The Pakistan Credit Rating Agency Limited

Rating Report

Puma Energy Pakistan (Pvt.) Limited

Report Contents

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
26-Aug-2022	A-	A2	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The assigned ratings incorporate Puma Energy Pakistan (Pvt.) Limited's established retail network and its strong operating efficiency. The key product portfolio of the Company comprises of HSD and PMG, with these being key revenue generators. The ratings factor strong financial strength of the sponsors as they have diversified portfolio with expertise in energy, medical and financial sectors. This has given them an understanding of the dynamics of the market and enabled them to establish relationships with suppliers and customers. Since acquisition of Admore Gas (Pvt.) Limited is now complete, the sponsors of Company intend to rebrand its significant retail network under the name of Puma. For this, the Company has entered into Trademark License Agreement (TMLA) with Puma Energy International S.A. for the branding of sites in Pakistan. In order to ensure reliable & secure supply of high-quality fuels and to fulfill the augmented working capital, going forward, the sponsors of Puma Energy further aim to join hands with a strategic partner. Besides this, it would provide much desirable control on the supply chain and also keep the pace of growth with the augmented capacity. Moreover, financial flexibility is high, driven by support from the sponsors in terms of equity injection coupe with non-funded bank limits. The management intends to keep the leverage indicators aligned to its risk profile. Capex in FY23, is likely to be met through internal accruals and majorly via strategic partner's investment. The governance framework of the Company is flanked by a diversified and experienced board.

The rating captures the Company's ability to sustain its business operations while achieving the aforementioned plans. The rollout of the planned business strategy and sustainable profitability is essential. The rating particularly recognizes ongoing developments including i) planned re-branding of retail sites ii) equity injection. In addition to timely implementation of these initiatives, the ratings are dependent on Puma Energy's ability to achieve desired market penetration along supportive supply chain network. Sustainability of bottom-line and key financial metrics, in terms of working capital ratios, financial coverages and gearing, remain crucial to the rating.

Disclosure

Name of Rated Entity	Puma Energy Pakistan (Pvt.) 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-21)
Rating Analysts	Muhammad Noor Ul Haq | noorulhaq@pacra.com | +92-42-35869504

Profile

Legal Structure Puma Energy Pakistan (Private) Limited (Puma Energy) is a private limited company.
Background Puma Energy Pakistan (Pvt.) Limited was founded in 2001 and registered as Oil Marketing Company (OMC) formerly known as Admore under the Companies Ordinance 1984 (formally the Companies Act, 2017). On November 23, 2017 the Company changed its name from Admore Gas (Private) Limited to Puma Energy Pakistan (Private) Limited. Puma Energy was previously, 51% directly owned by Puma Energy South Asia Holdings B.V. In 2021, Puma Energy South Asia Holdings B.V. transferred all shares to Mr. Amir Waliuddin Chishti. It has grown from Punjab and Sindh with total sites of 114 and operates more than 542 retail pumps across the country. In 2014.
Operations The Company is engaged in the business of marketing petroleum products and lubricating oils (HSD, PMG, and Lubricants). Puma Energy has a total storage capacity of 10,300 MT with a storage depot at Daulatpur, Sindh, and a Terminal at Machike, Punjab. In addition to that Puma Energy also has hospitality storage agreements of ~44,000MT at five key locations including Kemari, Port Qasim Faisalabad, Mehmoodkot, and Morgah.

Ownership

Ownership Structure Mr. Amir Waliuddin Chishti holds 99.99866% shares, Mr. Rehan Ateeq holds 0.00067% and Mr. Muhammad Afzal holds 0.00067% shares.
Stability Stability of the Company's leadership provides comfort with respect to effective and efficient management of the operations.
Business Acumen The sponsors of the Company have strong business skills and industry-specific working knowledge, due to extensive experience in energy and oil marketing sectors.
Financial Strength The financial strength of the sponsors is considered strong as the sponsors have well diversified profitable businesses.

Governance

Board Structure The Company has a four-member Board of Directors (BoD), comprises of shareholders. All board members are non-executive directors except the Chief Executive Officer, as they are not involved in day-to-day operations of the Company. Currently, there are no board-level committees in place.
Members' Profile All of the board members are industry professionals having multiple years of experience. Mr. Amir Waliuddin Chishti is the Chairman of the Board.
Board Effectiveness Board meetings are held on a quarterly basis. Board meeting minutes are documented with deliberations entailing discussion on strategy, operations, and approval of accounts. Over time, with growth in operations induction of independent members on board, is important for improving the overall governance framework.
Financial Transparency The External Auditors of the Company, M/s Ernst & Young, expressed an unqualified opinion on the financial statements for the year ended Dec'21.

Management

Organizational Structure A simplified organizational structure exists in the Company. Operations are segregated into eight broad departments, i) Retail, ii) Legal counsel, iii) Operations and logistics, iv) HR & Admin, v) Accounts & Finance vi) Lubricants & Brand, vii) Business Support and viii) Country Admin & Security, headed by their respective managers with each department head directly report to the CEO. Moreover, there are 3 management committees: i) Supply ii) Retail business review iii) and HR.
Management Team Mr. Javed Yusuf Ahmedjee is the CEO of the Company. He is a Chartered Accountant by profession, having over two decades of professional experience. He has been associated with the Company since 2018. He is assisted by a team of professionals.
Effectiveness In order to run the operations of the Company, Supply Committee meets on a weekly basis while Retail Business Review and HR Committees meet on a monthly basis. The minutes of the meetings are informally documented.
MIS Puma Energy has implemented and is using all key modules and the latest version of SAP S4/ HANA for its ERP requirements. The implemented SAP S4/ HANA modules are Finance and Controlling module, Materials management module and Sales and Distribution module. Puma Energy has also implemented HR system which is a cloud-based HR enterprise system called Decibel.
Control Environment The Company maintains an adequate MIS which helps management to keep track of all operations and liaisons with higher management. Furthermore, the Company has documented quality manuals and policies in place.

Business Risk

Industry Dynamics Presently, there are 35 registered players operating in the sector with PSO, Total PARCO, HASCOL, Attock Petroleum Limited, Shell Pakistan Limited and Be Energy Pakistan being the major Oil Marketing Companies. With the escalation in global fuel prices coupled with PKR depreciation, OMCs are benefitting from this by passing it to consumers.
Relative Position Puma Energy has ~1% market share in terms of motor fuel volume and 6% share in terms of retail outlets as of May'22. The emergence of new players in the OMC sector is causing pressure on the white oil segment market share. The big-five OMCs (PSO, Total PARCO, Shell, GO & Attock Petroleum) still retain a large chunk of the market.
Revenues During CY21, the net sales of the Company grew by 26.8% to PKR 36.8bln as compared to a decrease of 18.5% to PKR 29.0bln in the corresponding year. This increase in sales is attributed to a massive surge in oil prices. During 6MCY22, the revenue of the Company further inched up to PKR 27.3bln owing to PKR devaluation against the US dollar.
Margins During CY21, the Company reported an operating profit of PKR 148mln after incurring losses over the last number of years. This is due to decrease in finance cost and is further supported by other income amounting to PKR 124mln (CY20: 2.0mln). Owing to volumetric growth, a favorable price regime and lower financial cost, the Company achieved stellar results with the highest ever net profit after tax of PKR 1,695mln during 6MCY22.
Sustainability The Company made progress during FY21, boosting innovation to drive growth. Further, the Company is following an aggressive expansion strategy and plans to capture 200+ new retail sites at the end of 2025 also Company is planning to expand its storage facility. The Company is expanding its footprints by inaugurating retail outlets in the provinces of KPK and Punjab.

Financial Risk

Working Capital Working capital requirements are met by combination of internal generation, non-funded bank borrowing and stretching trade payables. Currently, the short term trade leverage adequacy of the Company is halted amid access current liabilities. During 1HCY22, the trade payables of the Company further increased to PKR 8,042mln (CY21: 5,396mln).
Coverages The Free Cash Flows from Operations (FCFO) continued on a volatile trajectory (CY21: PKR 245mln; CY20: PKR -891mln), owing to losses incurred in CY20. Since the FCFO, during the period CY21, was higher than the Finance Cost, the Debt Payback Ratio turned positive, highlighting a healthy picture with regards to Company's ability to honor its debt payments.
Capitalization During CY21, the Company paid off its short-term (funded) borrowings and reported a total loan of PKR 209mln including CMLT of PKR 129mln. Puma Energy reported an unappropriated loss of PKR 1,939mln as at end-Jun22. Moreover, there is no specific policy with regard to dividends, rather it is based on the decision of the Company board of directors.

The Pakistan Credit Rating Agency Limited

Financial Summary
PKR mln

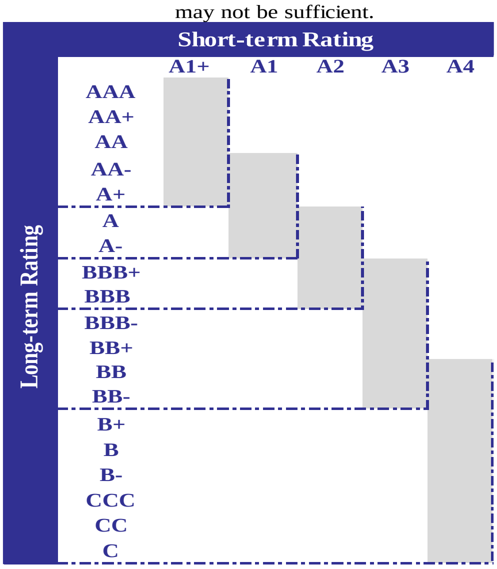
Puma Energy Pakistan (Private) Limited	Jun-22	Dec-21	Dec-20	Dec-19
Oil and Marketing	6M	12M	12M	12M
A BALANCE SHEET				
1 Non-Current Assets	2,195	2,238	2,418	2,619
2 Investments	-	-	-	-
3 Related Party Exposure	-	-	0	11
4 Current Assets	11,408	6,523	4,390	5,841
a Inventories	*5,500*	*4,316*	*3,074*	*4,035*
b Trade Receivables	*958*	*465*	*577*	*434*
5 Total Assets	13,603	8,761	6,807	8,471
6 Current Liabilities	9,913	6,513	4,413	5,428
a Trade Payables	*8,042*	*5,396*	*3,116*	*4,113*
7 Borrowings	190	209	2,847	2,065
8 Related Party Exposure	-	-	-	-
9 Non-Current Liabilities	187	187	231	290
10 Net Assets	3,314	1,852	(683)	688
11 Shareholders' Equity	3,314	1,852	(683)	688
B INCOME STATEMENT				
1 Sales	27,285	36,807	29,026	35,600
a Cost of Good Sold	*(23,347)*	*(34,872)*	*(28,659)*	*(34,320)*
2 Gross Profit	3,938	1,935	367	1,280
a Operating Expenses	(537)	(1,307)	(1,205)	(1,087)
3 Operating Profit	3,401	628	(838)	193
a Non Operating Income or (Expense)	*(1,139)*	*(355)*	*(130)*	*244*
4 Profit or (Loss) before Interest and Tax	2,261	273	(968)	437
a Total Finance Cost	*(75)*	*(246)*	*(254)*	*(292)*
b Taxation	*(492)*	*(250)*	*(149)*	*277*
6 Net Income Or (Loss)	1,695	(223)	(1,371)	422
C CASH FLOW STATEMENT				
a Free Cash Flows from Operations (FCFO)	*2,555*	*245*	*(891)*	*480*
b Net Cash from Operating Activities before Working Capital Changes	*2,529*	*(6)*	*(1,127)*	*248*
c Changes in Working Capital	*617*	*1,245*	*71*	*279*
1 Net Cash provided by Operating Activities	3,145	1,238	(1,056)	528
2 Net Cash (Used in) or Available From Investing Activities	(57)	(39)	(35)	(94)
3 Net Cash (Used in) or Available From Financing Activities	(232)	2	703	(95)
4 Net Cash generated or (Used) during the period	2,856	1,202	(388)	338
D RATIO ANALYSIS				
1 Performance				
a Sales Growth (for the period)	48.3%	26.8%	-18.5%	7.2%
b Gross Profit Margin	14.4%	5.3%	1.3%	3.6%
c Net Profit Margin	6.2%	-0.6%	-4.7%	1.2%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	11.6%	4.0%	-2.8%	2.1%
*e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Sh*	131.2%	-19.1%	-57958.7%	95.8%
2 Working Capital Management				
a Gross Working Capital (Average Days)	38	42	51	38
b Net Working Capital (Average Days)	-7	0	6	10
c Current Ratio (Current Assets / Current Liabilities)	1.2	1.0	1.0	1.1
3 Coverages				
a EBITDA / Finance Cost	44.7	2.5	-3.4	2.6
b FCFO / Finance Cost+CMLTB+Excess STB	20.7	0.7	-0.3	0.3
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	0.0	4.5	-2.6	7.7
4 Capital Structure				
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	5.4%	10.1%	131.6%	75.0%
b Interest or Markup Payable (Days)	199.8	121.9	181.8	92.0
c Entity Average Borrowing Rate	61.8%	13.0%	8.8%	12.1%

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.

Long-term Rating	
Scale	**Definition**
AAA	**Highest credit quality.** Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ **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.
A+ **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.
BBB+ **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.
BB+ **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.
B+ **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.
CCC **CC** **C**	**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.
D	Obligations are currently in default.

Short-term Rating	
Scale	**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
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 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):

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

Instruments
a) Basel III Compliant Debt Instrument Rating
b) Debt Instrument Rating
c) Sukuk Rating

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 | 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)
Proprietary Information