ARIF HABIB LIMITED

Oil & Gas marketing Sector

Pakistan State Oil Company Limited

Liquidity Refueled and Profitability Accelerating

08-Oct-2025

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Pakistan State Oil Company Limited

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Detailed Report

ARIF HABIB LIMITED

October 8, 2025

Liquidity Refueled and Profitability Accelerating

Pakistan State Oil (PSO) is entering a new phase of strengthened liquidity. Historically, the Company faced constraints due to significant receivables locked in both RLNG and power sector circular debt. However, with the recent progress achieved on resolving power sector circular debt, the gas circular debt is also expected to ease. Currently the company has over 100% receivable rate with SNGP. PSO further consolidates its position as the market leader, holding the highest share in both MS and HSD volumes. In addition, the long-awaited revision in OMC margins is likely to provide an incremental uplift to earnings. We initiate coverage on PSO with a BUY recommendation, underpinned by expectations of strong earnings growth. We forecast EPS to reach PKR 79.71/share in FY26e and PKR 90.95/share in FY27f. Based on the last closing price, PSO offers an attractive 36.5% upside to our June'26 target price of PKR 645.0/share. Our investment thesis is supported by multiple earnings levers:

- **Liquidity position improving as power sector circular debt resolution adds an estimated positive impact of PKR 100/share.**
- **With progress on power sector receivables, focus may shift to gas circular debt resolution, which could act as a key re-rating catalyst. PSO currently records more than 100% receivable rate from SNGP.**
- **Market leadership consolidated with a 41% share in MS and 46% share in HSD.**
- **Long-overdue increase in OMC margins expected to further enhance profitability.**
- **Trading at 5.9/5.2 FY26/27 P/E, below historical and sector averages, PSO offers strong upside.**

Government steps to strengthen PSO's liquidty position

The government's energy sector reforms, which incorporated diverted RLNG costs into gas pricing, have eased PSO's liquidity pressures. As a result, trade debts declined from PKR 400bn in Dec'23 to PKR 310bn in Jun'25. PSO utilized this liquidity to settle creditor obligations and reduce short-term borrowings to PKR 356bn from PKR 445bn over the same period. Supported by debt repayments and lower interest rates, finance costs fell to PKR 34bn in FY25 (vs. PKR 52bn in FY24) and are expected to decline further to PKR 23bn/18bn in FY26/27.

Major beneficiary of Power CD resolution

PSO is expected to be the key beneficiary, as payments from CPPA-G to RLNG power plants (NPPMCL, QATPL, and Nandipur) will flow through SNGP and ultimately to PSO, though with some delay. We estimate an impact of ~PKR 100/share for PSO, on a conservative basis. We have incorporated the impact of power sector circular debt from Mar'26, reflecting the likely delay in payments from power plants to SNGP and subsequently to PSO.

Cash rich POL business

The revision in OMC margins has been long overdue by OGRA. While OGRA has proposed a PKR 1.13/ltr increase in MS/HSD margins, below industry demand, still supportive for PSO. Conservatively, we have assumed OGRA's proposed margin of PKR 8.53/ltr on both MS and HSD effective 3QFY26, with further upward revisions likely in line with inflation. Resultantly, we estimate PSO's gross margins to improve to 3.02%/3.22% in FY26/27 from 3.07% in FY25.

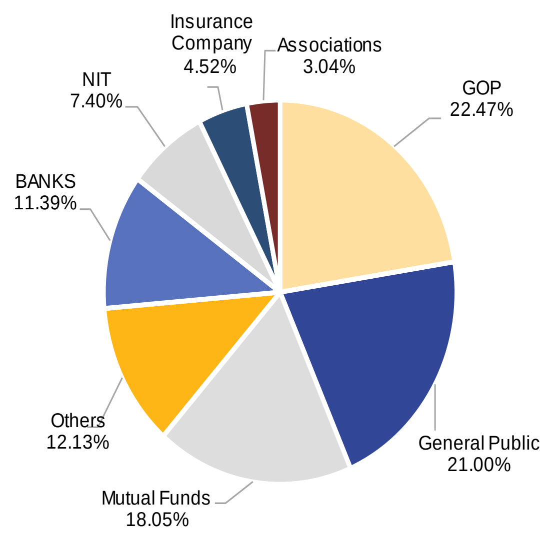
	PSO
Recommendation	**BUY**
Target Price	645.1
Last Closing	472.6
Upside	36.5%
Shares (mn)	469.5
Free float (%)	50.0
Market Cap. (PKR bn)	221.8
Market Cap. (USD mn)	788.89

Price Performance

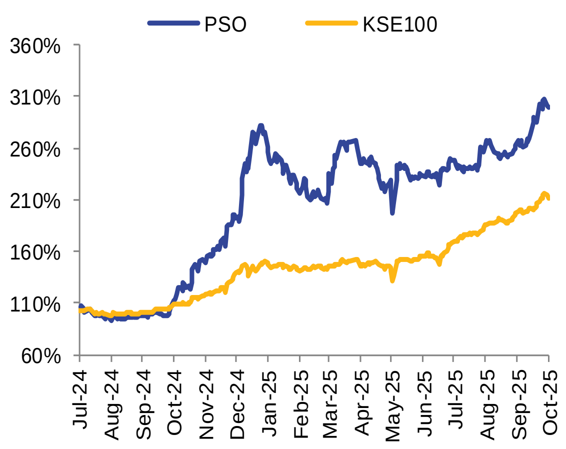
	3M	6M	12M
Return (%)	23.0	19.4	165.9
Avg. Volume (mn)	5.7	4.9	5.3
ADTV (mn) - PKR	2,452.5	1,992.3	1,924.7
ADTV (000) - USD	8,697.0	7,065.1	6,862.9
High Price - PKR	486.6	486.6	486.6
Low Price - PKR	375.9	311.6	177.8

Source: PSX, AHL Research

Shareholding Pattern as of Jun'25



Source: Company Financials, AHL Research



Source: Bloomberg AHL Research

Moreover, the petroleum sector posted a strong rebound in FY25, with total offtake up 7% YoY to 16.3mn tons. In 1QFY26, volumes grew 6% YoY to 3.9mn tons despite heavy rainfall and floods. Looking ahead, we expect the growth momentum to sustain in FY26, with MS volumes projected to rise 6% and HSD volumes 8%, further aiding PSO.

Gas Circular Debt to follow?

With the power sector circular debt issue largely resolved, attention may shift to gas circular debt, potentially a key re-rating catalyst for PSO. Proposals include a PKR 5/ltr levy and SOE dividends, though progress remains limited. PSO’s receivables from SNGPL for gas circular debt stand at ~PKR 250bn (PKR 525/share), as per our estimates. Our model, however, assumes some continued circular debt buildup going forward.

With several other liquidity triggers

In Dec’24, PSO received PKR 14.8bn under HUBC’s settlement and has also recovered most of its price differential claims (PDCs). As of Jun’25, outstanding PDC claims stand at ~PKR 2.2bn, which management is confident of recovering and continues to pursue with the government.

Moreover, following the reclassification of POL products from zero-rated to exempt, PSO’s sales tax refundable rose by PKR 18.5bn to PKR 74.1bn. To address this, the government, after consultations with the Prime Minister approved a PKR 1.87/ltr increase in IFEM for the next 12 months, which should support PSO’s liquidity.

Meanwhile, clarity is awaited on receivables from GENCO (PKR 68bn) and PIA (PKR 14bn), though any recovery would provide incremental upside to our estimates.

Valuation

We have valued PSO using DCF-based valuation whereby our Jun'26 target price is set at PKR 644/share, which translates into a upside of 36.5% from the last closing of PKR 472.55/share as of 07-Oct. Our valuation parameters include a 5-yr adjusted beta of 1.25, a risk-free rate of 11%, and a risk premium of 6.0%, which gives a cost of equity of 18.5%. Currently, the stock is trading at FY26, and FY27 P/E of 5.9x and 5.2x, respectively. Hence, we recommend a '**BUY**' stance on the scrip.

Exhibit: Valuation Snapshot

PKR mn	FY26f	FY27f	FY28f	FY29f	FY30f
PAT	37,422	42,699	50,669	58,198	66,000
Add: Depreciation	5,522	6,578	7,637	8,685	9,742
Capital Expenditure	(10,833)	(11,724)	(12,699)	(13,763)	(14,931)
▲ in Working Capital	74,320	10,793	(6,381)	(6,161)	(3,771)
Free Cash Flow to Firm	116,994	56,203	45,923	53,025	63,084
Free Cash Flow to Equity	34,019	(14,557)	32,399	53,776	50,736
Discounted Factor	1.00	0.84	0.71	0.60	0.51
Discounted Cash Flows	34,019	(12,284)	23,062	32,302	25,718
PV of Future Cash Flows	102,817				
PV of Terminal Value	200,029				
Equity Value	**302,845**				
Outstanding shares (mn)	469.47				
Target price per share	**645.07**				

Source (s): AHL Research

Government steps to strengthen PSO's liquidty position

During FY22–FY24, the government diverted RLNG volumes to the domestic sector without charging domestic consumers at RLNG parity. While RLNG costs averaged ~PKR 2,609/3,333/3,490 per mmbtu during the same time, domestic consumers were billed at subsidized indigenous gas rates.

Moreover, the government is required to pay for RLNG cargoes within 10 days of unloading. However, the process at gas DISCOs, comprising a one-month billing cycle, 10 days for recovery, and another 5–10 days for reconciliation, takes at least 50–60 days. During this period, around six cargoes are typically offloaded, prompting the government to cap RLNG diversion to the domestic sector, further exacerbating PSOs trade debts.

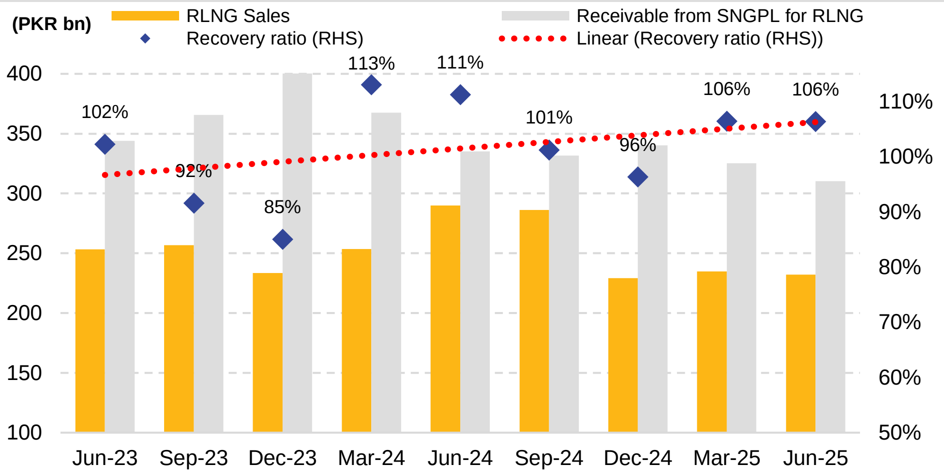
In Nov'23, OGRA approved an 84% increase in weighted average gas prices (from PKR 856/mmbtu to PKR 1,571/mmbtu), followed by another hike in Feb'24. This represented the first pass-through of RLNG diversion costs to the domestic sector.

Consequently, PSO's receivables from SNGPL declined to ~PKR 310bn by Jun'25 from a peak of ~PKR 400bn in Dec'23. Strengthened recoveries supported improved liquidity, enabling PSO to settle creditor obligations and reduce short-term borrowings to PKR 356bn in Jun'25 from PKR 445bn in Dec'23.

Moreover, management highlighted that PKR 200bn (PKR 426/share) in LPS remains unrecorded on prudent grounds as of Mar-25, with PSO prioritizing principal recovery. In a Feb-24 meeting with the petroleum ministry, it was agreed that no further buildup would occur given PSO's limited borrowing capacity, a commitment that has held since.

Currently, with subdued power demand and levy on captive power plants driving a shift to the grid, a greater share of RLNG is expected to be diverted to households, with take-or-pay nature of RLNG contracts. Reflecting this, SNGP has incorporated projected diversion volumes of 92,594 bbtu in its FY26 petition, a significant increase on a YoY basis.

Exhibit: PSO's Receivables From SNGPL Declined by PKR 15 BN in 4QFY25



Source (s): Company financials, AHL Research

Exhibit: PSO Finance Cost Break-up

PKR bn	Jun-22	Jun-23	Jun-24	Jun-25
Finance cost	**4,721**	**40,335**	**52,338**	**33,718**
M/up – Local currency	288	12,284	8,569	4,412
M/up - Foreign currency	2,879	23,641	38,159	24,938
Others	1,553	4,410	5,610	4,368

Source (s): Company Financials, AHL Break-up

PSO emerges as primary beneficiary of Power CD resolution

What's been the buzz of the financial circles for months finally became a reality, with the much-discussed power circular debt resolution agreement signed, paving the way for a PKR 1.225trn loan from banks at KIBOR minus 0.9%. This is likely to lower costs by 1.5–5%, as the facility will replace higher-cost obligations, including IPPs' penal income (3M KIBOR + 200–450 bps) and PHPL interest charges (KIBOR + 2%), which will be refinanced.

PSO is expected to be the primary beneficiary

PSO is expected to be the key beneficiary, as payments from CPPA-G to RLNG power plants (NPPMCL, QATPL, and Nandipur) will flow through SNGP and ultimately to PSO, though with some delay.

We estimate an impact of ~PKR 100/share for PSO, on a conservative basis. We have incorporated the impact of power sector circular debt from Mar'26, reflecting the likely delay in payments from power plants to SNGP and subsequently to PSO.

However, the company is more likely to prioritize balance sheet improvement, which should support long-term financial flexibility over immediate payouts. The company is more likely to prioritize balance sheet improvement, which should support long-term financial flexibility over immediate payouts.

How the circular debt will be financed

Annual payments will be financed through Debt Service Surcharge (DSS) revenues, currently set at PKR 3.23/KWh under the PHPL surcharge, with excess collections allocated to cover the loan's principal over six years.

Through the FY26 budget, the government legislated the removal of the 10% DSS cap, mitigating risks from potential rate spikes.

These targets are set to gradually decline to zero by FY31.

The remaining ~PKR 436bn of circular debt is expected to be financed through the power sector subsidy of ~PKR 1trn.

Exhibit: Estimated Receivables to PSO for Resolution of Power Circular Debt

(PKR mn)	Jun-24	Jun-23
NPPMCL	45,725	50,305
QATPL	25,227	29,022
GENCO-III – Nandipur (partial)	*25,204*	*28,191*
SNGPL Receivables	**283,179**	**293,928**
Pakistan State Oil Company Limited	311,442	331,639
Pakistan LNG Limited	92,436	96,217
SNGPL Payables	**1,160,521**	**1,038,818**
PSO share of RLNG payables	77.11%	77.51%
Likely receivable by PSO (PKR mn)	73,616	82,631
(PKR/share)	**156.81**	**176.01**

Source (s): Company Financials, AHL Research

Exhibit: Estimated Receivables to PSO for Resolution of Power Circular Debt

(PKR mn)	Jun-24	Jun-23
NPPMCL	38,913	46,881
QATPL	4,929	17,562
Arbitration amount (likely payable to SNGPL)	*10,879*	*12,820*
GENCO-III – Nandipur (partial)	25,204	28,191
Payable per power company financials (To SNGPL)	**79,925**	**105,454**
Likely receivable by PSO (PKR mn)	63,857	81,739
(PKR/share)	**136.0**	**174.11**

Source (s): Company Financials, AHL Research

With Power CD resolved, eyes are on Gas CD

Looking ahead, with the power sector circular debt issue largely addressed, the focus may shift towards resolving the gas circular debt, which could emerge as a key re-rating catalyst for PSO.

Several proposals have been floated, including the imposition of a PKR 5/liter Petroleum Levy and channeling incremental dividends from SOEs (E&P companies). While progress has been limited thus far, successful implementation could materially ease PSO's working capital constraints.

We estimate PSO's receivables from SNGPL under the gas circular debt at ~PKR 250bn (PKR 525/share).

Our model, however, assumes some continued circular debt buildup, primarily due to DISCO inefficiencies, bringing PSO's short-term borrowing requirements down to PKR 284bn/223bn by FY25/26. Moreover, easing interest rates are expected to further alleviate pressures, with finance costs projected to decline to PKR 23bn in FY26 and PKR 18bn in FY27.

Exhibit: Likely Recievable for Gas Circular debt

PKR bn	Mar-25	Jun-25
PSO due from SNGPL	325,121	310,397
Power Receivables	63,857	63,857
Gas relevant	261,264	246,540
Gas relevant (PKR/sh)	**556.50**	**525.14**

Source (s): Company Financials, AHL Research

Other Liquidity Triggers

Receivables from GENCO and PIA

As of Jun'25, PSO's overdue receivables from GENCO stand at PKR 68bn for furnace oil. While no fresh buildup has occurred, owing to lower FO consumption in power generation and improved sector recoveries. Efforts such as asset swaps involving Nandipur and Guddu plants have so far been unsuccessful. Similarly, receivables from PIA declined to PKR 13.7bn from PKR 15.7bn in Jun'25.

We have not factored in any upside from these receivables; any recovery would provide incremental value to our estimates.

PDC Clearance in Progress

In Jun'24, PSO received full PDC payments of PKR 3.4bn for LSFO supplied to KAPCO at HSFO prices (lower than LSFO) and PKR 3.7bn for FO supplied to KEL at natural gas rates, leaving only PKR 254mn outstanding.

As of Jun'25, total PDC claims stand at ~PKR 2.2bn, which management remains confident of recovering and is actively pursuing with the government.

Sales Tax issue

As per news reports, refineries and OMCs incurred losses of PKR 34bn in FY25 after the government reclassified POL products from zero-rated to exempt, preventing adjustment of input costs against output costs.

PSO's financials reflected this, with its sales tax refundable rising by PKR 18.5bn. Following consultations with the Prime Minister, the government has raised IFEM by PKR 1.87/ltr for the next 12 months.

Based on FY26 volumes, this measure is expected to generate PKR 37bn, to be passed on to OMCs and refineries for input sales tax adjustments. This should ease PSO's liquidity pressures in FY26 and strengthen its balance sheet.

Linefill costs

OGRA introduced a mechanism for reimbursing financial charges on line-fill costs in FY24, applicable to the initial filling of pipeline stock. Under this framework, PAPCO will compensate OMCs based on the SBP discount rate.

As a result, PSO recorded PKR 8.6bn (PKR 18.26/share) and PKR 5.9bn (PKR 12.57/share) in FY25 and FY26. This is expected to keep PSO's other income elevated and support earnings.

Exhibit: PSO's sales tax refundable has grown sharply

PKR MN	Jun-22	Jun-23	Jun-24	Jun-25
Sales tax refundable	13,450	29,280	55,654	74,191

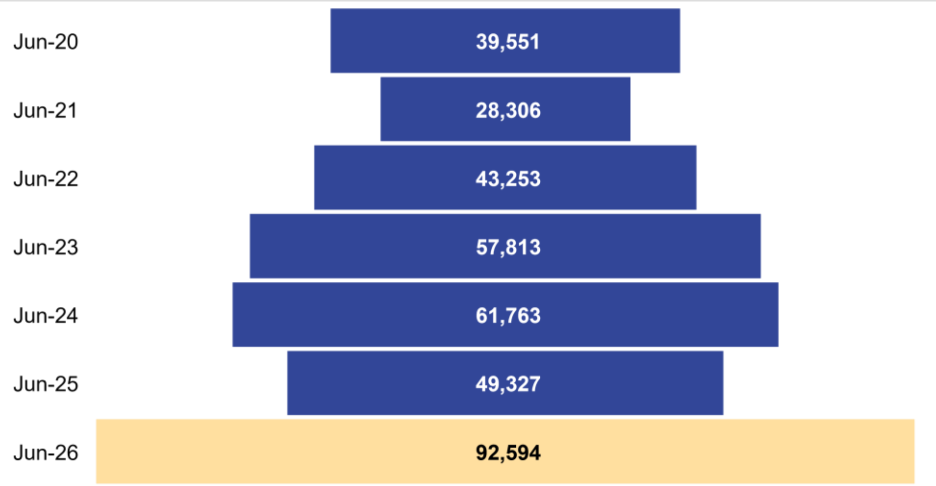
Source (s): Company Financials, AHL research

Exhibit: Other liquidity triggers

PKR mn	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e
Due from GENCO	71,992	74,305	71,922	70,618	67,998	68,232	68,506	68,574
Due from HUBC	13,317	13,451	18,136	14,802	-	-	-	-
Due from PIA	12,449	12,939	13,617	15,727	13,659	13,713	13,727	13,741
PDC - MS	1,351	1,351	1,351	1,351	1,351	1,100	1,089	1,078
PDC - HSD	603	603	603	603	603	466	462	457
PDC - E10	28	28	28	28	28	22	21	21
PDC - KE	3,909	3,909	3,909	254	254	169	167	165
PDC - GENCO	3,407	3,407	3,407	-	-	-	-	-

Source: Company Financials, AHL research

Exhibit: RLNG diversion volumes have increasing sharply



Source (s): OGRA, AHL research

Industry Volumes Rebound in FY25

The petroleum sector posted a strong rebound in FY25, with total industry offtake rising 7% YoY to 16.3mn tons. The recovery was underpinned by lower product prices, improved economic activity, and effective curtailment of smuggled fuel. Momentum carried into.

1QFY26, where despite heavy rainfall and floods, volumes grew 6% YoY to 3.9mn tons. Within the mix, FO continued its structural decline, contracting 23% YoY in FY25 and plunging 78% YoY in 1QFY26 on reduced FO-based power generation.

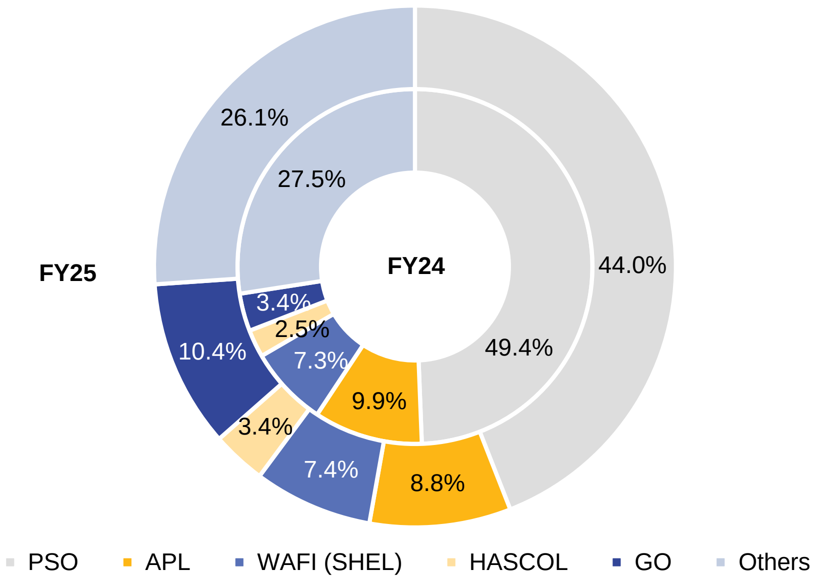
Stripping out FO, white oil demand surged 9% YoY to 15.5mn tons in FY25, while in 1QFY26 ex-FO volumes rose a robust 11% YoY to 3.9mn tons.

However, PSO ceded market share during the year. The company's MS share declined from 46% in FY24 to 41% in FY25, while HSD share fell from 53% to 46%, taking overall market share down to 44%. In 1QFY26, PSO's market share for MS further declined to 39% in MS and 42% in HSD as competition intensified following GO's entry which is backed by Aramco.

Looking ahead, we expect the refining industry's growth momentum to continue in FY26, with MS volumes projected to rise by 6% and HSD volumes by 8%. This growth will be supported by improving macro fundamentals, a low base effect, reduced smuggling, and recovery in auto sector demand.

For PSO, we expect MS market share to remain stable at ~41%, while HSD share is projected at 43%, supported by reduced smuggling, improved liquidity driving retail expansion, and seasonal demand. PSO also retains an edge as one of the few OMCs allowed to import.

Exhibit: Listed Oil Marketing Companies Market Share during FY25



Source (s): OCAC, AHL Research

Exhibit: MS market share sensitivity

Market share	FY27 EPS
38%	85.80
39%	87.06
40%	88.32
41%	**90.95**
42%	91.16

Source (s): AHL Research

Exhibit: HSD market share sensitivity

Market share	FY27 EPS
42%	88.31
43%	**90.95**
44%	91.26
45%	91.51
46%	92.19

Source (s): AHL Research

Intensified Competition from GO

In Dec'23 Aramco signed an agreement to acquire 40% of Gas & Oil Pakistan as part of its efforts to expand into the country's downstream operations.

In May'24, the Competition Commission of Pakistan (CCP) granted a time-bound exemption for a product supply agreement between Aramco and GO, under which Aramco will meet GO's full demand for key petroleum products, enabling GO to expand its market share.

It is important to note that this one-off exemption expires in Jun'26, with any extension subject to prevailing demand-supply dynamics. Post-expiry, PSO could regain higher market share, which is not factored into our estimates.

As per news reports, GO offered oil supplies to clients at discounts of PKR4–10/ltr on HSD and PKR3–4/ltr on MS, even exceeding the OMC margin of Rs7.87/ltr. These discounts, reportedly backed by Aramco supplies, are unlikely to be sustainable. PSO does not follow a policy of offering such discounts. According to management, its market share rose abnormally to ~50–52% in FY24 due to peers' financial constraints but has since normalized to 45–46% in FY25, with organic growth expected going forward.

PSO's extensive storage and retail network allows it to maintain sizable POL inventories, strengthening its physical presence. In addition, it remains the country's primary HSD importer through G2G contracts.

Projected increase in OMC margins

OMC margins, regulated by OGRA and linked to CPI, have recently outpaced inflation amid rising business costs. While OGRA has proposed a PKR 1.13/ltr increase in MS/HSD margins, below industry demand. The adjustment will still support OMCs' gross margins.

The revision in OMC margins has been long overdue by OGRA. This delay may be attributed to the improving economic environment, characterized by declining oil prices and a stable PKR exchange rate, which has contributed to comparatively lower business costs.

Nevertheless, we have incorporated a modest upward revision in our assumptions, projecting OMC margins at PKR 8.53/liter for both HSD and MS effective from 3QFY26 onwards, with further upward adjustments anticipated in line with inflationary trends.

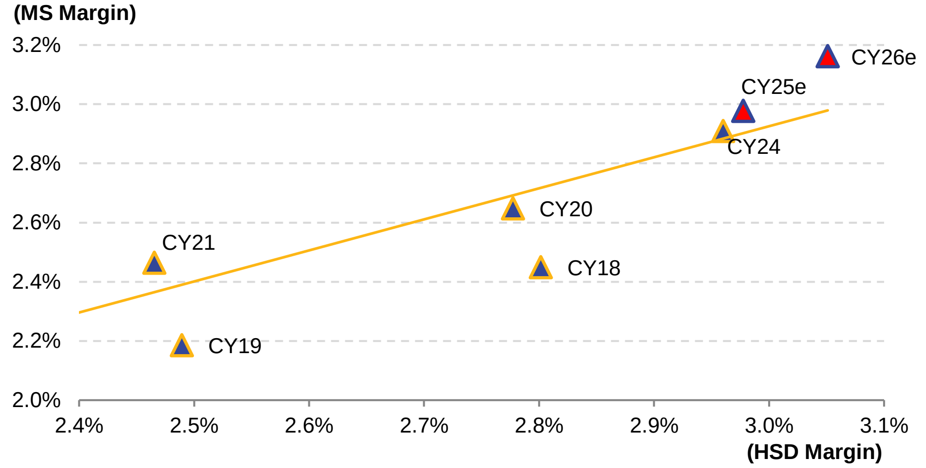
Additionally, we have conducted a sensitivity analysis to assess the potential impact of changes in OMC margins on PSO's profitability for FY26 and FY27. Our analysis suggests that for PKR 1/liter increase in margins, PSO's earnings would rise to PKR 83.13/share in FY26 and PKR 88.20/share in FY27.

Exhibit: OMC margins increase impact on earnings

Incremental increase	Total margins	FY26f	FY27f
1.0	8.87	83.13	92.60
2.0	9.87	88.20	103.93
3.0	10.87	93.27	115.25
4.0	11.87	98.34	126.58
5.0	12.87	103.41	137.90

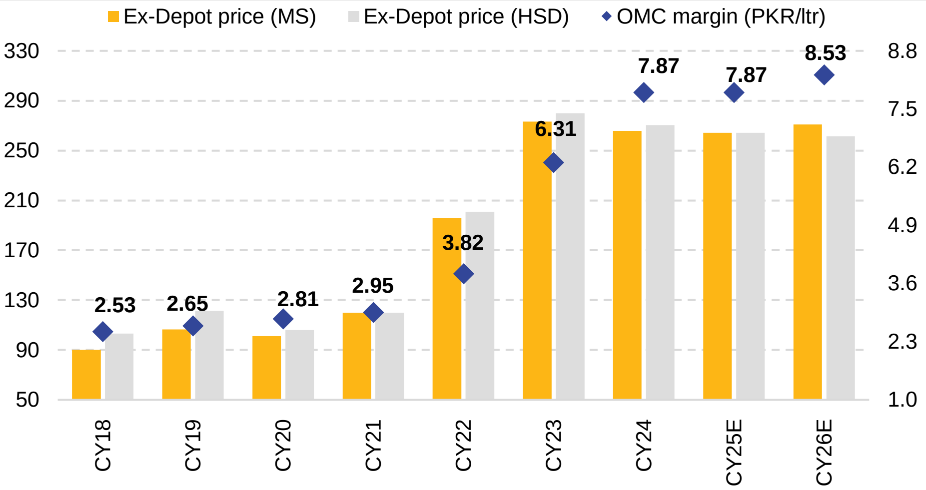
Source: AHL Research

Exhibit: OMC margin remain low as a % of ex-depot prices



Source (s): Company financials, AHL Research

Exhibit: OMC margin and POL price trend



Source (s): Company financials, AHL Research

Retail Networks; poised to grow further

PSO's retail outlet network in Pakistan remained stagnant at approximately 3,500 over the past five years, primarily due to liquidity constraints arising from circular debt in the RLNG segment, which necessitated higher borrowings to bridge financing requirements.

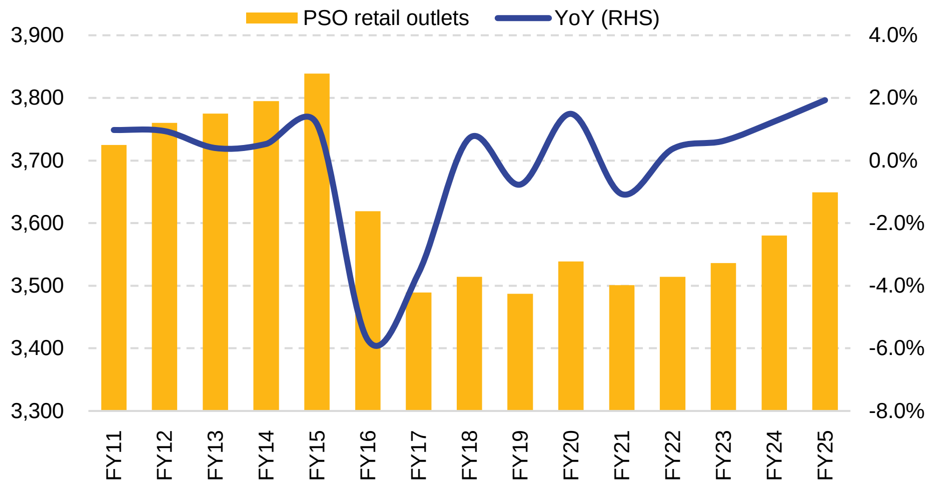
With a notable improvement in cash flows, supported by over 100% recovery of receivables from SNGPL, the company expanded its network to 3,649 outlets during the current year. Going forward, further progress on circular debt resolution is expected to underpin sustained growth in PSO's retail footprint.

PSO is also the largest importer of petroleum products in the country, with a strong presence in both the midstream and downstream sectors, as it holds a stake in PRL.

Over the past few years, PSOs import mix has been around 60%, with imports strategically arranged through a combination of spot and long-term contracts. Additionally, by passing the foreign exchange risk onto pricing, the company effectively minimizes its net foreign exchange exposure on its books.

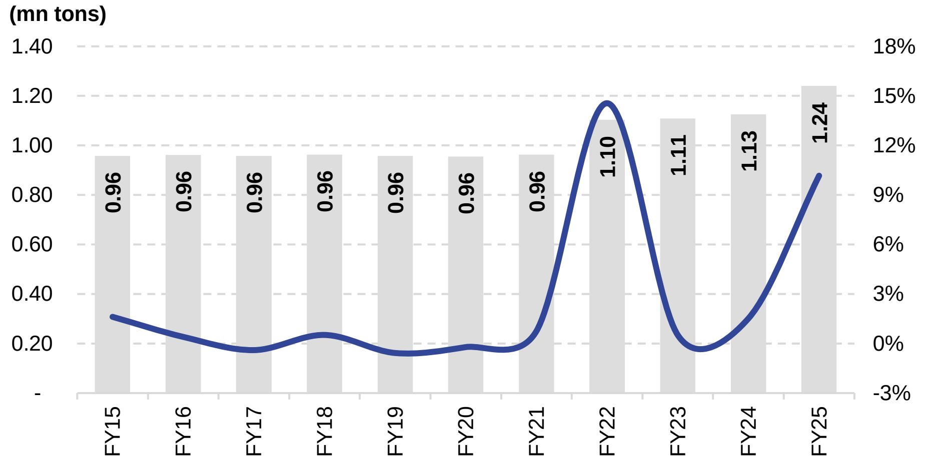
Moreover, PSOs storage capacity as of Jun'25 was 1.24 MN tons, largest in the country.

Exhibit: PSO's retial outlet trend



Source (s): Company financials, AHL Research

Exhibit: PSO's BOT trend



Source (s): Company financials, AHL Research

Strategic Push into EV Charging Network

The government of Pakistan introduced the New Electric Vehicle (NEV) Policy 2020–2030 which aims to have almost 30% of the new vehicles to be electric by 2030 in Pakistan. To do this, government plans to have a gradual deployment of ~3,000 public charging stations by 2030, including a mix of Level 3 fast chargers, Level 2 chargers, and battery-swapping facilities for two- and three-wheelers. PSO has already commissioned its first fast-charging station on the Lahore–Islamabad Motorway (M-2). The company, alongside HUBCO Green, plans to roll out approximately 128 DC fast chargers over the next three years, with around 50 units expected to be operational by end-CY25. The rollout strategy emphasizes urban centers, highways, and existing PSO retail outlets to leverage its nationwide footprint.

Key risk (s)

- Gas circular debt buildup is unlikely to accelerate during the IMF program but may resurface thereafter. However, with rising reliance on imported RLNG, this approach appears increasingly unsustainable.
- A price reopener for RLNG volumes is scheduled for Feb’26, with low power demand and the shift of captive consumers to the grid raising the possibility of a downward revision. However, given Pakistan’s strategic ties with Qatar, declining domestic gas reserves, PSO’s contracts at a lower slope than PLL, and significant time remaining on the Big 4 RLNG power PPAs, a meaningful reduction in PSO’s RLNG volumes appears unlikely. Moreover, new gas connections on RLNG could further help alleviate this pressure.
- PSO’s market share has come under pressure with GO, backed by Aramco’s discounted supplies, capturing part of its share. The acquisition of Shell Pakistan by WAFI Energy, along with its outlets, lubricant plant, and 26% stake in PAPCO adds further competitive pressure. However, with improved liquidity, PSO is positioned to strengthen its retail footprint, and despite multi-year low industry volumes, its absolute volumes are expected to grow.
- OMCs argue that OGRA’s proposed PKR 1.13/ltr increase is inadequate amid rising business costs, posing risks ahead. However, we assume margin revisions in line with inflation, consistent with historical trends.
- As of Jun’25, PSO’s overdue receivables include PKR 68bn from GENCO for furnace oil repayment of which remains uncertain despite asset swap efforts and PKR 14bn from PIA, which also appears doubtful.

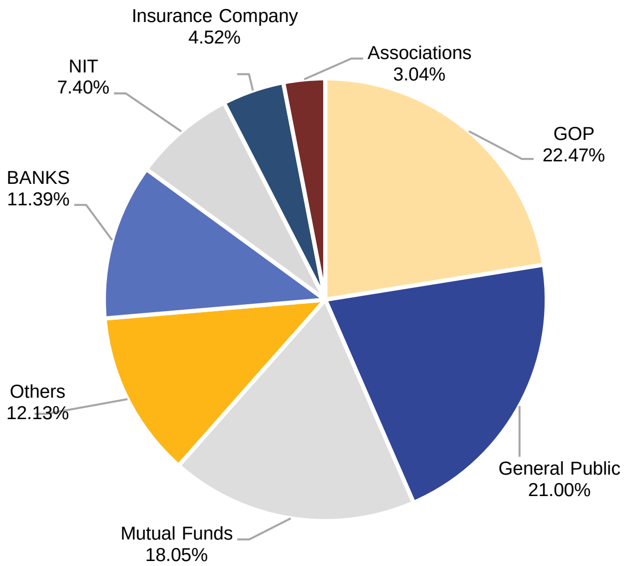
About the company

Pakistan State Oil Company Limited (PSO) is the largest oil marketing company in Pakistan and a state-owned enterprise of strategic importance to the country's energy supply chain. Headquartered in Karachi, the company is engaged in the import, storage, distribution, and marketing of petroleum products including motor gasoline, high-speed diesel, furnace oil, and aviation fuels. nationwide. With an extensive retail network of more than 3,500 outlets and the largest storage infrastructure in the sector, PSO commands a leading market share of 44% in petroleum products. PSO caters to a diversified customer base, including the power sector, aviation industry, industrial units, transport operators, and retail consumers. In addition to its traditional operations, the company has assumed a central role in Pakistan's liquefied natural gas (LNG) supply, being the largest importer under both long-term supply contracts and spot arrangements.

Shareholding pattern

PSO boasts a shareholder base with individuals, collectively holding 469.5mn outstanding shares. The largest stake of 22.47 belongs to Government of Pakistan. The general public follows with a significant ownership of 21% of the shares. Mutual funds hold 18.05% holding in the company. Banks, others, NIT, insurance companies and asociations hold smaller portions, with 11.39%, 12.13%, 7.4%and 4.52% of PSO's shares respectively.

Exhibit: Shareholding pattern (as of FY25)



Source (s): Company financials, AHL Research

Key financial highlights

Exhibit: Key financial highlights

PKR mn	FY26f	FY27f	FY28f	FY29f	FY30f
Income Statement Items (PKR mn)					
Revenue	3,354,113	3,453,615	3,731,030	4,033,062	4,350,007
Cost of Sales	3,252,681	3,342,305	3,604,229	3,892,856	4,195,425
Gross Profit	101,432	111,310	126,800	140,206	154,582
Distribution Cost	22,111	23,791	25,599	27,545	29,638
Admin Expenses	7,797	8,389	9,027	9,713	10,451
Other income	26,701	23,849	25,272	29,138	32,828
Other expenses	7,817	8,281	9,328	10,380	11,490
Finance cost	22,728	18,393	18,343	19,159	20,012
SOP	1,448	1,494	1,544	1,596	1,651
PBT	69,129	69,409	72,021	75,002	82,107
PAT	37,422	42,699	50,669	58,198	66,000
Balance Sheet Items (PKR mn)					
Paid-up Capital	4,695	4,695	4,695	4,695	4,695
Total Equity	283,018	314,491	352,350	395,348	443,888
Current Liabilities	651,945	596,456	620,766	661,826	699,954
Non-Current Liabilities	23,688	23,674	23,696	23,756	23,853
Current Assets	870,170	839,759	895,595	973,277	1,053,431
Non-Current Assets	88,482	94,862	101,217	107,652	114,264
Total Assets	958,652	934,621	996,812	1,080,930	1,167,695

	Unit	FY26f	FY27f	FY28f	FY29f	FY30f
Per Share						
Earnings	PKR	79.7	91.0	107.9	124.0	140.6
DPS	PKR	23.9	27.3	32.4	37.2	42.2
Book Value	PKR	602.8	669.9	750.5	842.1	945.5
Valuation						
P/E	x	5.9	5.2	4.4	3.8	3.4
Dividend Yield	%	5.1	5.8	6.9	7.9	8.9
P/B	x	0.8	0.7	0.6	0.6	0.5
Payout Ratio	%	30.0	30.0	30.0	30.0	30.0
RoE	%	14.0	14.3	15.2	15.6	15.7
RoA	%	3.8	4.5	5.2	5.6	5.9
Turnover & Activity						
Asset Turnover	x	3.4	3.6	3.9	3.9	3.9
Current Ratio	x	1.3	1.4	1.4	1.5	1.5
Margins						
Gross Margin	%	3.0%	3.2%	3.4%	3.5%	3.6%
EBITDA Margin	%	2.3%	2.2%	2.2%	2.0%	2.0%
Net Margin	%	1.1%	1.2%	1.4%	1.4%	1.5%

Source (s): Company Financials, AHL Research

Disclaimer

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Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Jun'26 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

Rating	Description
BUY	Upside of subject security(ies) is more than +15% from last closing of market price(s)
HOLD	Upside of subject security(ies) is between 0% and +15% from last closing of market price(s)
SELL	Upside of subject security(ies) is less than 0% from last closing of market price(s)

* Upside for Power Generation Companies is upside plus dividend yield.

Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- **Discounted Cash Flow (DCF)**
- **Dividend Discounted Model (DDM)**
- **Sum of the Parts (SoTP)**
- **Justified Price to Book (JPTB)**
- **Reserved Base Valuation (RBV)**

Risks

The following risks may potentially impact our valuations of subject security (ies);

- **Market risk**
- **Interest Rate Risk**
- **Exchange Rate (Currency) Risk**

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Disclosure required under Research Analyst Regulations, 2015:
In order to avoid any conflict of interest, we hereby disclosed that;
Arif Habib Limited (AHL) has a shareholding in PSO.