



The Pakistan Credit Rating Agency Limited

Rating Report

My Petroleum (Pvt.) Limited

Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
27-Sep-2022	BBB+	A2	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The assigned ratings incorporate My Petroleum (Pvt.) Limited's strong financial strength of the sponsor, evolving retail network, operating efficiency and experienced management team. Sponsor of My Petroleum laid foundation of logistics business which was main transporter for distribution & marketing of LPG. In 2010, sponsor expanded its business activities by incorporating another company for sales & distribution of POL products. Later on, My Petroleum was incorporated in – Jan'16 as an OMC. Key product portfolio of the Company comprises HSD and PMG, being key revenue generators. The ratings factor Company's arrangement with Lukoil – a Russian lubricant brand, for marketing & distribution of high-performance lubricants across Pakistan. My Petroleum capitalizes on strong managerial support from its sponsor who has significant knowledge in oil procurement and distribution. The Company is positioned at 11th number (MS & HSD) as of June'22. Currently, it has ~5,100MT owned storage facility. The Company is in process of expanding its storage facility at Hibibabad. Management of the Company intends to finance capex through equity. My Petroleum is operating all over Punjab and will be expanding its retail network to Sindh after commencement of operations of storage facility at MirpurKhas. My Petroleum benefits from strategic positioning of stations that it feeds. The Company has planned to aggressively penetrate the retail segment in the growing industry by targeting expansion across semi-urban and rural areas as urban market is highly competitive. The Company has an edge by using a fleet of oil tankers of "My Logistics (Pvt.) Ltd." (an associated company). Further, the ratings also take comfort from commitment of sponsor to merge other group companies in My Petroleum. The Company has a healthy financial risk profile reflected by low leveraging and strong coverage indicators. The management intends to keep leverage indicators aligned to its risk profile. Moreover, financial flexibility is high, driven by support from sponsor in terms of equity injection coupe with non-funded bank limits.

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) equity injection by the Sponsor ii) expansion of retail network iii) group companies' merger iv) improvement in the governance structure. In addition to the timely implementation of these initiatives, the ratings are dependent on My Petroleum's ability to achieve desired market penetration. 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	My Petroleum (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)
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Profile

Legal Structure My Petroleum (Pvt.) Limited ("My Petroleum" or "the Company") is a private limited company.

Background My Petroleum (Pvt.) Ltd was incorporated in January 2016 and commenced its commercial operations in September 2019. My Petroleum is an emerging Oil Marketing Company (OMC), owned and governed by an experienced Oil & Gas sector entrepreneur who has over 15 years of experience in the downstream petroleum business.

Operations The Company is engaged in the procurement, import, storage, distribution and marketing of petroleum products and lubricants. Currently, it is operating all over Punjab province. My Petroleum has a total storage capacity of ~5,100MT with storage facilities located at Habibabad and Mirpur Khas. The Company is also in process of expanding its storage facilities.

Ownership

Ownership Structure My Petroleum is a family owned business, with a major stake held by Mr. Tariq Wazir Ali (91.31%) and his wife (8.69%).

Stability The Company is a family-owned private company. The shareholding structure of the Company has been stable since its incorporation.

Business Acumen Sponsor of the Company - Mr. Tariq Wazir Ali is an entrepreneur with an experience of over two decades in transportation, construction and energy sectors. He has a sound understanding of dynamics of the oil market.

Financial Strength The sponsor has well-diversified businesses. The sponsor of My Petroleum has presence in logistics, energy, oil & marketing, automobile manufacturing and steel sectors. Group companies have a total asset base of ~PKR 7,090mln, reported revenue of PKR 17,196mln and net profit of PKR 471mln for FY21.

Governance

Board Structure The Company has a family dominated board of directors. The BoD consists of two executives and three non-executive directors. Absence of board committees and independent members indicates room for improvement in the corporate governance framework. However, the Company has a plan to form an independent board of director in near future.

Members' Profile The Chairman of the board - Mr. Tariq Wazir Ali is a computer science graduate, having over 2 decades of professional experience in multiple sectors. The other board members are businessmen. The experience of the board members helps in providing useful insight into the oil market, guiding the management in developing effective policies.

Board Effectiveness The board members meet on regular basis to discuss the Company's growth strategies and other financial and operational matters. The minutes of the meeting are adequately documented.

Financial Transparency External Auditors of the Company, M/S Tariq Abdul Ghani Maqbool & Company Chartered Accountants, have issued an unqualified opinion on the Company's financial statements for the period ending 30th June 2021. The board has confirmed reappointment of M/S Tariq Abdul Ghani Maqbool & Company Chartered Accountants for FY22.

Management

Organizational Structure A simplified organizational structure exists in the Company. The management team is headed by the Chief Executive Officer. All technical, sales and administration department heads directly report to the Chief Operating Officer – Mr. Zulfiqar K. Shaikh who in turn reports to the CEO.

Management Team The senior management team carries adequate and relevant professional experience. The CEO & Chairman - Mr. Tariq Wazir Ali is involved in day-to-day operations and spearheads the senior management of the Company at all levels.

Effectiveness The Company has a well-managed and controlled operational environment where all HoDs meet on a daily basis, for which minutes of the meeting are not documented. This helps in tracking the progress of the underlying projects and ensures necessary actions are undertaken in a timely manner. Moreover, the management level committee meets on a monthly basis. The agenda of the meeting includes matters related to ongoing projects (financial & non-financial).

MIS The Company has a separate IT department in place. The Company has implemented and is using all key modules of ERP system. Top management receives a daily performance report of operations which results in optimal monitoring.

Control Environment The Company's operating environment relies on an IT infrastructure supported by ERP solutions. The IT infrastructure is effectively integrated with all the departments and ensures proper financial and operational control.

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 My Petroleum is an emerging Oil Marketing Company having a market share of ~1% in terms of MS and HSD as of Jun'22. The Company is positioned at 11th number with respect to MS and HSD as of Jun'22. The big-five OMCs (PSO, Total PARCO, Shell, GO & Attock Petroleum) still retain a large chunk of the market.

Revenues As per the unaudited financial statements for FY22, the Company's revenue showed a magnificent growth, reported at PKR 19,863mln for FY22 (FY21: PKR 3,680mln; FY20: PKR 1,043mln). This is majorly owing to enhancement in retail outlets coupled with a massive surge in fuel prices. PMG represents the largest component in the sales at 60% of the total revenue earned during FY22. HSD represents the second largest component with a share of 39%, followed by HSFO and Lubricants.

Margins The Company's gross margin has declined by 4.6% for FY22 (FY21: 5.7%; FY20: 5.9%), owing to surge in cost of petroleum products in international market. Though, gross margin have declined but operating margin have shown improvement (FY22: 3.9%, FY21: 3.1%, FY20: 2.9%), owing to lower increase in admin and selling expenses (58%) compared to increase in revenue (440%). Despite a notable increase in finance cost over the period, on account of higher interest rates to finance working capital management, profitability remained robust, with net profit amounting to ~PKR 410mln (FY21: PKR 66mln) while net margin improved to 2.1% (FY21: 1.8%).

Sustainability My Petroleum is following an aggressive expansion strategy. The Company is planning to increase storage capacity at Sahiwal and Faisalabad. Additionally, the Company is expanding its operations to Sindh, after commencement of operations at storage facility in Mirpur Khas. The Company has targeted 120+ retail outlets by the end of June'23. My Petroleum is expanding business relationship with an international state-of-the-art Lubricant Brand "Lukoil".

Financial Risk

Working Capital Working capital requirements are a function of the Company's inventory for which it relies on a mix of internal generation and short-term borrowing. Net working capital days stood at -7 days during FY22 (FY21: -13days) owing to stretching trade payables amounting to PKR 3,021mln during FY22 (FY21: PKR 1,001mln). The Company's inventory increased to PKR 1,631mln in FY22 (FY21: PKR 593mln).

Coverages During FY22, free cashflows surged by 6.4x, driven by strong profitability. Coverages showed YoY decline, with interest coverage clocking in at 17.3x (FY21: 20x) while core coverage decreased slightly to 13.2x (FY21: 13.7x), owing to higher interest cost for the period.

Capitalization The Company has lower leverage of 6.1% in its capital structure as at end-Jun'22 (FY21: 23.3%). The borrowings of the Company stood at PKR 98mln as at end-Jun'22 (end Jun'21: PKR 327mln). My Petroleum has a paid-up capital of PKR 576mln as at end Jun'22 (end Jun'21: PKR260mln). Whereas, the Company has received PKR 415mln against advances for issuance of shares and these shares will be issued by end Jun'23. The Company has not paid any dividend since its inception.



My Petroleum (Pvt.) Limited Oil Marketing Companies	Jun-22 12M	Jun-21 12M	Jun-20 12M	Jun-19 12M
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A BALANCE SHEET

1 Non-Current Assets	1,425	1,317	1,248	1,163
2 Investments	-	-	-	-
3 Related Party Exposure	-	-	-	-
4 Current Assets	3,815	1,380	750	38
<i>a Inventories</i>	1,631	593	108	-
<i>b Trade Receivables</i>	598	409	272	4
5 Total Assets	5,240	2,697	1,999	1,200
6 Current Liabilities	3,502	1,164	723	15
<i>a Trade Payables</i>	3,021	1,001	644	-
7 Borrowings	98	327	135	150
8 Related Party Exposure	-	-	-	-
9 Non-Current Liabilities	153	128	45	-
10 Net Assets	1,488	1,078	1,096	1,035
11 Shareholders' Equity	1,488	1,078	1,096	1,035

B INCOME STATEMENT

1 Sales	19,863	3,680	1,043	4
<i>a Cost of Good Sold</i>	(18,942)	(3,469)	(981)	(4)
2 Gross Profit	922	211	62	0
<i>a Operating Expenses</i>	(154)	(97)	(32)	-
3 Operating Profit	767	115	30	0
<i>a Non Operating Income or (Expense)</i>	(51)	(8)	-	-
4 Profit or (Loss) before Interest and Tax	717	107	30	0
<i>a Total Finance Cost</i>	(44)	(6)	(0)	-
<i>b Taxation</i>	(262)	(35)	(9)	(0)
6 Net Income Or (Loss)	410	66	21	0

C CASH FLOW STATEMENT

<i>a Free Cash Flows from Operations (FCFO)</i>	585	79	31	0
<i>b Net Cash from Operating Activities before Working Capital Chang</i>	541	73	31	0
<i>c Changes in Working Capital</i>	(468)	4	60	6
1 Net Cash provided by Operating Activities	73	77	91	7
2 Net Cash (Used in) or Available From Investing Activities	(110)	(70)	(87)	(161)
3 Net Cash (Used in) or Available From Financing Activities	(6)	(13)	70	185
4 Net Cash generated or (Used) during the period	(43)	(6)	74	30

D RATIO ANALYSIS

1 Performance				
<i>a Sales Growth (for the period)</i>	439.8%	252.9%	27939.4%	--
<i>b Gross Profit Margin</i>	4.6%	5.7%	5.9%	3.7%
<i>c Net Profit Margin</i>	2.1%	1.8%	2.0%	2.2%
<i>d Cash Conversion Efficiency (FCFO adjusted for Working Capital/</i>	0.6%	2.3%	8.7%	176.4%
<i>e Return on Equity [Net Profit Margin * Asset Turnover * (Total As.</i>	32.0%	6.1%	2.0%	0.0%
2 Working Capital Management				
<i>a Gross Working Capital (Average Days)</i>	30	68	86	430
<i>b Net Working Capital (Average Days)</i>	-7	-13	-139	430
<i>c Current Ratio (Current Assets / Current Liabilities)</i>	1.1	1.2	1.0	2.4
3 Coverages				
<i>a EBITDA / Finance Cost</i>	17.3	20.0	1007.3	N/A
<i>b FCFO / Finance Cost+CMLTB+Excess STB</i>	7.9	2.2	4.1	0.0
<i>c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance C</i>	0.2	1.7	4.3	1098.3
4 Capital Structure				
<i>a Total Borrowings / (Total Borrowings+Shareholders' Equity)</i>	6.1%	23.3%	11.0%	12.7%
<i>b Interest or Markup Payable (Days)</i>	29.8	231.5	0.0	N/A
<i>c Entity Average Borrowing Rate</i>	27.7%	2.5%	0.0%	0.0%

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-term Rating Definition
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
AA-	
A+	
A	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
A-	
BBB+	
BBB	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BBB-	
BB+	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+	
B	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
B-	
CCC	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 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):

<p>Entities</p> <ul style="list-style-type: none"> 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 	<p>Instruments</p> <ul style="list-style-type: none"> a) Basel III Compliant Debt Instrument Rating b) Debt Instrument Rating c) Sukuk Rating
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(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)

ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)

iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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(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)

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(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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