Margin	8.6%	9.5%	11.1%	4.4%
16 Leverage (Total Assets / Equity)	1.5	1.7	1.7	1.5
17 Asset Turnover (Sales / Average Total Assets)	1.3	1.6	1.5	2.3
B WORKING CAPITAL MANAGEMENT				
1 Average Inventory Held (Days)	22	38	39	44
a) Average Raw Material Held (Days)	16	28	29	34
b) Average WIP (Days)	2	4	4	5
c) Average Finished Goods Held (Days)	3	6	6	5
2 Average Trade Debtors (Days)	14	25	23	21
3 Average Trade Creditors (Days)	19	51	50	48
4 Net Working Capital Days	17	12	13	18
5 Short-term Trade Leverage (1- (STB)/ Net Trade Assets OR (Liabilities))	-123%	44%	-337%	100%
6 Short-term Total Leverage (Net Current Assets - STB) / Current Assets	6%	-6%	-12%	40%
7 Current Ratio (Total Current Assets/Total Current Liabilities excluding CMLTD)	3.7	0.9	0.9	1.7
8 Liquid Assets (hi) /Gross Interest+CMLTD+Uncovered Total STB	-	-	-	-
9 Total Liquid Assets/Gross Interest+CMLTD+Uncovered Total STB	-	-	-	-
C COVERAGES				
1 EBITDA/Gross Interest	535.8	44.8	66.6	22.3
2 FCFO/Gross Interest	389.6	31.6	50.8	13.9
3 FCFO/Gross Interest+CMLTD	52.8	17.7	23.7	7.0
4 FCFO/Gross Interest+CMLTD+Uncovered Short Term Borrowings	52.8	5.8	3.7	7.0
5 TCF/Gross Interest+CMLTD+Uncovered Short Term Borrowings	52.8	5.8	4.0	7.0
6 Debt Payback (Total LT Debt Including UnCovered Total STBs) / (FCFO- Gross Interest)	0.0	0.2	0.3	0.2
D CAPITAL STRUCTURE				
1 Total Debt/Total Debt+Equity	0.0%	10.7%	15.7%	3.0%
2 Total Debt/Total Debt+Equity(net of rev. surplus)	0.0%	10.7%	15.7%	3.0%
3 Current Debt/Total Debt	100.0%	87.8%	91.9%	39.4%



Name of Issuer
Sector
Type of Relationship
Purpose of the Rating

Pak Arab Refinery Limited
 Refining
 Solicited
 Independent Risk Assessment

Rating History

Dissemination Date	Long Term	Short Term	Outlook	Action
30-Jun-17	AAA	A1+	Stable	Maintain
30-Dec-16	AAA	A1+	Stable	Maintain
31-Dec-15	AAA	A1+	Stable	Maintain
13-Jan-15	AAA	A1+	Stable	Maintain
15-Jan-14	AAA	A1+	Stable	Maintain
03-Jan-13	AAA	A1+	Stable	Maintain
27-Mar-12	AAA	A1+	Stable	Maintain
29-Nov-10	AAA	A1+	Stable	Maintain

Related Criteria and Research

Rating Methodology
 Sector Research

Corporate Rating Methodology
 Pakistan Refining Industry An Overview - Oct 17

Rating Analysts

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[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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 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

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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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[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

CREDIT RATING SCALE & 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+	Very high credit quality. Very low expectation of credit risk.	
AA	Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.	
AA-		
A+	High credit quality. Low expectation of credit risk.	
A	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+	Good credit quality. Currently a low expectation of credit risk.	
BBB	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+	Moderate risk. Possibility of credit risk developing.	
BB	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+	High credit risk.	
B	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	Very high credit risk. Substantial credit risk	
CC	“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.	

<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>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. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating Watch may accompany Outlook of the respective opinion.</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, the 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, e) the entity/issuer defaults, or/and f) PACRA finds it impractical to surveil the opinion due to lack of requisite information</p>
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