HASCOL PETROLEUM LIMITED

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

3rd November 2017

Dear Sirs,

Re: **JCR-VIS Upgrades Ratings of Hascol Petroleum Limited**

We wish to inform you that JCR-VIS Credit Rating Company Ltd. (JCR-VIS) has upgraded the entity ratings of Hascol Petroleum Limited (HPL) to 'AA-/A-1' (Double A Minus/A-One) from 'A+/A-1' (Single A Plus/A-One). Rating of HPL's secured Sukuk issue of Rs. 2 billion has also been upgraded to 'AA' (Double A) from AA- (Double A Minus). Outlook on the assigned ratings is 'Stable'. The Press Release issued by JCR-VIS in this respect is also enclosed herewith.

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours truly,

Zeeshan Ul Haq
Company Secretary

Copy to:
The Securities and Exchange Commission of Pakistan, Islamabad.

(zh/companysecretary/031117)

Ref: HASCOL/SEC/PSX/109

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JCR-VIS Credit Rating Company Limited

Founder Shareholder - Islamic International Rating Agency (IIRA), Bahrain
Joint Venture Partner - Credit Rating & Information Services Ltd. (CRISL), Bangladesh
Member - Association of Credit Rating Agencies in Asia (ACRAA)

Press Release

JCR-VIS Upgrades Ratings of Hascol Petroleum Limited

Karachi, November 1, 2017: JCR-VIS Credit Rating Company Ltd. (JCR-VIS) has upgraded the entity ratings of Hascol Petroleum Limited (HPL) to 'AA-/A-1' (Double A Minus/A-One) from 'A+/A-1' (Single A Plus/A-One). Rating of HPL's secured Sukuk issue of Rs. 2billion has also been upgraded to 'AA' (Double A) from 'AA-' (Double A Minus). Outlook on the assigned ratings is 'Stable'. The previous rating action was announced on November 2, 2016.

The rating action takes into account projected strengthening in capitalization indicators post rights share announcement which will enhance equity base by 84% from current levels. Ratings also reflect increasing market share, significant ongoing and projected investment in infrastructure (storage, retail footprint & supply chain) which will facilitate in sustaining growth momentum and improving corporate governance framework. Management's commitment to maintaining liquidity and capitalization indicators within benchmark for the assigned ratings will continue to be an important rating driver, going forward. Ratings also draw comfort from strategic investment of Vitol Dubai Limited in HPL, a significant international player in the oil sector.

Over past five years, petroleum sales have increased at a compounded annual growth rate of around 5%. During FY17, percentage growth in sales volume doubled vis-à-vis FY16 primarily due to higher retail (MS and HSD) fuel consumption. JCR-VIS expects retail fuel consumption to remain healthy on the back of low oil prices and increasing demand from the transportation segment. However, ongoing LNG/coal substitution is likely to have a negative impact on Furnace Oil off-take. Sizeable capital expenditure planned by the largest Oil Marketing Companies (OMCs) in the country and other existing players is expected to intensify competition among existing players while threat from new entrants is expected to emerge over the medium term as storage at strategically important locations & port and retail outlet expansion will take time to materialize for new OMCs.

HPL maintained its growth momentum during FY17 and in the ongoing year and has become the second largest OMC based on sales volume during July-September 2017. Volumetric increase in sales has significantly outpaced industry growth. In a bid to diversify revenue streams and enhance earnings, the company has embarked on a product diversification strategy entailing focus on lubricants, aviation fuel, Liquefied Petroleum Gas, Liquefied Natural Gas and bitumen. Supply chain infrastructure is also being enhanced through addition of trucks to the company's own fleet. Going forward, profitability of the company is expected to depict strong growth on the back of volumetric increase in sales as sizeable new storage capacities come online during FY18 and FY19 and higher margins on retail fuels.

For further information on this rating announcement, please contact the undersigned (Ext: 201) at (021)35311861-70 or fax to (021)35311872-3.

Javed Callea
Advisor

Applicable Rating Criteria:
Oil & Gas Industry (November 2016) http://www.jcrvis.com.pk/docs/Meth-OilGas201611.pdf
Industrial Corporates (May 2016) http://www.jcrvis.com.pk/docs/Corporate-Methodology-201605.pdf