

**JCR-VIS Reaffirms Entity Ratings of Oil and Gas Development Company
Limited at AAA/A-1+**
(April 8, 2010)

JCR-VIS Credit Rating Company Limited (JCR-VIS) has reaffirmed the entity ratings of Oil and Gas Development Company Limited (OGDCL) at 'AAA/A-1+' (Triple A/A One Plus). Outlook on the medium to long-term rating is 'Stable'.

The ratings incorporate GOP's principal shareholding in OGDCL, which is otherwise the largest producer of oil & gas in the country. The company's inherently low business risk is manifested by the strategic importance of oil & gas in national development which has made its consumption indispensable. Moreover, the inadequate local reserves inflict heavy burden on the national exchequer in the shape of import bill. Amidst this situation, the demand for locally produced oil & gas remains robust.

OGDCL has shown sustainable growth in business volume over the years. The strong financial profile of the company can be established from the fact that despite significant capital expenditure requirement in the E&P sector, there has been no gearing on books. Healthy margins and sufficient cash flow generation enables the company to meet its expenditure requirements indigenously. However, the prevailing inter-corporate debt crisis in the industry is negatively impacting OGDCL as well. The government, besides confirming the recoverability of the debt to the company, is taking initiatives to overcome this issue and certain amounts are being settled at intervals. Nevertheless, if the trend persists, the company may face liquidity concerns triggering borrowing requirement, which will in turn affect the company's financial risk profile.

One of the company's largest gas reserves at Qadirpur is gradually depleting and can face further decline in production, going forward. In order to maintain current production levels, it is necessary to install compressors, which will extend the existing output till 2012. With the assistance of Sui Northern Gas Pipelines Limited, OGDCL is in the process of installing these compressors. Timely installation and commissioning of the compressors at Qadirpur field is crucial to ensure a plateau rate production level.