



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 |
|--------------------|------------------|-------------------|---------|-------------|--------------|
| 26-Nov-2021        | AAA              | -                 | Stable  | Maintain    | -            |
| 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

Byco possesses a notable share in meeting the economy's demand for petroleum products, with its refinery and marketing business. Byco's refinery business remains exposed to the vicissitudes in international crude and petroleum products (POL) prices, which in turn, steer the gross refining margins (GRMs) of the Company. However, Byco has resumed reporting profitability from previous years losses and booked Net Profit of PKR 2,180mln in 9MFY21 (FY20: PKR (2,431)mln; FY19: PKR (1,684)mln; FY18: PKR 5,020mln). On the back of revival in economic dynamics, this trend is going to continue in upcoming periods. Byco's financial risk profile is well managed even in a challenging position with essential borrowings to cater to working capital needs and also stands in range-bound. Nonetheless, Byco stands out in embarking on a new strategic venture to upgrade its refinery process in order to cope with the key challenges prevailing in the sector.

The ratings are a reflection of Byco's largest capacity, efficient processes that enable the company to effectively shield its business profile from external vulnerabilities. Improved performance indicators and promising financial discipline, are imperative to the ratings.

#### Disclosure

|                              |   |
|------------------------------|---|
| <b>Name of Rated Entity</b>  | Byco Petroleum Pakistan Limited   Sukuk   Jan-17  |
| <b>Type of Relationship</b>  | Solicited   |
| <b>Purpose of the Rating</b> | Debt Instrument Rating  |
| <b>Applicable Criteria</b>   | Methodology   Debt Instrument Rating(Jun-21),Methodology   Corporate Rating(Jun-21),Criteria   Rating Modifiers(Jun-21) |
| <b>Related Research</b>      | Sector Study   Refineries(Nov-20)   |
| <b>Rating Analysts</b>       | Timnat Thomas   timnat.thomas@pacra.com   +92-42-35869504   |

## Issuer Profile

**Profile** Byco Petroleum Pakistan Limited (herein referred to as “Byco” or “the Company”) was incorporated in the year 1995. The company is listed on the Pakistan Stock Exchange. Byco was founded by its first Chairman, Mr. Parvez Abbasi. After the installation of its first oil refinery, the company began commercial production in 2004. Byco’s marketing segment was formally launched in 2007. In 2017, Byco Terminals Pakistan Limited (wholly owned subsidiary) and Byco Oil Pakistan Limited (Parent Company) merged into Byco Petroleum Pakistan Limited. The Company currently operates in two business segments namely the Oil Refinery Business and Petroleum Marketing Business. Byco has two refineries in Hub - Baluchistan, with an aggregate rated capacity of 155,000 bpd, the highest in the industry. The company’s marketing segment has over 390 retail outlets across the country. The registered office is situated at the Harbour Front, Dolmen City, Clifton, Karachi.

**Ownership** The company is a subsidiary of Cnergyico Mu Incorporated (CMI) (formerly Byco Industries Incorporated (BII)), Mauritius, which currently holds 69.83% shares in the company after the divestment of 22% shares by ICGF Oil & Gas Limited (formerly Abraaj Mauritius Oil & Gas Limited (AMOGL)), while the rest is spread among other Financial Institutions and General Public. The Abbasi family, Byco’s strategic sponsors, have strong business skills and industry-specific working knowledge, due to extensive experience in the oil industry, which has helped the company to achieve growth in market share in recent years, after the setback of a fire accident in the refinery complex, in 2015. The company’s sponsors have showcased a willingness to support the entity on a continuing basis, as evident by substantial sponsor loans.

**Governance** The control of the company vests with a seven-member Board of Directors (BoD) including the Chairman and the CEO. Five directors are representative of the Byco group, whereas the remaining two directors are independent. Byco’s BoD comprises qualified and experienced professionals. Mr. Mohammad Wasi Khan is the Chairman of the Board. Board Committees are in place to exercise strategic oversight, namely the; (i) Audit Committee, (ii) Human Resource and Remuneration Committee and (iii) Risk Management Committee. M/s E&Y Sidat Hyder, Chartered Accountants, the external auditors of the company, have given an unqualified opinion on the company’s financial statements for the year ended June 30, 2020 and the period ended December 31, 2020.

**Management** Presently, the company is divided into four main functions, namely, i) Admin & HR, ii) Commercial, iii) Technical, and iv) Finance. The Head of these departments reports to the CEO, who in turn reports to the BoD. Mr. Amir Abbasciy has been the Chief Executive Officer of Byco since January 2017. The robustness of control systems is a reflection of the strong management of Byco. Byco has implemented SAP as the ERP solution, to streamline planning and coordination across business lines, thereby increasing overall efficiency. Byco is one of the only refineries in Pakistan producing 92 RON PMG and are therefore not subject to the RON penalty. As part of the goal of adopting DuPont’s Process Safety Management system, the company has focused on safe commission activities, multiple turnarounds, EHS resource development, and sustainability, at its refineries.

**Business Risk** Pakistan consumed a total of -13mln metric tons (MT) of petroleum products in 9MFY21 (FY20: ~15mln MT). This decrease is mainly seen due to a decrease in the consumption of MOGAS and HSD due to countrywide lockdowns and restrictions on public transport. Consumption of black oil has been decreasing over the years mainly due to a decline in the consumption of FO by ~33% to ~2.4mln MT (FY19: -3.5mln MT), as the government of Pakistan plans to gradually reduce reliance on oil-based power plants to other power sources i.e. LNG & coal. With respect to the relative positioning of the players in the premium products (HSD and MOGAS); efficiency and utilization of available capacity is essential. Two refineries namely PARCO and Byco Petroleum retain a large chunk of the market share of ~52%, while Pakistan Refinery, National Refinery, and Attock Refinery, contribute ~48% to the total domestic supply of POL products. Economic uncertainty had an impact on the top line of the company, with the net revenue amounting to PKR 101,328mln in 9MFY21 (FY20: PKR 173,899mln; 9MFY20: PKR 144,439mln), depicting a fall of 22% compared to the corresponding period. Improvement in domestic economic activity and business sentiments have been witnessed during the period. Consequently, the demand for all the products improved nationwide. The increase in petroleum levy during the period has impacted the net revenues. During 9MFY21, the gross profit amounted to PKR 5,475mln (9MFY20: PKR 1,200mln), due to stable exchange rates and fewer inventory losses. Byco has resumed reporting profitability from previous years losses and booked Net Profit of PKR 2,180mln in 9MFY21 (FY20: PKR (2,431)mln; FY19: PKR (1,684)mln; FY18: PKR 5,020mln). The refinery sector has been going through an existential crisis, as a result of the government’s demand for environment-friendly fuel. Due to the substantial investment needed for the required upgrades to the refineries, the developments in this regard, have reached an impasse. In the wake of these challenges, Byco is embarking on a new venture to counter the FO offtake challenge and become compliant with Euro-V Standard HSD.

**Financial Risk** Byco’s working capital requirement emanates from the import of raw materials and remains a function of fluctuating crude oil prices in international markets. Byco’s average gross working capital days during 9MFY21 clocked in at 77days (FY20: 65days). Moreover, the average net working capital days stood at -26days (FY20: -14days). Byco’s financial risk profile is well managed even in a challenging position with essential borrowings to cater to working capital needs and also stands in range-bound. The Free Cash Flows from Operations (FCFO) during 9MFY21 amounted to PKR ~7,184mln (9MFY20: PKR ~2,689mln), owing to the improved profitability during the period. Since the FCFO, during the period 3MFY20, comfortably met the finance cost, the Debt Payback Ratio improved from previous periods to stand at 7.9x. Similarly, the coverages depicted inched up, during 9MFY21, with the ratio FCFO-to-Finance Cost, clocking in at 3.9x (FY20: 1.3x). The debt-to-equity ratio, as at end-9MFY21, clocked in at 57.9% (end-FY20: 65.7%), depicting a highly leveraged structure. Total Borrowings, including loans from the sponsor, amounted to PKR~37,885mln (end-FY20: PKR~48,455mln). As at end-9MFY21, the equity stood at PKR~27,523mln (end-FY20: PKR~25,344mln) on the back of reported profits during the period after heavy losses.

## Instrument Rating Considerations

**About The Instrument** Byco Petroleum Pakistan Limited issued a rated, secured, privately placed Islamic certificates (Sukuk) of PKR 3,120mln in Jan’17 to finance capital expenditure towards the expansion of the Company’s power, storage and processing infrastructure. The Sukuk has a tenor of five (6) years. The profit is being paid quarterly in arrears at the rate of 3M Kibor+1.05% p.a. Principal repayment commenced from Apr’19. The instrument was rescheduled under the Regulator’s Relief Package for Corporates in the COVID-19 situation and the principal repayment was deferred from Jul’20 to Apr’21. Smooth payments of principal commenced from Jul’21 and as of now, only 33.33% amount is outstanding.

**Relative Seniority/Subordination Of Instrument** The claims of the Sukuk holders will rank superior to the claims of ordinary shareholders.

**Credit Enhancement** The instrument is secured by a financial guarantee from GuarantCo covering 100% of the issue amount, a ranking charge on all present and future fixed assets of the Company with a 25% margin and a DSRA account maintained by the Company under the following Terms: (i) Amount equivalent to two (02) upcoming profit payments are maintained in the DSRA at all times (ii) Each redemption amount (principal), is deposited in the DSRA 55 days prior to the relevant redemption date



The Pakistan Credit Rating Agency Limited

Financial Summary

PKR mln

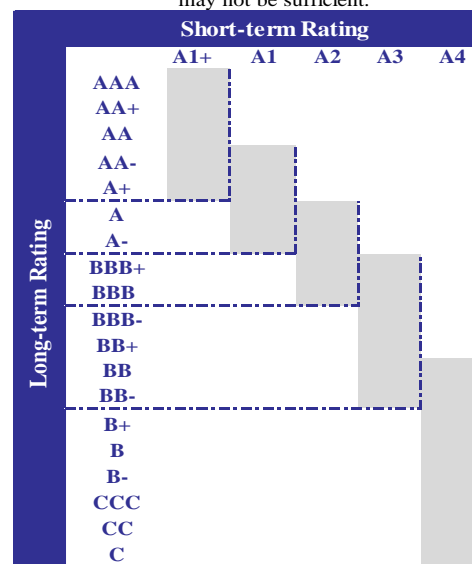
| Byco Petroleum Pakistan Ltd<br>Refineries                                  | Mar-21<br>9M | Jun-20<br>12M | Jun-19<br>12M | Jun-18<br>12M |
|--|--------------|---------------|---------------|---------------|
| <b>A BALANCE SHEET</b>   |              |               |               |               |
| 1 Non-Current Assets   | 73,128       | 72,772        | 71,316        | 72,443        |
| 2 Investments  | -            | -             | -             | -             |
| 3 Related Party Exposure   | 16,932       | 16,932        | 16,932        | 16,932        |
| 4 Current Assets   | 38,499       | 36,312        | 41,895        | 40,374        |
| a Inventories  | 24,944       | 22,879        | 29,260        | 29,391        |
| b Trade Receivables  | 4,860        | 4,357         | 5,337         | 5,464         |
| 5 Total Assets   | 128,558      | 126,016       | 130,143       | 129,748       |
| 6 Current Liabilities  | 56,478       | 44,951        | 51,708        | 61,614        |
| a Trade Payables   | 43,038       | 33,419        | 41,828        | 47,979        |
| 7 Borrowings   | 33,949       | 34,802        | 30,852        | 17,610        |
| 8 Related Party Exposure   | 3,936        | 13,653        | 13,533        | 12,101        |
| 9 Non-Current Liabilities  | 6,672        | 7,267         | 6,689         | 9,043         |
| 10 Net Assets  | 27,523       | 25,343        | 27,361        | 29,381        |
| 11 Shareholders' Equity  | 27,523       | 25,344        | 27,361        | 29,381        |
| <b>B INCOME STATEMENT</b>  |              |               |               |               |
| 1 Sales  | 101,328      | 173,899       | 197,831       | 166,290       |
| a Cost of Good Sold  | (95,853)     | (171,002)     | (195,871)     | (157,141)     |
| 2 Gross Profit   | 5,475        | 2,896         | 1,960         | 9,150         |
| a Operating Expenses   | (1,144)      | (1,512)       | (1,406)       | (1,231)       |
| 3 Operating Profit   | 4,331        | 1,384         | 553           | 7,919         |
| a Non Operating Income or (Expense)  | (290)        | 145           | 278           | 329           |
| 4 Profit or (Loss) before Interest and Tax                                 | 4,041        | 1,530         | 832           | 8,248         |
| a Total Finance Cost   | (1,862)      | (3,960)       | (3,070)       | (2,878)       |
| b Taxation   | -            | -             | 554           | (350)         |
| 6 Net Income Or (Loss)   | 2,180        | (2,431)       | (1,684)       | 5,020         |
| <b>C CASH FLOW STATEMENT</b>   |              |               |               |               |
| a Free Cash Flows from Operations (FCFO)                                   | 7,184        | 4,955         | 3,144         | 10,032        |
| b Net Cash from Operating Activities before Working Capital Changes        | 4,592        | (1,509)       | 1,080         | 8,623         |
| c Changes in Working Capital   | 9,070        | (102)         | (9,879)       | (1,033)       |
| 1 Net Cash provided by Operating Activities                                | 13,662       | (1,611)       | (8,799)       | 7,590         |
| 2 Net Cash (Used in) or Available From Investing Activities                | (3,220)      | (3,331)       | (2,781)       | (3,157)       |
| 3 Net Cash (Used in) or Available From Financing Activities                | (11,397)     | 7,393         | 11,969        | (3,937)       |
| 4 Net Cash generated or (Used) during the period                           | (956)        | 2,452         | 389           | 497           |
| <b>D RATIO ANALYSIS</b>  |              |               |               |               |
| <b>1 Performance</b>   |              |               |               |               |
| a Sales Growth (for the period)  | -22.3%       | -12.1%        | 19.0%         | 88.1%         |
| b Gross Profit Margin  | 5.4%         | 1.7%          | 1.0%          | 5.5%          |
| c Net Profit Margin  | 2.2%         | -1.4%         | -0.9%         | 3.0%          |
| d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)     | 16.0%        | 2.8%          | -3.4%         | 5.4%          |
| e Return on Equity [ Net Profit Margin * Asset Turnover * (Total Assets/Sh | 10.7%        | -9.4%         | -6.2%         | 18.5%         |
| <b>2 Working Capital Management</b>  |              |               |               |               |
| a Gross Working Capital (Average Days)                                     | 77           | 65            | 64            | 73            |
| b Net Working Capital (Average Days)                                       | -26          | -14           | -19           | -18           |
| c Current Ratio (Current Assets / Current Liabilities)                     | 0.7          | 0.8           | 0.8           | 0.7           |
| <b>3 Coverages</b>   |              |               |               |               |
| a EBITDA / Finance Cost  | 3.9          | 1.3           | 1.3           | 3.7           |
| b FCFO / Finance Cost+CMLTB+Excess STB                                     | 0.2          | 0.1           | 0.1           | 0.3           |
| c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)         | 7.9          | 57.4          | 727.6         | 7.1           |
| <b>4 Capital Structure</b>   |              |               |               |               |
| a Total Borrowings / (Total Borrowings+Shareholders' Equity)               | 57.9%        | 65.7%         | 61.9%         | 50.3%         |
| b Interest or Markup Payable (Days)  | 66.3         | 82.3          | 46.8          | 20.0          |
| c Entity Average Borrowing Rate  | 5.6%         | 9.1%          | 9.0%          | 8.6%          |

**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   | <b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments  |
| AA+   |   |
| AA    | <b>Very high credit quality.</b> 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     | <b>High credit quality.</b> 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   | <b>Good credit quality.</b> 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+   | <b>Moderate risk.</b> 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+    |   |
| B     | <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   | <b>Very high credit risk.</b> 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 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

### **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)

### **Proprietary Information**

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**Regulatory and Supplementary Disclosure**

| Nature of Instrument   | Size of Issue (PKR) | Tenor   | Security Structure   | Quantum of Security | Nature of Assets                                   | Book Value of Assets End-FY21 (PKR mln) | Trustee     |
|--|---------------------|---------|--|---------------------|--|---|-------------|
| Rated, OTC Listed & Secured Long Term Islamic Certificates (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 90,251 mln                          |             |
|  |                     |         | 3. Company opened a DSRA Account under following Terms:<br>(i) Amount equivalent to two (02) upcoming profit payments are maintained in the DSRA at all times.<br>(ii) Each redemption amount (principal), is deposited in the DSRA 55days prior to the relevant Redemption Date | PKR 76 mln          | DSRA Account                                       | PKR 53 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               | 13.51%   | 14.56%                           | 76                    | 260               | 336          | 1,820                 |
| 18-Jul-20            | 1,820                 | -                 | 8.84%    | 9.89%                            | 45                    | -                 | 45           | 1,820                 |
| 18-Oct-20            | 1,820                 | -                 | 6.64%    | 7.69%                            | 35                    | -                 | 35           | 1,820                 |
| 18-Jan-21            | 1,820                 | -                 | 7.29%    | 8.34%                            | 38                    | -                 | 38           | 1,820                 |
| 18-Apr-21            | 1,820                 | -                 | 7.31%    | 8.36%                            | 38                    | -                 | 38           | 1,820                 |
| 18-Jul-21            | 1,820                 | 260               | 7.46%    | 8.51%                            | 39                    | 260               | 299          | 1,560                 |
| 18-Oct-21            | 1,560                 | 260               | 7.40%    | 8.45%                            | 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                     |
|                      | <b>3,120</b>          |                   |          |                                  | <b>1,229</b>          | <b>3,120</b>      | <b>4,349</b> |                       |

\*Paid Installments