VIS
Credit Rating Company Limited

Analysts:
Saeb Muhammad Jafri
(saeb.jafri@vis.com.pk)

APPLICABLE METHODOLOGY(IES):
VIS Entity Rating Criteria Methodology – Industrial Corporates

Rating Scale:
(https://docs.vis.com.pk/docs/VISRatingScales.pdf)

Rs. Million	FY23A	FY24A	6MFY25M
Net Sales	11,307.53	12,548.07	4,036.46
Profit Before Tax	-419.03	135.59	126.50
Profit After Tax	-302.85	59.61	93.44
Paid up Capital	257.66	257.66	257.66
Equity (excl. Revaluation Surplus)	145.94	205.55	298.99
Total Debt	699.10	35.69	10.29
Leverage (x)	14.56	6.90	3.70
Gearing (x)	4.79	0.17	0.03
Funds From Operations (FFO)	-324.52	-2.29	75.59
FFO/Total Debt (x)	NA	NA	14.69
Net Margin (%)	-2.68%	0.48%	2.31%

**Annualized, if required*
A - Actual Accounts
M - Management Accounts

ZOOM PETROLEUM (PRIVATE) LIMITED

Chief Executive: Mr. Meher Arshad Mehmood

RATING DETAILS

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Long-term	Short-term	Long-term	Short-term
ENTITY	BBB-	A3	BBB-	A3
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	April 17, 2025		February 28, 2024	

RATING RATIONALE

The reaffirmation of the entity's ratings at 'BBB-/A3' with a Stable Outlook reflects maintenance of a conservative borrowing profile amid ongoing challenges in the operating environment. Ratings continue to be constrained by the relatively small scale of operations, low margins and persistent liquidity stress.

While the company demonstrated resilience in profitability and coverage, continued strain on liquidity precludes any revision in ratings or outlook. Further, the Company remains dependent on its sister concern, Zoom Marketing Oils (Pvt) Ltd. (ZMOPL) for branding and infrastructure.

COMPANY PROFILE

Zoom Petroleum (Pvt.) Limited (ZPPL) as an Oil Marketing Company (OMC), has been in the business of trading of petroleum products for more than fifteen years. It is part of Mehar Group of Companies, a renowned name in the oil and marketing community which is currently being recognized under the brand name 'Zoom'. The brand and license are in the name of the sister concern, ZMPOL. Zoom is an energy resource, which deals in purchasing, storing, and selling of petroleum products such as Super Plus, Diesel, Ultra Furnace Oil, Kerosene Oil, and lubricants. The group, established in 1936, comprises different entities dealing in petroleum products. ZPPL deals in sale and marketing of MS (Motor Spirit) and HSD (High Speed Diesel). MS (petrol) is the largest revenue driver as the product constitutes around 66% of total sales. The Company currently has 43 outlets in the major cities of Punjab, including 8 Company operated. The Company has no plans of expansion of retail outlets over the rating horizon. The Company has been granted a provisional license up to December 2025.

The Company has cumulative storage capacity of 1,795 MT in Kasur and Gujranwala which is shared with Zoom Marketing (Pvt) Ltd.

Storage Capacity	FY23	FY24
Pattoki Depot Distt, Kasur	1,300	1,300
Machikay Depot, Gujranwala	495	495

GOVERNANCE

The Company's corporate governance framework is overseen by a Board of Directors, chaired by CEO Mr. Meher Arshad Mehmood. Key shareholders include Mr. Arshad Mehmood (36.4%), Mr. Muhammad Afzal (12.7%), and Mr. Muhammad Ashraf (11.1%). The key operating management is common between ZPPL and ZMPOL.

INDUSTRY PROFILE & BUSINESS RISK

The business risk profile of Pakistan's oil and gas marketing sector is assessed as high, reflecting significant exposure to regulatory oversight, market competition, and macroeconomic volatility. The sector operates within a heavily regulated environment, with pricing and profit margins of several major products subject to government policies. Additionally, challenges such as currency depreciation and fluctuations in international oil prices further elevate the risk profile.

The sector's demand is closely linked to the country's economic performance, making it susceptible to cyclical fluctuations. For instance, according to data released by the Oil Companies Advisory Council (OCAC), the industry's overall sales volume declined by 8% year-on-year (YoY) in FY24, marking the lowest level in the past decade. The contraction in sales was primarily driven by reduced demand for petroleum products due to higher sales prices, subdued economic activity, a decline in automobile sales, and lower demand for furnace oil (FO) as the government shifted reliance toward alternative energy sources for electricity generation. . Such sensitivity to economic cycles underscores the sector's vulnerability to demand fluctuations.

Moreover, the sector's performance is closely tied to fluctuations in international oil prices, exposing companies to risks associated with global energy markets. Volatility in crude oil prices can impact the cost structures and profitability of OMCs, especially when coupled with currency depreciation. For example, in FY2023, the Pakistani rupee experienced significant depreciation against major currencies, exacerbating the cost of imported petroleum products and squeezing margins for Oil Marketing Companies (OMCs). Such energy price sensitivity necessitates robust risk management strategies to mitigate potential financial impacts.

The oil and gas marketing sector in Pakistan is subject to extensive regulatory oversight, particularly concerning pricing mechanisms. The Oil and Gas Regulatory Authority (OGRA) administers a formula-based pricing mechanism for key fuels, effectively capping what OMCs can charge for petrol and high-speed diesel. Retail prices are reviewed and adjusted fortnightly based on international oil price movements, exchange rates, and government taxes, with fixed margins allowed for OMCs and dealers. This regime ensures price uniformity and shields end-consumers from extreme volatility, but it also means OMCs have limited control over their gross margins. Any lag in price adjustments can result in inventory losses for OMCs, especially when global prices fall and domestic prices are subsequently reduced. Conversely, inventory gains are possible in rising price scenarios; however, overall, the pricing control adds an element of uncertainty and limits margin flexibility.

The sector is characterized by high capital intensity, requiring substantial investments in infrastructure such as storage facilities, transportation networks, and retail outlets. Establishing and maintaining this infrastructure necessitates significant capital outlay, which can strain financial flexibility, especially during periods of economic downturn or reduced profitability. Additionally, the need for continuous capital outlay, including periodic technological upgrades (such as improved fuel dispensing and payment systems), contributes to the sector's elevated risk profile.

FINANCIAL RISK

Assigned ratings also consider the financial risk profile of the Company. Profitability indicators showed some improvement supported by inventory management practices, which contributed to margin enhancement despite overall volume contraction. Sales volumes were influenced by management decisions to limit procurement in anticipation of inventory losses. Capitalization indicators reflected an increase in equity and a decline in borrowings, contributing to an improved gearing profile. Liquidity remained constrained due to pressure on funds from operations, despite a reduction in finance costs following monetary easing. The current ratio remained at similar levels to the previous year. Coverage indicators improved due to operational gains and the absence of long-term debt, with the debt service coverage ratio showing upward movement during the period.

Capital Structure

Capitalization indicators in FY24 & 1HFY25 with increased equity base due to retained profit. Moreover, the Company reported a decline in overall borrowings during FY24 which led to a decline in gearing and leverage ratios to 0.17x (FY23: 4.79x) and 6.90x (FY23: 14.56x), respectively. Gearing and leverage further improved to 0.03x and 3.70x, respectively in 1HFY25. While gearing is considered to be conservative, leverage remains high in line with industry trends.

Profitability

During FY24, the Company's total sales volumes increased by approximately 11%, despite a contraction in motor spirit (MS) offtake, which was impacted by elevated retail prices which continued to suppress consumer demand. The overall industry experienced a 4% decline in MS volumes, whereas the Company reported a 42% decrease. High-speed diesel (HSD) accounted for 59% of total sales volumes (FY23: 33%) as the company adjusted its sales mix.

In 1HFY25, ZPPL's HSD volumes recorded a 55% annualized decline, primarily due to management's decision to limit inventory procurement during the initial months of the fiscal year to mitigate potential inventory losses. This inventory management approach contributed to an improvement in gross margins, which increased to 6.82% in 1HFY25 from 4.98% in FY24 (FY23: 5.06%).

Liquidity and Coverage

Although the Company reported an improved debt profile at year-end FY24, elevated average utilization of short-term borrowings continued to exert pressure on funds from operations (FFO). Despite a decline in benchmark interest rates resulting in a lower finance cost compared to the previous year, financial charges remained a key constraint on FFO. The constrained FFO limited liquidity improvement during the period, as reflected in a current ratio of 0.73x in FY24 (FY23: 0.77x). The current ratio remained mostly stable at 0.75x in 1HFY25.

However, liquidity pressures were partially mitigated by an improved coverage profile. The debt service coverage ratio (DSCR) increased to 1.41x in FY24 (FY23: 0.20x), supported by the absence of long-term debt on the balance sheet. The DSCR further improved to 3.37x in 1HFY25, driven by enhanced operational profitability and continued decline in finance cost due to lower interest rates. Overall, liquidity remained stable during the period.

REGULATORY DISCLOSURES						Appendix I
Name of Rated Entity	Zoom Petroleum (Private) Limited					
Sector	Oil Marketing Company					
Type of Relationship	Solicited					
Purpose of Rating	Entity Rating					
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action	
	RATING TYPE: ENTITY					
	17-04-2025	BBB-	A3	Stable	Reaffirmed	
	28-02-2024	BBB-	A-3	Stable	Reaffirmed	
	12-12-2022	BBB-	A-3	Stable	Reaffirmed	
	07-06-2021	BBB-	A-3	Stable	Initial	
Instrument Structure	**N/A**					
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.					
Probability of Default	VIS ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.					
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2025 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.					
Due Diligence Meetings Conducted		**Name**	**Designation**	**Date**		
	1	Mr. Meher Arshad Mehmood	Chairman/CEO	26-Mar-2025		
	2	Mr. Noman Sattar	CFO			
	3	Mr. Ali Hussain	Accounts Manager			