

MIRA INFORM REPORT

Report No. :	536106
Report Date :	30.10.2018

IDENTIFICATION DETAILS

Name :	PETROLEUM EXPLORATION (PVT) LIMITED
Registered Office :	House No. 20, Margalla Road, F-8/3, Islamabad
Country :	Pakistan
Financials (as on) :	2017(summarized)
Date of Incorporation :	1994
Com. Reg. No.:	0032730
Legal Form :	Private Limited Company
Line of Business :	Subject engaged in Oil and Gas exploration and production in Pakistan
No. of Employees :	200

RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23rd January 2017)

MIRA's Rating :	A
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Credit Rating	Explanation	Rating Comments
A	Acceptable Risk	Business dealings permissible with moderate risk of default

Maximum Credit Limit :	USD 187,720.28
Status :	Satisfactory
Payment Behaviour :	Slow and delayed
Litigation :	Clear

NOTES :

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Any query related to this report can be made on e-mail : infodept@mirainform.com while quoting report number, name and date.

ECGC Country Risk Classification List

Country Name	Previous Rating (30.06.2018)	Current Rating (30.09.2018)
Pakistan	B1	B1

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

PAKISTAN - ECONOMIC OVERVIEW

Decades of internal political disputes and low levels of foreign investment have led to underdevelopment in Pakistan. Pakistan has a large English-speaking population, with English-language skills less prevalent outside urban centers. Despite some progress in recent years in both security and energy, a challenging security environment, electricity shortages, and a burdensome investment climate have traditionally deterred investors. Agriculture accounts for one-fifth of output and two-fifths of employment. Textiles and apparel account for more than half of Pakistan's export earnings; Pakistan's failure to diversify its exports has left the country vulnerable to shifts in world demand. Pakistan's GDP growth has gradually increased since 2012, and was 5.3% in 2017. Official unemployment was 6% in 2017, but this fails to capture the true picture, because much of the economy is informal and underemployment remains high. Human development continues to lag behind most of the region.

In 2013, Pakistan embarked on a \$6.3 billion IMF Extended Fund Facility, which focused on reducing energy shortages, stabilizing public finances, increasing revenue collection, and improving its balance of payments position. The program concluded in September 2016. Although Pakistan missed several structural reform criteria, it restored macroeconomic stability, improved its credit rating, and boosted growth. The Pakistani rupee has remained relatively stable against the US dollar since 2015, though it declined about 10% between November 2017 and March 2018. Balance of payments concerns have reemerged, however, as a result of a significant increase in imports and weak export and remittance growth.

Pakistan must continue to address several longstanding issues, including expanding investment in education, healthcare, and sanitation; adapting to the effects of climate change and natural disasters; improving the country's business environment; and widening the country's tax base. Given demographic challenges, Pakistan's leadership will be pressed to implement economic reforms, promote further development of the energy sector, and attract foreign investment to support sufficient economic growth necessary to employ its growing and rapidly urbanizing population, much of which is under the age of 25.

In an effort to boost development, Pakistan and China are implementing the "China-Pakistan Economic Corridor" (CPEC) with \$60 billion in investments targeted towards energy and other infrastructure projects. Pakistan believes CPEC investments will enable growth rates of over 6% of GDP by laying the groundwork for increased exports. CPEC-related obligations, however, have raised IMF concern about Pakistan's capital outflows and external financing needs over the medium term.

Source : CIA

COMPANY NAME

Business Name PETROLEUM EXPLORATION (PVT) LIMITED

FULL ADDRESS

Registered Address
House No. 20, Margalla Road, F-8/3, Islamabad, Pakistan

Tel # 92 (51) 2287170, 2287154
Fax # 92 (51) 2287154
Email pel@isb.comsats.net.pk

SHORT DESCRIPTION OF BUSINESS

- | | | |
|----|--------------------|---|
| a. | Nature of Business | Engaged in Oil and Gas exploration and production in Pakistan |
| b. | Incorporated | 1994 |
| c. | Registration No. | 0032730 |

BRANCHES

- (1) H No. 66, Street No. 25, F-10/1, Islamabad, Pakistan.
(2) 15, Nazimuddin Road, Sector F-10/4, Islamabad, Pakistan.

AUDITORS

BDO Ebrahim & Co.
(Chartered Accountants)

LEGAL STATUS

Subject Company was established as a Private Limited Company in 1994

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6. Authorized Capital	Rs. 250,000,000/- divided into 2,500,000 shares of Rs. 100/- each
Issued & Paid up Capital	Rs. 1,400,000/- divided into 14,000 shares of Rs. 100/- each

DETAILS OF MANAGEMENT

Names	Designation
Mr. Zaheeruddin	Chief Executive
Mr. Shahbaz Zaheer	Director
Mr. Moeenuddin	Director
Mr. Shahzad Zaheer	Director

SHAREHOLDERS

Names	No. of Shares
Mr. Zaheeruddin	4,620
Mr. Moeenuddin	3,290
Mr. Shahzad Zaheer	1,400
Mr. Shahbaz Zaheer	1,400
Mr. Noreen Zafar	411
Mr. Abdullah Zafar	823
Mr. Mohammad Faisal Zafar	823
Mr. Abdur Rehman Zafar	823
Mrs. Maryam Zafar	410

ASSOCIATES

A. Subsidiary
None

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B. Associated Companies

- (1) Shahzad International, Pakistan.
- (2) Kandra Power Company, Pakistan.
- (3) Global Mining Company, Pakistan.
- (4) Nortech Surveys Pakistan.
- (5) Flash Security Services, Pakistan.
- (6) Shahzad Travels, Pakistan.
- (7) PCBC, Pakistan

BUSINESS ACTIVITIES

Engaged in Oil and Gas exploration and production in Pakistan

NUMBER OF EMPLOYEES

200

ANNUAL PRODUCTION VOLUME

Considering the nature of the Company's business, it is impracticable to provide the information regarding capacity

ANNUAL SALES VOLUME

Years	In Pak Rupees
2017	1,500,000,000/- (Estimated)

TRADE SUPPLIERS (FOREIGN)

Subject import globally from Companies belongs to U.S.A., European Countries, Japan, Korea, Taiwan, China, Singapore & Canada

CUSTOMERS

Major customers are Oil Refineries, Oil Marketing Companies etc

MODE OF PAYMENT

Payments would be made through L/C, D/P basis to its trade suppliers globally

BANKERS

- (1) Faysal Bank Limited, Pakistan.
- (2) Habib Bank Limited, Pakistan.
- (3) HSBC Bank Middle East Limited, Pakistan.
- (4) Bank Alfalah Limited, Pakistan.
- (5) United Bank Limited, Pakistan.
- (6) Soneri Bank Limited, Pakistan.

ABOUT PETROLEUM EXPLORATION (PVT) LIMITED

PEL is a private sector Pakistani E&P company. It was established in 1994 and in a short period has become an active operator having largest acreage among ten private sector operating companies in Pakistan. It is exploring on land and deep waters off-shore Pakistan. It is also the first Pakistani E&P Company operating abroad and is currently carrying out exploration over three onshore Permits in Morocco. PEL has a highly experienced E&P team with industry renowned experts. It is organized into multidisciplinary integrated teams and believes in optimally exploiting knowledge / technology by outsourcing to industry leaders. It has twelve JV partners from Pakistan, Canada, Kuwait, UK, Morocco and Australia, which include British Petroleum (BP), Oil & Gas Development Company (OGDCL), Pakistan Petroleum Limited (PPL), Mari Gas Company Limited (MGCL), Frontier Holdings Limited (FHL), Gulf Petroleum Exploration Pakistan (GPXP) (Pvt) Ltd, ONHYM, Sherritt International Oil and Gas (Sherritt), Spud Energy (Spud) , Oil & Gas investment Limited (OGIL), Pyramid Energy International Incorporated, BVI (Pyramid) and Government Holding (Pvt) Ltd (GHPL). PEL would welcome new partners in PEL's concession areas onshore/offshore Pakistan and onshore Morocco.

OPERATIONAL ACTIVITIES

PEL currently operates 9 onshore and 1 offshore exploration license, 4 development and production leases (an additional lease is under processing), one mining lease and one non-operated joint-venture block in Pakistan. It has so far drilled 15 exploration and development wells and has recently completed drilling of three deep wildcat exploration wells in different joint ventures, involving an expenditure of about US\$ 50 Million. PEL is presently producing natural gas from four gas fields. Recently, a gas discovery has also been made in Sukkur block,

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operated by Mari Gas Company, in which PEL has 41.2% interest. PEL and its joint venture partners are committed to investing over US\$300 Million on exploration and development in its concession areas in the next 3 years. PEL has an aggressive drilling program of drilling Nineteen exploratory and fifteen development wells in the next 3 years. It is also undertaking the development of the low BTU gas field at Kandra for power generation. The remaining recoverable reserves are over 3 TCF of gas comprising Block-22 (113.561 BCF), Badar (54.98 BCF) and Kandra (2.86 TCF). PEL, in JV partnership with Frontier Holdings Ltd and Government Holdings (Private) Ltd, is developing Kandra gas field for supply of gas of around \pm 330 BTU/SCF to 120MW Kandra power plant to be set up by a sister company, Kandra Power Company. The field development envisages drilling and completing 12-14 additional producing wells, surface gathering facilities and central processing facility for producing 120 MMSCFD of raw gas. The field has 2.86TCF recoverable reserves of gas and has the potential of fueling another power plant eventually. PEL entered the realm of offshore exploration in 2006 and executed three Offshore Production Sharing Agreements with the Government of Pakistan for Indus Offshore Blocks J, O and P in deep to ultra deep waters in exclusive economic zone of Pakistan. PEL acquired 1646 line-km of 2D seismic and 569 km² of 3D seismic to evaluate the hydrocarbon potential of these blocks. Based on the interpretation of 2D and 3D seismic, blocks O and P were relinquished as no sizeable prospects were identified. Three structures were identified in Block J with a potential reserve exposure of over 25 TCF. Block J has been retained for drilling these potential structures requiring substantial investment. PEL is privileged to have achieved the distinction of being the first private sector Pakistani company to undertake overseas exploration in the Kingdom of Morocco, North Africa. On May 10, 2007, PEL signed Petroleum Agreement and Association Contract for exploration and exploitation of hydrocarbons in three Permits i.e. Haha-1, 2, and 3. In July 2009 PEL completed acquisition of 139 Km² of 3D seismic data which was processed and interpreted by CGG Veritas. A number of leads have been mapped. Further work is in progress for evaluation of these leads. PEL will soon undertake drilling of first well (Tamanar-1) and would welcome participation by serious E&P companies in these Permits.

MEMBERSHIPS

PPEPCA
ICCI
FPCCI

COMMENTS

PEL is a private sector Pakistani E&P company. It was established in 1994 and in a short period has become an active operator having largest acreage among ten private sector operating companies in Pakistan. It is exploring on land and deep waters off-shore Pakistan. It is also the first Pakistani E&P Company operating abroad and is currently carrying out exploration over three onshore Permits in Morocco. In view of current disturbed economic and political situation, we would advise to deal with all the business in Pakistan with some caution

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 73.42
UK Pound	1	INR 94.26
Euro	1	INR 83.69
PKR	1	INR 0.55

Note : Above are approximate rates obtained from sources believed to be correct

INFORMATION DETAILS

Analysis Done by :	NIY
Report Prepared by :	KET

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RATING EXPLANATIONS

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)