



The Pakistan Credit Rating Agency Limited

Rating Report

My Petroleum (Pvt.) Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
27-Sep-2024	BBB+	A2	Stable	Maintain	-
27-Sep-2023	BBB+	A2	Stable	Maintain	-
27-Sep-2022	BBB+	A2	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Pakistan relies significantly on imports to meet its energy demand. During FY23, the consumption of POL products, furnace oil (FO), high-speed diesel (HSD), motor spirit (MS), and high-octane blended component (HOBC) - which make up ~95% of the total sales of the country - declined by ~25.5% reported at ~17.1mln MT (FY22: ~23.1mln MT). A decrease in total consumption was due to unstable economic conditions and government policy changes. The transportation and power sectors remain the main consumers, accounting for ~80% of total demand. Despite challenges, the sector's overall outlook - cashflows and liquidity - remains stable.

My Petroleum (Pvt.) Ltd. ('My Petroleum' or 'the Company') ratings drive strength from the adequate footing of the sponsors in the logistics, trading, energy, and steel sectors. The Company has evolved through expansion of retail network currently at ~74 pumps (~71 in Punjab, ~3 in Sindh). Being a small player, My Petroleum captures ~0.4% of the market share. While, going forward, planned penetration into the retail segment across semi-urban and rural areas may adds to the market share of the Company and benefit the overall business risk. The Company generates revenue from sales of POL products mainly PMG (~85%) and HSD (~14%), while the remaining is contributed by HSFO and lubricants. The revenue posts a decline due to a volumetric decrease of ~19% due to low HSD sales. While, margins improved as the Company was able to procure POL products at cheaper prices. However, relying mainly on imports along with rupee devaluation exposes the Company to exchange risk. This impacts the profitability and elevates the business risk profile of the Company. Consolidation of My Logistics (Pvt.) Ltd into My Petroleum remains crucial. The timeline and modalities of this transaction is imperative for the overall performance of the Company. My Petroleum has an adequate financial risk profile as the working capital is managed through a combination of debt and suppliers' credit. Leveraging and coverages have stretched lately due to aggressive expansion. Thus, stretching the overall borrowing cushion. The management intends to keep the leveraging indicators aligned to the Company's overall risk profile. The Company's financial flexibility is high and drives support from sponsors in terms of equity injection.

The rating captures the Company's ability to sustain its business operations. The rating particularly recognizes ongoing developments - equity injection and expansion of retail network. Sustainable profits and other key financial metrics, in terms of working capital and coverages 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 Rating Modifiers(Apr-24),Methodology Corporate Rating(Jul-24),Methodology Correlation Between Long-term & Short-term Rating Scales(Jul-24)
Related Research	Sector Study POL Distribution - OMCs & Dealers(Nov-23)
Rating Analysts	Faiqa Qamar faiqa.qamar@pacra.com +92-42-35869504



POL Distribution - OMCs & Dealers

Profile

Legal Structure My Petroleum (Pvt.) Limited ("My Petroleum" or "the Company") was incorporated in Jan-16 is a private limited company as per the repealed Companies Ordinance 1984 (now called the Companies Act, 2017).

Background Mr. Tariq Wazir Ali, founder of the Company, entered in the business arena through POL product trading. Later, he formally formed a trading company, named My Trading (Pvt.) Ltd., for the said purpose. Over time, he set up a logistics company, My Logistics (Pvt.) Ltd., with the sole purpose of POL product transportation. In Jan-16 when the Group began to be termed as My Group ('the Group'), My Petroleum was set up in the upstream supply chain. The Company began commercial operations in Sep-19 after acquiring the license to operate as an OMC in Dec-16. Lately, the Group has entered into the steel sector and plans to set up bars and billets manufacturing setup. The Group plans to expand all its businesses mainly through equity.

Operations The Company is primarily engaged in the storage, distribution and marketing of petroleum products and lubricants. For this, the Company imports and procures refined oil from local refineries as well. Currently, the Company has set up dealer-based retail outlets across Punjab and Sindh only. My Petroleum has a total storage capacity of ~5,500MT with storage facilities located at Habibabad and Mirpur Khas. Currently, the Company operates through a network of ~74 retail outlets

Ownership

Ownership Structure My Petroleum is a family-owned business, with a major stake held by Mr. Tariq Wazir Ali (~95.3%) and his wife (~4.6%). While, the rest is held by Directors.

Stability The Company is a family-owned venture and the ownership seems to remain stable, going forward.

Business Acumen My Petroleum is a part of My Group that holds adequate footing in the logistics, energy, and steel sectors. The sponsors are well-versed in the said field with an experience of over two decades.

Financial Strength The financial strength of the sponsors is considered strong to support the Company, if needs be.

Governance

Board Structure My Petroleum has a five-member Board (BoD), dominated by the sponsoring family. The BoD comprises two Executive and three Non-Executive Directors. Whereas, the induction of an Independent Director can improve the governance framework of the Company.

Members' Profile Mr. Tariq Wazir Ali, the BoD's Chairman, holds two decades of professional experience. He guides the BoD through useful insights into the oil market and in developing effective policies.

Board Effectiveness The BoD is assisted by two Board committees, namely: the Audit Committee (BAC) and Human Resource & Remuneration Committee (HR&RC). These Committees met quarterly. The minutes of the meeting are adequately documented.

Financial Transparency The External Auditors of the Company, M/s Ilyas Saeed & Co. Chartered Accountants have expressed an unqualified opinion on the financial statements for the year ended FY23. The Company has finalized draft management accounts as of FY24, which are to undergo an audit process.

Management

Organizational Structure The Company operates through fifteen departments, headed by independent Heads. These Departmental Heads report to the Chief Operating Officer (COO), Executive Director (ED) and the CFO. All technical, sales and administration department heads directly report to the COO, who in turn reports to the CEO. The CEO makes all the pertinent decisions and is the man at the last mile.

Management Team The senior management team carries adequate and relevant professional experience. Mr. Tariq, the CEO, holds an overall experience of ~21 years in the relevant industry and has been associated with the Company since inception. He is assisted by a team of professionals. Recently, Mr. Ghulam Mustafa, CFO, has resigned and the Company is in process of appointment of the new CFO.

Effectiveness The Company has formulated two management level committees, namely: Risk Management Committee and Technical Committee. These committees meet on quarterly basis and have adequately documented minutes. Further, all Head of Departments meets on a daily basis to discuss daily affairs of Company.

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

Control Environment The Company does not have a separate department for internal audit functions. The establishment of a separate and independent internal audit department will improve transparency.

Business Risk

Industry Dynamics Pakistan relies significantly on imports to meet its energy demand. During FY23, the consumption of POL products, furnace oil (FO), high-speed diesel (HSD), motor spirit (MS), and high-octane blended component (HOBC) - which make up ~95% of the total sales of the country - declined by ~25.5% reported at ~17.1mln MT (FY22: ~23.1mln MT). A decrease in total consumption was due to unstable economic conditions and government policy changes. The transportation and power sectors remain the main consumers, accounting for ~80% of total demand. Despite challenges, the sector's overall outlook - cashflows and liquidity - remains stable.

Relative Position The top 5 OMC players hold ~79% market share in sales. Out of the remaining, ~21% market share of other OMCs, My Petroleum holds ~0.4% of the market share in sales.

Revenues The topline of the Company declined by ~1.75% and reported at ~PKR 22,746mln (FY23: ~PKR 23,149mln) due to a decrease in volumetric sales reported at ~61,628 MTs (FY23: ~75,765MTs), a decline of ~19% due to decrease in consumption of POL products. PMG stood as the main contributor (85%) in sales, followed by HSD (14%). PMG witnessed an increase of ~21% while HSD declined by ~73% due to a shift in the Company's focus from selling HSD products.

Margins During FY24, the gross margin improved to ~4.5% (FY23: ~2.6%) owing to the Company's ability to procure POL products at cheaper prices. The operating margin had a trickle-down effect and showed improvement to ~3.6% (FY23: ~1.7%). On net level, margins remain low at ~0.5% (FY23: ~0.4%) due to significant increase in finance cost.

Sustainability The Company is planning to increase storage capacity at Sahiwal and Faisalabad. Currently, My Petroleum is operating all over the Punjab and has recently started operations in Sindh. Additionally, the Company is planning on the expansion of Mirpur Khas storage facility.

Financial Risk

Working Capital In FY24, the Company witnessed an increase in net working capital days to ~19 days (FY23: ~ -1 day) supported by higher inventory days (FY24: ~35 days, FY23: ~30 days). Trade receivable days remained unchanged at ~11 days in FY24 (FY23: ~11 days). However, trade payable days decreased to ~27 days in FY24 (FY23: ~42 days), attributed to a decrease in payable reported at ~PKR 1,535mln (FY23: ~PKR 1,882mln). Borrowing cushion remains stretched.

Coverages During FY24, the Company's EBITDA increased to ~PKR 870mln (FY23: ~PKR 481mln), due to increase in profit before tax. The finance cost increased to ~PKR 628mln (FY23: ~PKR 230mln), hence deteriorating the EBITDA/ Finance cost cover to ~1.4x (FY23: ~2.1x). Coverages are expected to remain stretched.

Capitalization As of the end FY24, total borrowings of the Company were reported at ~PKR 2,838mln (FY23: ~PKR 1,704mln), an increase in total borrowings by ~67% owing to an increase in STB, hence leading to a deteriorated leverage ratio of ~63.8% (FY23: ~59.8%). Moreover, the equity of the Company stood at ~PKR 1,842mln (FY23: PKR 1,426) mainly due to increase in share capital of the Company reported at ~PKR 1,076mln (FY23: ~PKR 776mln).



My Petroleum (Pvt.) Limited Oil Marketing Companies	Jun-24	Jun-23	Jun-22
	12M	12M	12M

A BALANCE SHEET

1 Non-Current Assets	2,119	2,057	1,444
2 Investments	-	-	-
3 Related Party Exposure	-	-	-
4 Current Assets	5,656	5,200	4,080
<i>a Inventories</i>	2,268	2,067	1,782
<i>b Trade Receivables</i>	690	727	667
5 Total Assets	7,776	7,257	5,525
6 Current Liabilities	2,690	3,676	3,840
<i>a Trade Payables</i>	1,535	1,882	3,413
7 Borrowings	2,838	1,704	98
8 Related Party Exposure	415	415	415
9 Non-Current Liabilities	37	37	39
10 Net Assets	1,796	1,426	1,133
11 Shareholders' Equity	1,842	1,426	1,133

B INCOME STATEMENT

1 Sales	22,746	23,149	19,844
<i>a Cost of Good Sold</i>	(21,734)	(22,540)	(19,104)
2 Gross Profit	1,013	609	740
<i>a Operating Expenses</i>	(193)	(215)	(172)
3 Operating Profit	820	394	568
<i>a Non Operating Income or (Expense)</i>	9	15	(7)
4 Profit or (Loss) before Interest and Tax	828	409	560
<i>a Total Finance Cost</i>	(628)	(230)	22
<i>b Taxation</i>	(85)	(86)	(236)
6 Net Income Or (Loss)	116	93	346

C CASH FLOW STATEMENT

<i>a Free Cash Flows from Operations (FCFO)</i>	655	363	443
<i>b Net Cash from Operating Activities before Working Capital</i>	27	133	441
<i>c Changes in Working Capital</i>	(311)	341	(320)
1 Net Cash provided by Operating Activities	(284)	474	121
2 Net Cash (Used in) or Available From Investing Activities	(4)	(671)	(134)
3 Net Cash (Used in) or Available From Financing Activities	270	178	(30)
4 Net Cash generated or (Used) during the period	(18)	(20)	(43)

D RATIO ANALYSIS

1 Performance			
<i>a Sales Growth (for the period)</i>	-1.7%	16.7%	439.2%
<i>b Gross Profit Margin</i>	4.5%	2.6%	3.7%
<i>c Net Profit Margin</i>	0.5%	0.4%	1.7%
<i>d Cash Conversion Efficiency (FCFO adjusted for Working Capital / Net Profit Margin)</i>	1.5%	3.0%	0.6%
<i>e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets / Total Equity)]</i>	7.1%	7.3%	46.8%
2 Working Capital Management			
<i>a Gross Working Capital (Average Days)</i>	46	41	32
<i>b Net Working Capital (Average Days)</i>	19	0	-9
<i>c Current Ratio (Current Assets / Current Liabilities)</i>	2.1	1.4	1.1
3 Coverages			
<i>a EBITDA / Finance Cost</i>	1.4	2.1	233.9
<i>b FCFO / Finance Cost+CMLTB+Excess STB</i>	1.0	1.0	13.6
<i>c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Financing)</i>	17.0	4.5	1.2
4 Capital Structure			
<i>a Total Borrowings / (Total Borrowings+Shareholders' Equity)</i>	63.8%	59.8%	31.1%
<i>b Interest or Markup Payable (Days)</i>	0.0	0.0	0.0
<i>c Entity Average Borrowing Rate</i>	21.7%	17.5%	0.6%

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
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.

Scale	Short-Term Rating
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.

Rating Modifiers | Rating Actions

<p>Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business / financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.</p>	<p>Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of 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.</p>	<p>Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p>Withdrawn A rating is withdrawn on a) termination of rating mandate, b) 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.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
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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. Rating actions may include "maintain", "upgrade", or "downgrade".

Note: This scale is applicable to the following methodology(s):

a) Broker Entity Rating	e) Holding Company Rating
b) Corporate Rating	f) Independent Power Producer Rating
c) Debt Instrument Rating	g) Microfinance Institution Rating
d) Financial Institution Rating	h) Non-Banking Finance Company

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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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- (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).
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- (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)
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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 | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(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 | 17-(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 | 17-(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 | 14-3(f)(vii)

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