

## PAKISTAN STATE OIL COMPANY LIMITED

**Analyst:**

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**RATING DETAILS**

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	AAA	A1+	AA+	A1+
RATING OUTLOOK/WATCH	Stable		Stable	
RATING ACTION	Upgrade		Reaffirmed	
RATING DATE	February 6, 2026		December 12, 2024	

**Shareholding (5% or More)**

Government of Pakistan – 22.47%

NIT and ICP – 7.40%

Banks and other Financial Institutions – 11.39%

Modarabas and Mutual Funds – 18.05%

General Public, resident – 20.76%

Employee Trusts / Funds etc. – 5.03%

**Other Information****Incorporated in 1976****Public Listed Company****Chief Executive Officer:** Syed Muhammad Taha**Chairman:** Asif Baigmoamed**External Auditor:** KPMG Taseer Hadi and Co., Chartered Accountants**Applicable Rating Methodology**

VIS Entity Rating Criteria Methodology – Corporates Ratings and Government Supported Entities

<https://docs.vis.com.pk/docs/CorporateMethodology.pdf><https://docs.vis.com.pk/Methodologies-2025/GSEntities.pdf>**Rating Scale**<https://docs.vis.com.pk/docs/VISRatingScales.pdf>**Rating Rationale**

The upgrade of Pakistan State Oil Company Limited's ('PSO' or 'the company') medium to long-term rating reflects improvement in financial metrics, its status as the largest oil marketing company (OMC) in Pakistan, a strategic and essential national asset bolstered by implicit and explicit support from the Government of Pakistan (GoP), and an SECP exemption that defers Expected Credit Losses (ECL) related to circular debt. Looking forward, the GoP's resolution of PKR 1.225 trillion circular debt remains a catalyst for PSO's financial health.

While the fuel distribution sector is fragmented, it remains concentrated at the top; PSO maintains leadership despite a gradual decline in market share due to rising competition and systemic challenges like fuel smuggling and import dependency. To counter these risks, PSO leverages its strategic stakes in Pakistan Refinery Limited and Pak-Arab Pipeline Company to stabilize its supply chain while expanding its retail footprint and EV charging network. Despite a dip in FY25 sales due to competitive pressures and lower black oil demand, liquidity improved through receivable recoveries from SNGPL and GENCO. Simultaneously, capital structure also depicted modest improvement. Assigned ratings

will remain contingent on settlement of dues from SNGPL, GENCOs and other related parties alongside improvements in profitability, debt coverage, and capitalization ratios.

### Company Profile

PSO is a public listed company incorporated in Pakistan in 1976. It is the country's largest oil marketing company (OMC). The principal activities of the Company are procurement, storage and marketing of petroleum and related products. It also blends and markets various kinds of lubricating oils. The registered office of the company is PSO House, Khayaban-e-Iqbal, Clifton, Karachi. Lubes Manufacturing Plants are located at National Refinery Limited, Korangi, Karachi and Kemari Oil Terminal, Keamari, Karachi.

### Management and Governance

The Government of Pakistan (GoP) holds a controlling interest of ~51% in PSO directly and indirectly, with management oversight through both direct and indirect ownership. The GoP directly owns 22.47% and the rest is held indirectly through various SOE (state owned entities) such as National Investment Trust (NIT) and Investment Corporation of Pakistan (ICP). The GoP has full authority to appoint the Board of Management and the Managing Director. In addition, PSO has strategic stakes in several companies, including Asia Petroleum Limited (49%), Pak Grease Manufacturing Company Limited (22%), Pakistan Refinery Limited (PRL) (63.56%), and Pak-Arab Pipeline Company Limited (PAPCO) (12%). PSO also owns wholly owned subsidiaries, namely Cerisma (Private) Limited and PSO Renewable Energy (Private) Limited. As a result, PSO's vertically integrated supply chain infrastructure is crucial to its business operations and overall market risk management. By end-FY25, total outlets count increased to 3,649 (FY24: 3,580).

The management of PSO is led by Syed Muhammad Taha, who is the Managing Director and CEO. Appointed in 2020, he possesses more than 30 years of experience. He previously served in prestigious companies such as K-Electric, Shell Pakistan, Caltex Pakistan and Pakistan Steel Mills Corporation. The Chairman of the Board is Asif Baigmohamed, also Group CEO of Baigmohamed Group of Companies and CEO at ABM Investment, and served as Director at Pakistan Petroleum Limited and Pakistan LNG Limited. He had also been the CEO of Coca-Cola Southern Pakistan. He holds Honors in Economics and a minor in Applied Mathematics from Brown University, Rhode Island, United States. His academic achievements were recognized by his induction into Omicron Delta Epsilon, the prestigious American national honor society for economics.

Gulzar Khoja was appointed CFO of PSO in 2021. Her career spanning over 25 years, includes experience in finance and audit functions at multinational organizations. She was last working with Aga Khan Education Service (France) as Finance and Operations Director, leading finance and operations function globally, for a network of over 200 schools and programmes in 13 countries. She is an FCA, and MBA from the Institute of Business Administration (IBA), Karachi. There was one change in the Board of Management in November 2025 as Dr Ayesha Waqar was appointed as an Independent Member with immediate effect to fill the causal vacancy for the remaining statutory period. She serves as a Full Professor and permanent faculty member at the Lahore School of Economics, bringing over two decades of experience in economics, finance, and sustainable

development and has also served on the Boards of Governors of Zarai Taraqiati Bank Limited (ZTBL) and the Printing Corporation of Pakistan.

## Business Risk

### INDUSTRY

Oil and gas distribution industry in Pakistan is highly fragmented, with more than 40 active companies competing for the 16 million MT (metric ton) annual product volume across more than 12,000 retail outlets. The primary business risks that pressure profitability and threaten smaller players include, competitive pressures from discounts and 'cross dumping' combined with crippling impact of widespread fuel smuggling and adulteration. OMC and dealer margins—unchanged since September 2023—were approved for a 5–10% increase by the Economic Coordination Committee (ECC) on December 9, 2025, to align them with cumulative CPI inflation over 2023–2025. On January 8, 2026, the federal cabinet halted this approval of the ECC to raise OMCs and dealers' margins. Chaired by the Prime Minister, the cabinet deferred the proposed increase until at least June 1, 2026, making its implementation contingent on achieving 100% digitization across the fuel distribution supply chain. The realization of these improvements in margins, could lead to higher profitability of OMCs, going forward. Business risk is viewed as high to medium. The sector is highly concentrated at the top, as the 10 largest OMCs control 94% of total volumes. PSO stands as the state-backed and dominant market leader, reinforcing its superior standing across all key metrics. However, PSO's market share in white oil segment (Petrol, Diesel, Jet Fuel) decreased on account of competitive pressure. Nevertheless, PSO is one of the most efficient players in the sector, ranking among the top OMCs for average sales volume per outlet per day. PSO's dominance extends to the high-value segment, holding a strong 30% as of 8MCY25 market share in Hi-Octane/Premium Fuel sales, ahead of nearest competitors like Shell (Wafi Energy) (22%) and Total Gunvor (16%). During FY25, oil and gas distribution sector witnessed a rebound, with total petroleum product sales increasing by 6.1% YoY to 16.4 (FY24: 15.4) million MTs, a positive momentum that continued into 1QFY26 with a 6% YoY growth driven by improving Motor Spirit and High-Speed Diesel demand. Market share of OMC (oil marketing companies) is as tabulated:

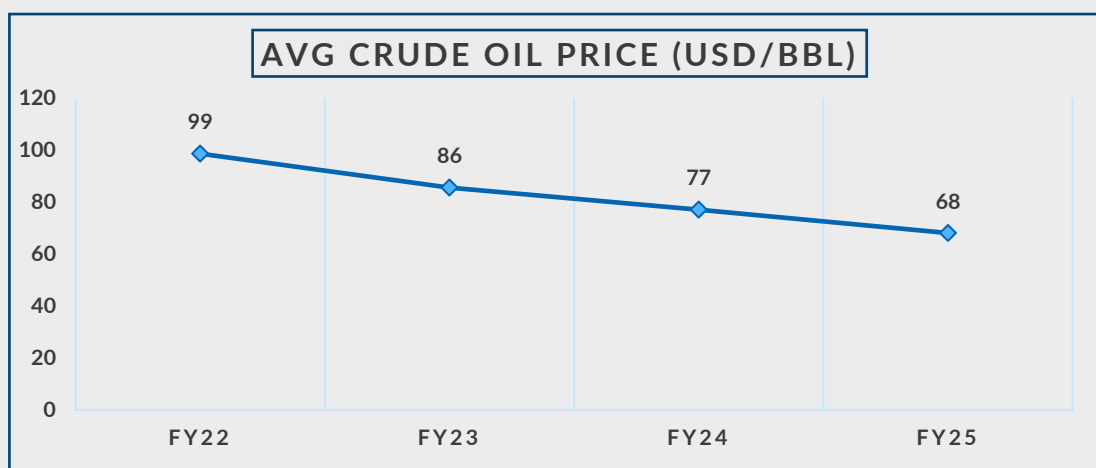
OMC market share by total volumes		
	FY24	FY25
PSO	49%	44%
Attock Petroleum Limited (APL)	10%	9%
GO (Gas & Oil Company)	3%	10%
Shell (Wafi Energy)	7%	7%
Hascol (Hascol Petroleum Limited)	3%	3%
Other OMCs (incl. Total Gunvor, Byco, Euro Oil)	28%	27%

Source: OCAC, AKD Research

The sector's inherent business risk remains elevated due to global geopolitical and economic issues, compounded by the persistent circular debt crisis in Pakistan. In particular, PSO's total receivables are still high despite the company achieving moderate reduction in power sector circular debt during

FY25. However, this pressure is somewhat alleviated by the decline in oil prices in FY25 and FY26 compared to several previous years. PSO's majority stake in Pakistan Refinery Limited (PRL) provides a guaranteed local supply of refined products to certain extent, reducing reliance on expensive imports and mitigating foreign exchange risks. Its 12% share in the Pak-Arab Pipeline Company (PAPCO) limits logistical costs and pilferage by shifting fuel transport from roads to the safer, more efficient White Oil Pipeline. Together, these investments transform PSO into a vertically integrated energy giant with diversified revenue streams that partly hedge against currency devaluation and potential price volatility.

In September 2025, the GoP, through Ministry of Finance, signed a Circular Debt Reduction plan with a consortium of 18 banks to restructure PKR 1.225tr, refinancing old power sector debt and providing fresh liquidity, allowing entities such as PSO to recover long-overdue payments, which could significantly improve the company's compromised liquidity.



Source: Trading Economics

## OPERATING PERFORMANCE

In FY25, 12,700 tons of storage across 7 tanks was rehabilitated. The overall storage capacity stood at 1.24 million MTs, with majority allocated to High-Speed Diesel followed by roughly equal capacities of Motor Gasoline and Furnace Oil.

PSO continued automation of key operations, including the integration of two additional terminals and 498 dispensing unit controllers across 137 retail outlets into the central system to enhance real time visibility and operational control.

Furthermore, the company introduced 20 radar gauging systems with smart wireless technology at storage sites.

The company's products are segregated into the following three categories:

Segment	Products
White oils	High Speed Diesel (HSD), Motor Gasoline (MS), Jet Petroleum (JP-1), Kerosene Oil (SKO)
Black oils	Furnace Oil (FO), Light Diesel Oil (LDO)
Lubricants and chemicals	
Gas Fuel	Pak Gas, LNG, Blue
NFR	Vibe, Shopstop, Autocare, PSO Electro, PSO on Wheels
CARDS	Digicash

PSO is leveraging advanced AI-powered Computer Vision technology to revolutionize its operations and deliver superior customer experiences. Its subsidiary, Cerisma (Pvt.) Limited, completed the pre-pilot inspection for an Electronic Money Institution (EMI) license, positioning the company for pilot operations.

The company made progressed collaboration with FWO (Frontier Works Organization); the first draft of the Front-End Engineering Design (FEED) has been submitted. PSO also completed fuel handling facilities at all 8 designated railway sites. The company managed 109 LNG cargoes during the year, amounting to 6.6m tons. This performance was backed by PSO's long-term contracts with Qatar Energy and the company's capability to maintain a smooth supply chain throughout FY25. The company also became a member of the Joint Inspection Group (JIG); introduced a mobile jet fuel refueling facility at the New Gwadar International Airport (NGIAP). The migration to SAP S/4HANA was completed at end-CY25, which is a major step in streamlining operations. In addition, PSO launched Pakistan's first New Energy Vehicle (NEV) fast-charging station on the M2 motorway, with a plan to have 50 stations operational by December 2025. PSO also announced establishment of a joint trading company with SOCAR (State Oil Company of the Azerbaijan Republic) headquartered in Singapore, to enhance energy procurement and international trade.

## SALES & PROFITABILITY

Net sales decreased by 11.8% to PKR 3.15tr (FY24: PKR 3.57tr) during FY25, mainly due to lower FO sales and competitive pressures. FO revenue decreased due to sustained pivot on a national scale from black oil power generation in light of economic and environmental concerns. MoGas and HSD sales volumes decreased slightly in FY25 due to increasing competition. Conversely, LPG sales accelerated due to improvement in demand. Net sales continued to decrease (1QFY26: PKR 737.2b, 1QFY25: PKR 787.6b). Product-wise performance is tabulated below:

Sales volumes (million MTs)	FY24	FY25	YoY
LPG	49,111	60,000	22.2%
Black Oil (FO)	285,000	122,000	-57.0%
Motor Gasoline (MoGas)	3,321,000	3,223,000	-3.0%
Diesel (HSD)	3,320,000	3,155,000	-5.0%

Revenue composition was dominated by petroleum products having 68% (FY24: 71%) share in FY25, followed by LNG (FY25: 31%, FY24: 29%), with the remainder attributed to other products. The company sells its products to dealers, government agencies and autonomous bodies, independent power projects, and other corporate customers.

SNGPL (Sui Northern Gas Pipelines Limited) and GENCO Holding Company Limited (GENCO) are the company's largest debtors. PSO acts as the primary fuel supplier of LNG to SNGPL. The late payment from the above-mentioned entity makes significant impact on the company's cash flows and subsequently necessitating the need for short-term credit lines for working capital requirements.

The uptick in gross margin to 3.07% in FY25 (FY24: 2.71%) and subsequently 4.08% in 1QFY26 compared to 3.14% in 1QFY25, was mainly due to cost efficiencies. Finance costs were curtailed as a result of reduction in short-term borrowings and lower interest rates. Thereby, net margin also increased to 0.66% in FY25 (FY24: 0.44%) and further to 1.27% in 1QFY26 (1QFY25: 0.50%).

Given the expected improvement in liquidity due to major trade receivables would help in reducing reliance on short-term borrowings and thus further lowering financial costs. This along with potential increase in OMC margins in the ongoing year is expected to result in higher profitability despite pressure on volumetric sales, going forward.

## Financial Risk

### CAPITAL STRUCTURE

PSO's Tier-1 equity demonstrated growth to PKR 259.6b (FY25: PKR 250.3b; end-FY24: PKR 231.3b) at end-1QFY26, due to retained profits and unrealized gain on remeasurement of FVOCI investments. Higher equity base coupled with the debt reduction led to lower gearing of 1.30x (end-FY25: 1.47x, end-FY24: 1.78x) and leverage decreasing to 2.54x (end-FY25: 3.07x, end-FY24: 3.21x).

Over 95% of the debt remains short-term obtained on the directives of Ministry of Finance (MoF). These short-term borrowings decreased to PKR 324.1b (end-FY25: PKR 356.1b, end-FY24: PKR 403.6b) by end-1QFY26, supported by lower inventory and receivables. Gearing and leverage are projected to improve slightly due to continued reduction in short-term borrowings.

### DEBT COVERAGE & LIQUIDITY

Debt coverage strengthened on the back of steady FFO growth in FY25 and a marked improvement in 1QFY26, driven primarily by higher profitability and lower finance costs. As a result, annualized FFO to total debt strengthened to 19.57% in 1QFY26 (FY25: 3.37%; FY24: 3.47%), while DSCR (debt service coverage ratio) improved to 3.64x (FY25: 1.38x; FY24: 1.35x).

Coverage metrics are expected to improve further in the ongoing year, supported by higher profitability and a likely reduction in borrowings.

Liquidity was remained adequate with reduction in short-term borrowings in line with receivables recovery. Current ratio stood higher at 1.32x (end-FY25: 1.26x; end-FY24: 1.25x) at end-1QFY26 while short-term debt coverage increased to 2.12x (end-FY25: 1.93x; end-FY24: 1.93x). Cash conversion cycle remained largely stable. Despite a substantial portion of PSO's receivables owed mainly by SNGPL and GENCO being past due, these balances are not classified as impaired as the GoP's commitment to resolve inter-corporate circular debt provides the sovereign assurance necessary to deem these fully recoverable assets, preventing financial write-offs.



Furthermore, an ongoing SECP exemption shields the company from booking Expected Credit Losses (ECL) on these delayed payments. This exemption is annually renewed and the management anticipates further extension. The trade receivables decreased to PKR 425.6b (end-FY25: PKR 437.5b; end-FY24: PKR 488.2b) by end-1QFY26. More than 80% of these are due from GENCO and SNGPL. Aging profile of these trade receivables is tabled below:

Aging of trade debts		
	FY24	FY25
Up to 3 months	76.7%	78.8%
3 months to 6 months	1.1%	1.9%
6 months to 1 year	0.2%	0.1%
Over 1 year	22.0%	19.3%

Recovery of other receivables, amounting to PKR 139.25b (end-FY25: PKR 143.9b; end-FY24: PKR 116.6b) at end-1QFY26, would also free up funds for the company. These amounts are mainly adjustments for unfavorable exchange differences on foreign currency borrowings and sales tax refunds related to jet fuel that are still pending with the GoP.

FINANCIAL SUMMARY (unconsolidated)				
Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	1QFY26I
Property, plant and equipment	18,641	22,114	24,571	25,346
Right-of-use Assets	6,898	7,699	11,992	13,214
Long-term Investments	11,262	15,155	19,449	18,991
Stock-in-trade	292,626	288,983	250,909	261,099
Trade debts	495,898	488,202	437,453	425,604
Short-term Investments	-	-	47,000	-
Short-term deposits, loans and advances	129,117	141,570	173,707	168,106
Cash & Bank Balances	28,954	10,725	53,997	6,044
<b>Total Assets</b>	<b>983,396</b>	<b>974,448</b>	<b>1,019,078</b>	<b>918,404</b>
Creditors	152,889	192,985	176,414	153,575
Other Payables	184,146	138,382	223,299	166,550
Long-term Debt (incl. current portion)	7,095	8,219	13,010	14,567
Short-Term Borrowings	422,706	403,553	356,064	324,133
<b>Total Debt</b>	<b>429,801</b>	<b>411,772</b>	<b>369,074</b>	<b>338,700</b>
<b>Total Liabilities</b>	<b>766,836</b>	<b>743,139</b>	<b>768,787</b>	<b>658,825</b>
Paid up Capital	4,695	4,695	4,695	4,695
Revenue Reserve	211,865	226,614	245,596	254,884
<b>Equity (excl. Revaluation Surplus)</b>	<b>216,560</b>	<b>231,309</b>	<b>250,291</b>	<b>259,579</b>
Income Statement (PKR Millions)	FY23A	FY24A	FY25A	1QFY26I
Net Sales	3,391,112	3,571,750	3,149,389	737,186
Gross Profit	74,847	96,661	96,710	30,051
Finance Costs	40,335	52,338	33,718	5,953
Profit Before Tax	24,366	41,417	52,793	20,601
<b>Profit After Tax</b>	<b>5,662</b>	<b>15,863</b>	<b>20,911</b>	<b>9,390</b>
Ratio Analysis	FY23A	FY24A	FY25A	1QFY26I
Gross Margin	2.21%	2.72%	3.07%	4.08%
Net Margin	0.17%	0.44%	0.66%	1.27%
Funds from Operation (FFO) (PKR Millions)	9,143	14,301	12,394	16,568
FFO to Total Debt*	2%	3%	3%	20%
FFO to Long Term Debt*	129%	174%	95%	455%
Debt Servicing Coverage Ratio* (x)	0.91	1.35	1.38	3.64
Gearing (x)	1.98	1.78	1.47	1.30
Leverage (x)	3.54	3.21	3.07	2.54
Current Ratio (x)	1.23	1.25	1.26	1.32
(Stock in trade + trade debts) / STD (x)	1.87	1.93	1.93	2.12
Cash Conversion Cycle (days)*	76	63	64	67
Return on Average Assets*	0.6%	1.6%	2.1%	3.9%
Return on Average Equity*	2.6%	7.1%	8.7%	14.7%

\*Annualized, if required

A - Actual Accounts

I - Interim Accounts



REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Pakistan State Oil Company Limited				
Sector	Oil and Gas Distribution				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
	RATING TYPE: ENTITY				
	6-Feb-26	AAA	A1+	Stable	Upgrade
	12-Dec-24	AA+	A1+	Stable	Reaffirmed
	19-Jan-24	AA+	A1+	Stable	Reaffirmed
	13-Dec-22	AA+	A1+	Stable	Reaffirmed
	3-Dec-21	AA+	A1+	Stable	Reaffirmed
	8-Dec-20	AA+	A1+	Stable	Maintained
	4-May-20	AA+	A1+	Rating Watch – Developing	Maintained
19-Jun-19	AA+	A1+	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.				
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Due Diligence Meetings Conducted	Name		Designation		Date
	Ismail Abdul Rauf		Manager Finance		15-Dec-2025
	Sumair Ali Warsi		Deputy Manager – Finance		