



The Pakistan Credit Rating Agency Limited

Rating Report

Byco Petroleum Pakistan Limited | Sukuk | Jan-17

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
29-Nov-2020	AAA	-	Stable	Maintain	-
29-Nov-2019	AAA	-	Stable	Maintain	-
31-May-2019	AAA	-	Stable	Maintain	-
07-Dec-2018	AAA	-	Stable	Maintain	-
31-May-2018	AAA	-	Stable	Maintain	-
09-Jan-2017	AAA	-	Stable	Initial	-
22-Jul-2016	AAA	-	Stable	Preliminary	-

Rating Rationale and Key Rating Drivers

The rating reflects unconditional and irrevocable credit guarantee available to Sukuk holders from a multilateral guarantor - GuarantCo. Limited, rated AAA (June'19) by PACRA. The guarantee covers 100% of the issue amount (principal). The issuer maintains and efficiently manages 'Debt Service Reserve Account' (DSRA) under lien of the Security Trustee whereby the installments (Principal plus Profit) are being made regularly, prior to the due date. The issuer ensures (a) an amount equivalent to two upcoming Rental payments (profit only) is maintained in the DSRA at all times during the tenor of the Sukuk Issue, and (b) each Redemption amount (principal), is deposited in the DSRA 55 days prior to the relevant Redemption Date.

In case the issuer is unable to fund the installment on the funding date, a 30 day cure period will be given to the issuer. Simultaneously, the guarantor will be informed. If DSRA is not replenished in the stipulated time, the trustee will call the guarantee to settle the total outstanding principal amount. In any case, the guarantor would ensure that the requisite amount is filled in DSRA, not later than 5 business days before the due date. Meanwhile, profit would be settled through already held rental payment. During the current period, the issuer has deferred payment of principal installments for one year under SBP's directive. Deferment of principal repayment for one year has been approved by the guarantor, GuarantCo. Limited.

Disclosure

Name of Rated Entity	Byco Petroleum Pakistan Limited Sukuk Jan-17
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument Rating
Applicable Criteria	Methodology Sukuk(Jun-20),Methodology NBFC(Jun-20),Methodology Debt Instrument(Jun-20)
Related Research	Sector Study Refineries(Nov-19)
Rating Analysts	Madiha Sohail madiha.sohail@pacra.com +92-42-35869504

The Pakistan Credit Rating Agency Limited

BYCO SUKUK - TERMS	
Tenor	6 Years including 2 years grace period (post-deferment)
Profit Rate	3M Kibor + 105bps
Profit Payments	Quarterly in arrears
Principal Redemption	12 equal quarterly installments in arrears
Guarantor	GuarantCo. Limited.

INDUSTRY SNAPSHOT
<ul style="list-style-type: none"> The country consumed a total of ~13.1mln metric tons (MT) of refined petroleum products in 9MFY20 (9MFY19: ~14.9mln MT), depicting a fall of ~12% compared to the corresponding period. This decrease is mainly seen due to a fall in the consumption of MOGAS and HSD as a result of a lack of growth in the transport sector. A further fall in demand because of the nationwide lockdown due to Covid-19 has added to the problems within the industry. Substantial inventory losses were borne by the industry players, due to the recent slump in the global oil prices.

SUKUK STRUCTURE

- The issued over-the-counter listed Sukuk of PKR 3,120mln carries unconditional and irrevocable credit guarantee from a multilateral guarantor – GuarantCo. Limited. The guarantee would cover 100% of issue amount (principal).
- The Issuer – Byco Petroleum Pakistan Limited (BPPL) – maintains a 'Debt Service Reserve Account' (DSRA) under lien of the Security Trustee, whereby the installments (Principal + Profit) are being made available prior to due date.
- Byco Petroleum ensures that (a) an amount equivalent to two upcoming Rental payments (profit only) is maintained in the DSRA at all times during the tenor of the Sukuk Issue, and (b) each Redemption amount (principal) is deposited in the DSRA 55 days prior to the relevant Redemption Date.
- In case Byco is unable to fund the installment on the funding date, a 30 day cure period will be given & GuarantCo. will be informed.
- If DSRA is not replenished in the stipulated time, the trustee will call the guarantor to settle the total outstanding principal amount within 15 days.
- In any case, GuarantCo. will ensure that requisite amount is filled in DSRA not later than 5 business days, before the due date. Meanwhile, the profit portion would be settled, through already held rental payment.
- Furthermore, in case of a temporary liquidity constraint, the issuer may request GuarantCo. for support. If GuarantCo. decides to fill the shortfall, the payment has to be made to DSRA by no later than 5 business days before the relevant date; however, GuarantCo. is not bound to fulfill the request.
- In case GuarantCo. does not decide to pay, the above mechanism will remain applicable.
- Since issue, Byco has been complying with all the DSRA requirements. During the current period, Byco Petroleum has deferred payment of principal installments for one year (Apr-20 to Apr-21) under SBP's directive. Upcoming two payments will comprise interest payments only.

Due Date	Deposited (PKR mln)
18 Jan 2021	~PKR 38mln (Only Interest Payment)
18 Apr 2021	~PKR 37mln (Only Interest Payment)
Total	~PKR 75mln

GUARANTOR'S PROFILE

- GuarantCo. Limited was established in Mauritius in 2006 with the mandate to support infrastructure projects in low-income countries via guarantee provisions and development of local financial debt markets.
- GuarantCo's shareholding comprises five highly rated sovereigns; United Kingdom (AA by Fitch), Switzerland (AAA by Fitch), Sweden (AAA by Fitch), and Australia (AAA by S&P) own 70%, 13%, 5%, and 1%, respectively. Moreover, Private Infrastructure Development Group (PIDG), and Netherlands (AAA) owns 11% through Nederlandse Financierings (FMO).
- PIDG, with the consolidated strength of eight members, is a donor Financed Trust, while FMO is a Dutch development bank.
- GuarantCo. enjoys 'AAA' and 'A1+' ratings issued by PACRA in Jun'20.
- The company has a strong liquidity profile with robust capitalization.

BPPL'S PROFILE

- Byco Petroleum Pakistan Limited was incorporated in Jan'95 as a public limited company. The company is engaged in oil refining and petroleum marketing business.
- The total capacity of the refinery is 155,000bpd, which constitutes ~40% of the country's refining capacity.
- During 9MFY20 the company recorded a net revenue of PKR ~144,439mln (9MFY19: PKR~145,219mln), depicting a stagnation in growth. The gross profit declined and the net profit turned negative, primarily due to lower refining margins as a result of a fall in demand due to the pandemic, Covid-19. Additionally, as the company has not installed a DHDS unit, it is entitled to a lower selling price of HSD. The company is making efforts to address this matter, on a priority basis.
- During FY17, Byco Terminals Pakistan Limited (wholly owned subsidiary) and Byco Oil Pakistan Limited (Parent Company) merged into Byco Petroleum Pakistan Limited. Post-merger, Byco is the first company to have its own Single Point Mooring (SPM). Currently, Byco's SPM facility is handling a sizable portion of the country's crude oil imports, highlighting the importance of the SPM in Pakistan's petroleum infrastructure with its reliable and efficient services.
- Post-merger, the company is now a direct subsidiary of Byco Industries Incorporated (BII), Mauritius (the parent company), which holds 91.83% shares in the company.
- M/s E&Y Sidat Hyder, Chartered Accountants, are the external auditors of the company. They have expressed an unqualified opinion on the company's financial statements as at June'20. The company is rated A- for long term and A2 for short term by PACRA.



Byco Petroleum Pakistan Limited Refinery	Mar-20 9M	Jun-19 12M	Jun-18 12M	Jun-17 12M
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A BALANCE SHEET

1 Non-Current Assets	72,179	71,316	72,443	71,278
2 Investments	-	-	-	-
3 Related Party Exposure	16,932	16,932	16,932	16,932
4 Current Assets	36,344	41,895	40,374	21,630
a Inventories	22,113	29,260	29,391	12,583
b Trade Receivables	6,514	5,337	5,464	4,858
5 Total Assets	125,455	130,143	129,748	109,839
6 Current Liabilities	55,202	51,708	61,614	44,960
a Trade Payables	43,057	41,828	47,979	34,582
7 Borrowings	25,009	29,995	16,769	19,424
8 Related Party Exposure	14,390	14,390	12,943	15,040
9 Non-Current Liabilities	6,165	6,689	9,043	9,257
10 Net Assets	24,689	27,361	29,381	21,157
11 Shareholders' Equity	24,689	27,361	29,381	21,157

B INCOME STATEMENT

1 Sales	144,439	197,831	166,290	88,420
a Cost of Good Sold	(143,239)	(195,871)	(157,141)	(84,196)
2 Gross Profit	1,200	1,960	9,150	4,224
a Operating Expenses	(1,065)	(1,406)	(1,231)	(1,121)
3 Operating Profit	135	553	7,919	3,103
a Non Operating Income or (Expense)	107	278	329	508
4 Profit or (Loss) before Interest and Tax	242	832	8,248	3,612
a Total Finance Cost	(2,914)	(3,070)	(2,878)	(2,285)
b Taxation	-	554	(350)	855
6 Net Income Or (Loss)	(2,672)	(1,684)	5,020	2,182

C CASH FLOW STATEMENT

a Free Cash Flows from Operations (FCFO)	2,689	3,144	10,032	6,135
b Net Cash from Operating Activities before Working Capital Changes	(2,415)	1,080	8,623	5,982
c Changes in Working Capital	9,155	(9,879)	(1,033)	5,997
1 Net Cash provided by Operating Activities	6,740	(8,799)	7,590	11,979
2 Net Cash (Used in) or Available From Investing Activities	(2,496)	(2,781)	(3,157)	(3,648)
3 Net Cash (Used in) or Available From Financing Activities	(4,316)	11,969	(3,937)	(8,315)
4 Net Cash generated or (Used) during the period	(72)	389	497	16

D RATIO ANALYSIS

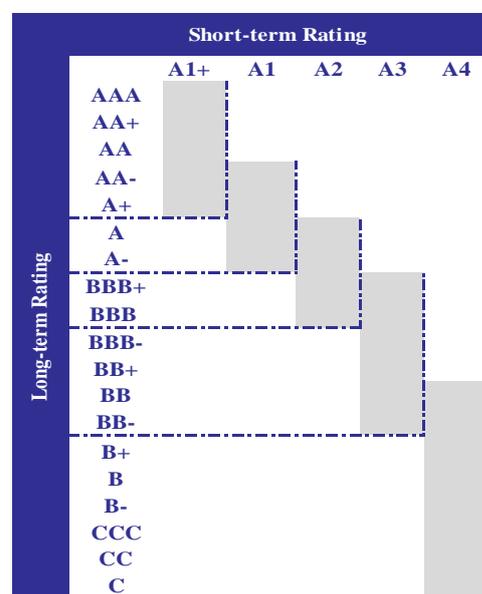
1 Performance				
a Sales Growth (for the period)	-2.7%	19.0%	88.1%	13.8%
b Gross Profit Margin	0.8%	1.0%	5.5%	4.8%
c Net Profit Margin	-1.9%	-0.9%	3.0%	2.5%
d Cash Conversion Efficiency (EBITDA/Sales)	2.0%	2.0%	6.3%	7.4%
e Return on Equity (ROE)	-13.7%	-5.9%	19.9%	10.3%
2 Working Capital Management				
a Gross Working Capital (Average Days)	60	64	57	48
b Net Working Capital (Average Days)	-21	-19	-33	-95
c Current Ratio (Total Current Assets/Total Current Liabilities)	0.7	0.8	0.7	0.5
3 Coverages				
a EBITDA / Finance Cost	1.0	1.3	3.7	2.9
b FCFO / Finance Cost+CMLTB+Excess STB	0.1	0.1	0.3	0.2
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	-193.8	727.6	7.1	15.0
4 Capital Structure (Total Debt/Total Debt+Equity)				
a Total Borrowings / Total Borrowings+Equity	61.5%	61.9%	50.3%	62.0%
b Interest or Markup Payable (Days)	41.8	46.8	20.0	41.9
c Average Borrowing Rate	9.3%	8.3%	9.0%	6.6%

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying debt 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+	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	
AA-	
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	
A-	
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	
BBB-	
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	
BB-	
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	
B-	
CCC	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.
CC	
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 surveill 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 on debt instrument is carried out on an ongoing basis till the maturity of the instrument or cessation of contract. 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.

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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

Restrictions

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (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.
- (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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Regulatory and Supplementary Disclosure

Byco Petroleum Pakistan Limited | Sukuk | Jan'17

Nature of Instrument	Size of Issue (PKR)	Years	Security	Quantum of Security	Nature of Assets	Book Value of Assets End-3MFY21 (PKR mln)	Trustee
Sukuk	3,120mln	6 years	1. Financial Guarantee from GuarantCo covering 100% of the Issue Amount	PKR 3,120 mln	Third party guarantee	-	Meezan Bank
			2. Ranking Charge on All Present and Future Fixed Assets of the Company with 25% margin	PKR 4,160 mln	All Present and Future Fixed Assets of the Company	PKR 89,468 mln	
			3. Company to open a DSRA Account under following Terms: (i) amount equivalent to two (02) upcoming profit payments are maintained in the DSRA at all times. (ii) Ensure that each redemption amount (principal), is deposited in the DSRA 55days prior to the relevant Redemption Date	PKR 76 mln	DSRA Account	PKR 76 mln	

Byco Petroleum Pakistan Limited | Sukuk | Jan'17 | Redemption Schedule

Installment Due Date	Principal Outstanding	Principal Payable	3M Kibor	Markup/Profit Rate (3MK + 1.05%)	Installment			Principal Outstanding
					Markup/Profit Payment	Principal Payment	Total	
PKR in mln		%		PKR in mln				
18-Jan-17	3,120							3,120
18-Apr-17	3,120		6.09%	7.14%	55		55	3,120
18-Jul-17	3,120		6.15%	7.20%	56		56	3,120
18-Oct-17	3,120		6.14%	7.19%	57		57	3,120
18-Jan-18	3,120		6.16%	7.21%	57		57	3,120
18-Apr-18	3,120		6.16%	7.21%	55		55	3,120
18-Jul-18	3,120		6.41%	7.46%	58		58	3,120
18-Oct-18	3,120		7.89%	8.94%	70		70	3,120
18-Jan-19	3,120		9.01%	10.06%	79		79	3,120
18-Apr-19	3,120	260	10.51%	11.56%	89	260	349	2,860
18-Jul-19	2,860	260	11.11%	12.16%	87	260	347	2,600
18-Oct-19	2,600	260	13.66%	14.71%	96	260	356	2,340
18-Jan-20	2,340	260	13.49%	14.54%	86	260	346	2,080
18-Apr-20	2,080	260	13.54%	14.59%	76	260	336	1,820
18-Jul-20	1,820	0	8.84%	9.89%	45	-	45	1,820
18-Oct-20	1,820	0	6.66%	7.71%	35	-	35	1,820
18-Jan-21	1,820	0	7.29%	8.34%	38	-	38	1,820
18-Apr-21	1,820	0	7.29%	8.34%	37	-	37	1,820
18-Jul-21	1,820	260	7.29%	8.34%	38	260	298	1,560
18-Oct-21	1,560	260	7.29%	8.34%	33	260	293	1,300
18-Jan-22	1,300	260	7.29%	8.34%	27	260	287	1,040
18-Apr-22	1,040	260	7.29%	8.34%	21	260	281	780
18-Jul-22	780	260	7.29%	8.34%	16	260	276	520
18-Oct-22	520	260	7.29%	8.34%	11	260	271	260
18-Jan-23	260	260	7.29%	8.34%	5	260	265	0
		3,120			1,228	3,120	4,348	

*Paid Installments