

Pakistan Oil & Gas Marketing sector's profitability

24-Feb-2026



Improved liquidity and better inventory management lift earnings

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Best Broker: '25
 Best Bank for Research: '25
 Best Investment Bank for M&A: '25
 Best for Research: '24
 Best for Diversity & Inclusion: '24
 Best Investment Bank: '23



Best Securities House: '23
 Best Investment Bank: '23



Best Corporate Finance House: '25, '23-'13
 Best Brokerage House: '23 - '21
 Best Brokerage House (Runner-up): '25-'24
 Best Economic Research House: '23-'21
 Best Economic Research House (Runner-up): '25-'24



Best Brokerage House:
 2023



Best Broker: '25
 Best Equity Capital Market House: '25



Top 25 Companies ('17-'19)



Best Gender Equality Bond: '24
 Best Equity Advisor: '21



Excellence Award Leading Brokerage House for RDA '21

OMC Sector Profitability

1HFY26: Earnings increased by 14% to PKR 18.5bn

- The OMC sector recorded a 14% YoY increase in earnings during 1HFY26, reaching PKR 18.5bn compared to PKR 16.3bn in SPLY.
- Sales for sector companies** declined by 6% YoY to PKR 1,739bn in 1HFY26. This decrease in revenue was driven by a reduction in MS and HSD retail volumes (PSO and APL) by 4% and 6% YoY, respectively.
- Industry OMC sales:** OMC industry sales increased by 1.6% YoY during 1HFY26, with MS and HSD dispatches rising by 3.6% and 3.2% YoY, respectively, primarily due to GO and other small OMCs.
- LNG segment:** During 1HFY26, 52 cargoes were handled by PSO compared to 55 cargoes in SPLY, reflecting a YoY decline in volumes due to lower power sector demand. Additionally, the DES price softened to USD 8.06/mmbtu from USD 9.52/mmbtu due to low oil prices.
- The sector's **gross margins** stood at 3.4% in 1HFY26, compared to 3.2% in SPLY, primarily due to higher inventory gains and better inventory management by APL.
- Finance cost** tumbled by 40% YoY during the period owing to i) lower interest rates, and ii) improved liquidity leading to reduced short-term debt.
- Effective taxation** of the sector stood at 51.5% in 1HFY26 compared to 53.4% in 1HFY25.
- During 1HFY26, PSO's **market share** contracted by 3.7% to 42.2% versus 46.0% in SPLY. Moreover, the market share of APL also declined by 0.5% arriving at 8.1% YoY in 1HFY26. In contrast, Gas & Oil Pakistan Ltd (GO) gained 3.2%, expanding its share to 12.6% from 9.4% in the corresponding period last year.

Exhibit: KSE-100 OMC's sector result summary (1HFY26)

	Unit	PSO	APL	Sector
Income Statement				
Net Revenue	PKR mn	1,498,599	240,645	1,739,244
<i>Growth YoY</i>		-7.8%	3.8%	-6.0%
Gross Profit	PKR mn	47,102	12,332	59,434
<i>Growth YoY</i>		-7.2%	52.9%	1.0%
Others Income	PKR mn	8,633	1,548	10,181
<i>Growth YoY</i>		-16.4%	37.6%	-11.0%
Finance Cost	PKR mn	11,398	1,897	13,295
<i>Growth YoY</i>		-40.6%	-38.0%	-40.0%
PBT	PKR mn	27,719	10,527	38,246
<i>Growth YoY</i>		2.9%	30.1%	9.0%
Taxation	PKR mn	15,594	4,107	19,702
<i>Growth YoY</i>		-1.0%	38.4%	5.0%
PAT	PKR mn	12,124	6,420	18,544
<i>Growth YoY</i>		8.5%	25.3%	14.0%
EPS	PKR	25.83	51.6	
DPS	PKR	-	20	
Ratio Analysis				
BVPS	PKR	548	542	
TTM P/E	x	8.5	6.1	7.6
P/B	x	0.7	1.1	0.8
TTM D/Y	%	2.6%	5.7%	3.5%
Gross Margins	%	3.1%	5.1%	3.4%
Net Margins	%	0.8%	2.7%	1.1%
ETR	%	56.3%	39.0%	51.5%

Source (s): Company Financials, AHL Research

1HFY26: Earnings increased by 14% to PKR 18.5bn



- PSO reported 1HFY26 earnings of PKR 12,124mn (EPS: PKR 25.8), up 8% YoY. However, 2QFY26 earnings declined 62% YoY to PKR 2,734mn (EPS: PKR 5.8) due to higher inventory losses, and reduced other income.
- 1HFY26 sales fell 8% YoY to PKR 1,498,599mn, while 2QFY26 revenue declined 9% YoY, driven by lower MS (-11% YoY) and HSD (-16% YoY) volumes. The RLNG segment remained weak, with DES prices declining to USD 8.10/mmbtu (vs. USD 9.12 SPLY) and cargo handling down to 24 from 25 YoY in SPLY.
- 2QFY26 gross margins narrowed to 2.24% (vs. 2.99%), likely due to inventory losses and higher dealer discounts, we view.
- Finance costs declined 38% YoY to PKR 5,446mn due to low interest rates and improved liquidity leading to reduced short-term debt.
- PSO's receivables fell to PKR 412,080mn in Dec'25 (vs. PKR 425,604mn in Sep'25), implying a 102% recovery ratio.

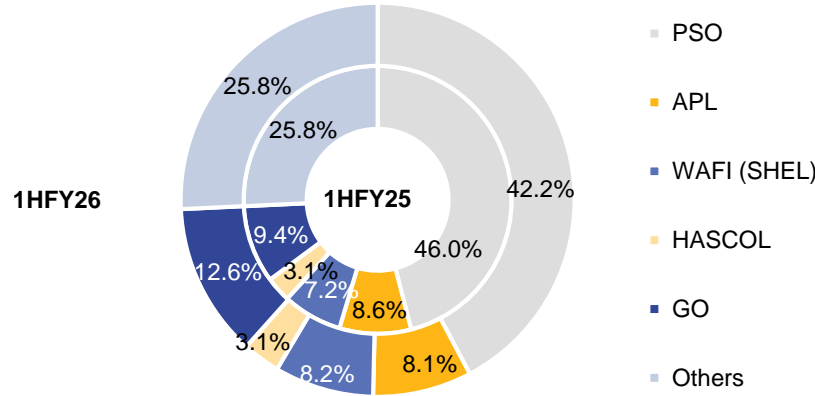


- APL posted 1HFY26 earnings of PKR 6,420mn (EPS: PKR 51.6), up 25% YoY, while 2QFY26 earnings declined 5% YoY to PKR 2,609mn (EPS: PKR 20.97). The improvement was driven by higher gross margins, and increased other income.
- A PKR 20/share interim dividend in 2QFY26 raised the 1HFY26 payout to 38.8% (vs. 30.4% SPLY), the highest first-half payout on record.
- 1HFY26 sales rose 4% YoY to PKR 240,645mn; 2QFY26 revenue increased 3% YoY to PKR 122,861mn, supported by higher average prices despite lower volumes (MS -2% YoY; HSD -8% YoY).
- Gross margins improved to 5.1% in 1HFY26 (vs. 3.5%) and 3.9% in 2QFY26 (vs. 3.4%), supported by improved inventory management and gains.
- Net finance income declined to PKR 975mn (vs. PKR 1,233mn SPLY), due to lower line-fill costs, we view.

OMC Sector Profitability

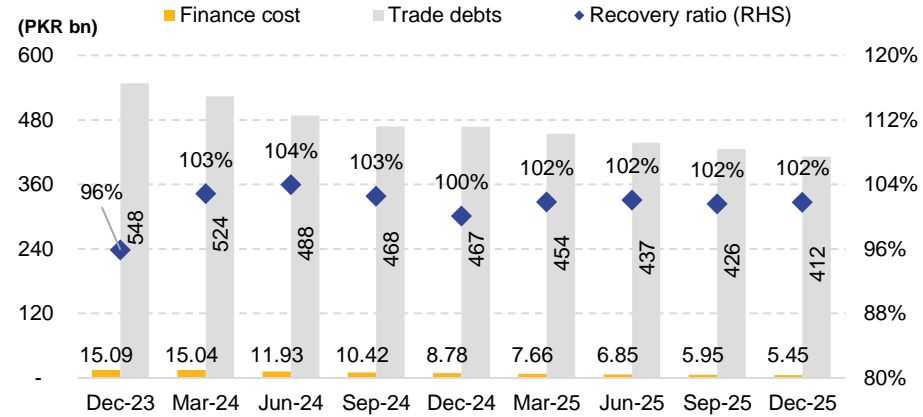
Sector at a glance

Exhibit: Market share of OMC companies



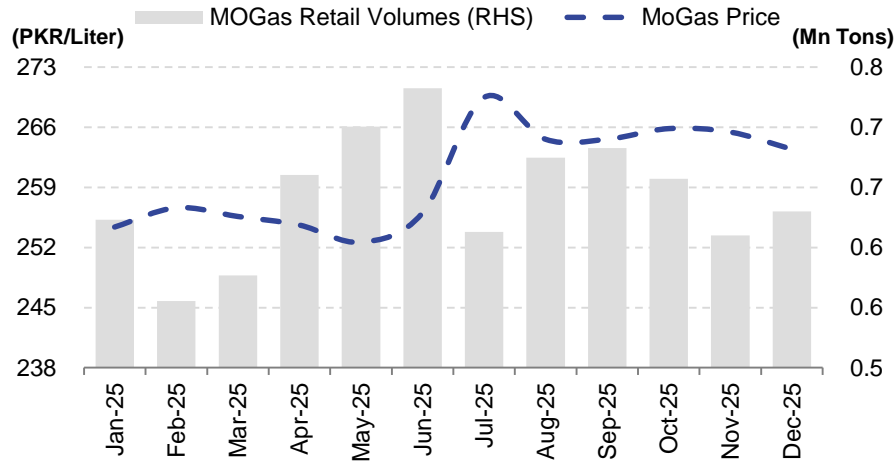
Source (s): OCAC, AHL Research

Exhibit: PSO's trade debts and Finance cost trend



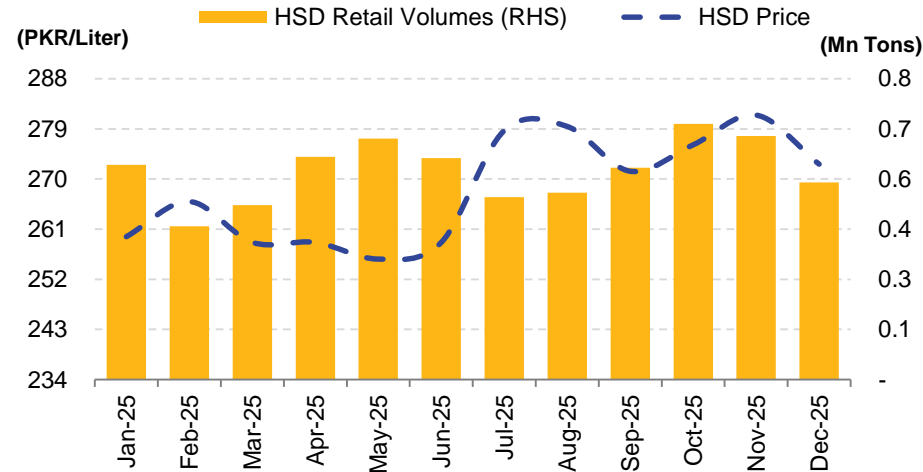
Source (s): Company Financials, AHL Research

Exhibit: Historical Trend of MoGas sales and Price



Source (s): OGRA, AHL Research

Exhibit: Historical Trend of HSD sales and Price



Source (s): OGRA, AHL Research

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

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- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

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- Interest Rate Risk
- Exchange Rate (Currency) Risk

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