

Economic Alert iQ



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Domestic

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“Petrotrin faced operating challenges which triggered significant losses in 2015... we believe that the company's cash generation will remain weak for the foreseeable future, increasing its reliance on external sources of funding...”

Moody's Investors Service (Moody's) downgraded the Corporate Family Rating and the senior unsecured debt ratings for the Petroleum Company of Trinidad & Tobago (Petrotrin) to Ba3 from Ba1. At the same time, Moody's lowered Petrotrin's baseline credit assessment (BCA) to b3 from b1. The ratings have remained on review for downgrade, in line with the rating review of the government of Trinidad and Tobago (Baa2 RUR), who is the sole owner of Petrotrin.

Rating Rationale:

- The company's weak liquidity and high refinancing risk, triggered by persistent negative operating performance in the last couple of years, and the expectation that this trend would continue given current market conditions.
- In 2015 most refineries in the region posted higher crack margins due to low oil prices. However, Petrotrin having faced many operating challenges, triggered significant losses in 2015. Assuming that international oil prices may recover and compress the company's operating margins further, and absent major investments that boost efficiency, Moody's believe that the company's cash generation will remain weak for the foreseeable future, increasing its reliance on external sources of funding.
- Petrotrin's b3 BCA indicates Moody's view of its standalone credit strength, and incorporates the cyclical nature of the company's earnings and cash flows. Both the company's earnings and cash flows has shown inconsistent operating performance resulting in its low refinery utilization rates and the concentration risk of its reliance on a moderately-complex single refinery.

- The baseline credit rating captures the small size and maturity of Petrotrin's hydrocarbon reserves, and the considerable investment needed given its mature asset base.
- Supporting the rating was Petrotrin's effective monopoly position in the wholesale distribution and export of refined petroleum products and the modest degree of operational integration provided by its exploration and production segment. Additionally, company's ability to generate significant foreign exchange through exports, and Trinidad and Tobago's fairly supportive regulatory environment was viewed positively by Moody's.

Petrotrin is a locally, integrated petroleum company which has an effective monopoly position in refining and wholesale marketing operations in addition to some exploration and production operations. Petrotrin owns the country's sole refinery. During 2015, its total crude oil production reached 45,960 bpd. While Petrotrin's refinery supplies the local retail marketing sector, it is mainly an exporter of petroleum products. In 2015 roughly 80% of the company's production was sold in the Caribbean region and internationally.

Credit Rating Agency	Rating	Outlook
S&P	BB	Stable
Moody	Ba3	Negative

Petrotrin's Bonds	Last Closing Price (USD)	YTD Percentage Change in Price	Current Yield	YTD Percentage Change in Yield
2019	102.75	-2.17%	8.79%	8.37%
2022	92.50	-0.67%	8.90%	4.91%



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