VIS
Credit Rating Company Limited

RATING REPORT

HI-TECH LUBRICANTS LIMITED

Analysts:
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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A	A2	A-	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Upgrade		Reaffirmed	
RATING DATE	November 19, 2026		May 04, 2026	

Shareholding (5% or More)	Other Information
Directors and their spouse(s)– 53.77%	Incorporated in 1997
Associated Companies, undertakings and related parties – 22.64%	Listed Public Limited Company
Local General Public – 16.80%	Chairman: Mr. Shaukat Hassan
	Chief Executive Officer: Mr. Hassan Tahir
	External Auditor: M/s Riaz Ahmed & Co., Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/Methodologies-2026/Corporate-Rating-2026.pdf

Rating Scale

https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

The rating upgrade reflects the Company's diversified business profile, comprising lubricant and fuel marketing operations. The lubricant segment benefits from relatively higher margins, stable demand from automotive and industrial customers, and an established position in the premium lubricant market, supported by nearly three decades of operating history. The fuel marketing business, now a major contributor to revenue, is exposed to the OMC sector's relatively high business risk, including regulated pricing, intense competition, exchange rate fluctuations, and macroeconomic sensitivity. However, the Company's presence in both segments provides diversification and supports earnings resilience.

The upgrade also reflects a notable improvement in the Company's financial risk profile during FY26. Profitability margins strengthened, supported by improved operational efficiency and upward price adjustments. Liquidity and capitalization are adequate, while debt servicing capacity has improved on the back of stronger operating profitability and lower finance costs following a reduction in borrowings. Group-level operational integration, including support from HTL's wholly owned subsidiary, Hi-Tech Blending (Private) Limited, provides additional synergies. The disposal of the under-construction Shikarpur storage facility and acquisition of a new site at Daulatpur for the next oil storage facility are also expected to improve supply chain efficiency and support future network expansion.

Going forward, the ratings will depend on the Company's ability to capitalize on its diversified platform, grow market share through higher volumes, and sustain improved profitability amid sector volatility. Maintaining adequate debt servicing capacity, liquidity, and capitalization will also remain critical.

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Company Profile

Hi-Tech Lubricants Limited ('HTL' or 'the Company') operates in Pakistan's lubricants and petroleum sectors, with its core business centered on ZIC-branded lubricants blended locally from materials sourced from SK Enmove Co., Ltd., South Korea. As the exclusive distributor of ZIC lubricants in Pakistan, the Company supplies a range of synthetic and semi-synthetic lubricants catering to automotive and industrial applications. Distribution is carried out nationwide through a network of handlers and distributors.

HTL also manages its wholly owned subsidiary, Hi-Tech Blending (Private) Limited (HTBL), which commenced commercial blending operations in 2016. HTBL's principal activities include the ownership and operation of a lubricating oil blending plant, along with the manufacturing and sale of plastic packaging products. These operations primarily support HTL's lubricant business, while also generating additional revenue through external sales.

The Company also has presence in the petroleum sector through its Oil Marketing Company (OMC) operations under the HTL Fuel Stations brand. At present, HTL operates 55 dealer-managed fuel stations, and in addition, HTL operates HTL Express Centers, with twenty one centers currently established. During FY26, HTL expanded the number of express centers from 8 to 21, adding 13 new centers during the year.

Management and Governance

OWNERSHIP/SPONSOR/CHAIRMAN/CEO PROFILE

HTL is a public listed company, with ~54% of shareholding held by directors and their spouse(s), while associated companies and related parties account for ~23% of ownership, with remaining ~17% held by the general public. Mr. Hassan Tahir serves as the Chief Executive Officer of the Company. Mr. Hassan holds an MBA in Banking and Finance from the Lahore School of Economics and has more than 20 years of professional experience. As Chief Executive Officer of HTL, he has contributed in expanding the Company's brand and strengthening its market presence. He successfully introduced mid-tier and semi-synthetic lubricant ranges in Pakistan through strategic partnerships with global oil companies. Earlier in his career, he established IT operations and back-office services for major clients in the United Kingdom and Europe, demonstrating strong technical and business leadership.

BOD's & COMMITTEE:

The Board of Directors comprises ten members, including three independent directors and two female representatives. In addition, the Company has established board committees including Audit, Human Resource & Remuneration, Risk and Sustainability, Investments, Corporate Social Responsibility, and Nomination committees. Two of these committees are chaired by independent directors, while the remaining committees are chaired by non-executive directors.

Business Risk

INDUSTRY

The business risk profile of Pakistan's oil marketing companies (OMCs) is assessed as high to medium, reflecting exposure to regulatory oversight, macroeconomic volatility, competitive intensity, and cost-side pressures. The oil marketing segment operates in a tightly regulated environment, with retail pricing and profit margins determined by government policy, limiting pricing flexibility. Additionally, the import-dependent nature of petroleum products exposes oil marketing companies (OMCs) to exchange rate volatility, international oil price fluctuations, and delays under government pricing and subsidy settlement mechanisms, which can strain liquidity. Competitive pressures among OMCs, particularly in relation to infrastructure development, storage expansion, and retail network growth, necessitate sustained capital expenditure, thereby constraining financial flexibility.

For the oil marketing industry, FY2026 was a year of two halves. Industry sales grew by about 5% in the first nine months, helped by economic recovery and stronger action against fuel smuggling. From April, record retail prices—petrol averaged around PKR 402 per litre in May 2026, about 59% higher than a year earlier—and a higher Petroleum Development Levy cut demand sharply: industry volumes fell 23% year-on-year in May and 20% in June. As a result, total OMC sales for the year were broadly flat at 16.2 million tonnes. Petrol volumes grew only about 1%, diesel came under pressure in the final quarter, and furnace oil continued its structural decline (down 26%) as power generation shifted to other fuels. The sector's economics also remained tight. The regulated OMC

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margin of PKR 7.87 per litre was last revised in September 2023, while OMCs carried higher stock-cover obligations, higher financing costs and the operational demands of the new daily pricing mechanism. The industry continued to maintain uninterrupted supplies through the geopolitical turmoil despite these pressures. After the year end, the Government raised the petroleum dealers' margin by PKR 1.34 to PKR 9.98 per litre from September 1, 2026, and the Petroleum Pricing Committee set June 2027 as a likely target for deregulating petrol prices. Going forward, volatility in global oil prices, geopolitical tensions, exchange rate pressures, policy uncertainty, and continued structural decline in FO consumption pose downside risks.

The lubricant segment represents a downstream petroleum-related market, with a relatively medium business risk profile, underpinned by stable demand from automotive and industrial usage. Lubricant consumption is closely linked to vehicle parc growth, mileage, and industrial activity, providing a recurring aftermarket demand base. However, the sector remains highly competitive, with the presence of multinational brands and local manufacturers limiting pricing power. The prevalence of counterfeit and adulterated products further undermines volumes, margins, and brand positioning for organized players. From a cost perspective, reliance on imported base oils and additives exposes the sector to exchange rate volatility, global supply chain disruptions, and crude-linked pricing trends. Regulatory factors, including taxation and evolving environmental standards, also influence operating costs and compliance requirements. Overall, while demand fundamentals for lubricants remain relatively stable, profitability remains susceptible to margin volatility, with players possessing strong brand equity, scale, and distribution networks better positioned to manage competitive and macroeconomic pressures.

SEGMENT DIVERSIFICATION

HTL's business risk profile benefits from its diversified operations in the lubricant and OMC segments. FY2026 was the first full year in which most of the SK ZIC lubricant portfolio was blended locally at HTBL, under the technical collaboration with SK On Co., Ltd. (formerly SK Enmove Co., Ltd.). Replacing imports of finished lubricants with local blending of base oils and additives reduced the exposure to customs duties, shortened lead times and improved inventory management. The transition toward locally blended products has improved the cost structure of this segment, which has made its products more competitive in pricing. Going forward, the higher share of locally blended lubricants is expected to support margins.

OPERATIONAL UPDATE

Under the OMC segment, the Company's oil storage network comprises depots located in Sahiwal and Nowshera. The Sahiwal depot has storage capacity of 2,040 metric tons of Premium Motor Gasoline (PMG) and 1,858 metric tons of High Speed Diesel (HSD), while the Nowshera depot has capacity of 1,401 metric tons of PMG and 1,551 metric tons of HSD. This storage infrastructure supports the Company's fuel marketing operations in the KPK and Punjab. Furthermore, the Company disposed of the under-construction Shikarpur storage facility and, after the year end, acquired a new site at Daulatpur for construction of the next oil storage facility, which will strengthen the supply chain and support the network's growth.

In the lubricant segment, the Company sources lubricants from its wholly owned subsidiary, Hi-Tech Blending (Private) Limited. The blending plant's capacity was increased to 52.8 million litres in FY25 (FY24: 30.0 million litres) following completion of an expansion during the period. Production at the facility increased to 9.9 million litres in FY26 (FY25: 9.4 million litres) and the capacity utilisation increased to 18.8% (FY25: 17.9%).

PROFITABILITY

During FY26, the Company's revenue increased by 11.9% year on year to PKR 36.97 billion (FY25: PKR 33.04 billion), primarily driven by volume growth and upward price adjustments. The petroleum segment remained the largest contributor, accounting for approximately 67% of revenue, while lubricants contributed around 33%. Going forward, petroleum sales are expected to grow moderately. In the lubricant segment, management aims to regain market share through an improved pricing strategy following the transition to localized blending operations, which is expected to support a gradual recovery in volumes.

The Company turned to profitability in FY26 as the Company reported a net profit of PKR 413.22 million (FY25: PKR -318.78 million) and on a consolidated basis reported a net profit of PKR 472.96 million (FY25: PKR 101.81 million). The margins remained constrained by the inherently low-margin nature of OMC products. Gross margins in the lubricant segment improved due to enhanced operational efficiency from localized blending during FY26, rising to 26.1% (FY25: 24.4%). Overall, the gross margin improved to 8.40% (FY25: 6.17%). Net margin improved to 1.12% in FY26 (FY25: -0.96%), due to the decline in finance costs and other tax levy. Going forward, margins in the OMC segment are expected to remain under pressure given inherent volatility, while lubricant margins are projected to continue their gradual recovery, underpinned by operational efficiencies.

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Financial Risk

CAPITAL STRUCTURE

The Company continues to maintain an adequate capitalization profile, with gearing and leverage ratios recorded at 0.49x and 1.18x, respectively, as of June 2026 (June 2025: 0.75x and 1.53x; June 2024: 0.62x and 1.29x). Short-term borrowings constitute the major portion of the debt structure, primarily supporting working capital requirements. The Company's equity base, excluding revaluation surplus, improved to PKR 3.5 billion as of June 2026 (June 2025: PKR 2.86 billion; June 2024: PKR 3.94 billion). Going forward, maintenance of the capitalization profile will be important for the ratings.

DEBT COVERAGE & LIQUIDITY

The Company's current ratio depicted an improvement as it increased to 1.02x as of June 2026 (June 2025: 0.78x; June 2024: 0.88x). Also, the short-term debt further improved to 2.10x as of June 2026 (June 2025: 1.21x; June 2024: 1.58x) due to the decline in the Company's short term borrowings.

Debt-servicing capacity has strengthened, with DSCR improving to 1.46x as of June 2026 (June 2025: 0.35x; June 2024: 0.10x). This improvement reflects higher funds flow from operations (FFO), supported by enhanced profitability and lower finance costs amid reduced Company borrowing. Looking ahead, sustained debt coverage metrics, will remain important for the ratings.

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Financial Summary (Appendix I)

Balance Sheet (PKR Millions)	FY22A	FY23A	FY24A	FY25A	FY26A
Property, plant and equipment	2,590.34	2,589.50	2,771.81	2,656.77	2,678.90
Right-of-use Assets	0.00	605.12	591.49	449.03	356.63
Intangible Assets	6.66	3.98	1.20	2.71	0.04
Long-term Investments	1,300.00	1,300.00	1,300.00	1,300.00	1,300.00
Stock-in-trade	2,868.90	1,102.92	1,789.24	731.02	739.73
Trade debts	106.22	159.24	1,019.80	1,232.49	1,790.37
Short-term Investments	226.80	222.58	222.72	240.35	234.15
Cash & Bank Balances	657.14	239.41	352.42	145.89	60.79
Other Assets	1,381.37	1,172.25	961.75	1,300.37	1,113.54
Total Assets	9,137.43	7,395.00	9,010.43	8,058.63	8,274.15
Creditors	2,262.46	532.41	1,939.87	1,635.65	1,673.86
Long-term Debt (incl. current portion)	644.13	659.38	662.31	513.63	504.75
Short-Term Borrowings	1,494.22	1,851.56	1,777.19	1,618.96	1,202.34
Total Debt	2,138.35	2,510.94	2,439.50	2,132.59	1,707.09
Other Liabilities	594.10	528.73	692.69	602.61	761.21
Total Liabilities	4,994.91	3,572.08	5,072.06	4,370.85	4,142.16
Paid up Capital	1,392.05	1,392.05	1,392.04	1,392.05	1,392.05
Revenue Reserve	604.17	232.35	343.76	24.98	663.20
Other Equity (excl. Revaluation Surplus)	1,441.70	2,198.54	2,202.56	1,441.70	1,441.70
Sponsor Loan	0.00	0.00	0.00	0.00	0.00
Equity (excl. Revaluation Surplus)	3,437.92	3,822.94	3,938.36	2,858.73	3,496.95

Income Statement (PKR Millions)	FY22A	FY23A	FY24A	FY25A	FY26A
Net Sales	17,739.04	15,531.69	24,016.48	33,042.91	36,972.70
Gross Profit	2,719.89	1,586.71	1,444.66	2,039.04	3,104.06
Operating Profit	1,210.72	293.44	706.44	262.48	1,072.12
Finance Costs	195.52	474.62	544.05	405.19	280.86
Profit Before Tax	1,015.20	-181.18	162.39	-142.71	791.26
Profit After Tax	737.92	-93.41	111.40	-318.78	413.22

Ratio Analysis	FY22A	FY23A	FY24A	FY25A	FY26A
Gross Margin (%)	15.33%	10.22%	6.02%	6.17%	8.40%
Operating Margin (%)	6.83%	1.89%	2.94%	0.79%	2.90%
Net Margin (%)	4.16%	-0.60%	0.46%	-0.96%	1.12%
Funds from Operation (FFO) (PKR Millions)	1,078.22	-502.89	-491.44	-245.48	258.59
FFO to Total Debt* (%)	50.42%	-20.03%	-20.15%	-11.51%	15.15%
FFO to Long Term Debt* (%)	167.39%	-76.27%	-74.20%	-47.79%	51.23%
Gearing (x)	0.62	0.66	0.62	0.75	0.49
Leverage (x)	1.45	0.93	1.29	1.53	1.18
Debt Servicing Coverage Ratio* (x)	3.37	-0.11	0.10	0.35	1.46
Current Ratio (x)	1.02	0.86	0.88	0.78	1.02
(Stock in trade + trade debts) / STD (x)	1.99	0.68	1.58	1.21	2.10
Return on Average Assets* (%)	10.02%	-1.13%	1.36%	-3.74%	5.06%
Return on Average Equity* (%)	22.40%	-2.57%	2.87%	-9.38%	13.00%
Cash Conversion Cycle (days)	6.64	18.52	12.35	6.23	5.01

**Annualized, if required*
A - Actual Accounts
P - Projected Accounts
M - Management Accounts

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REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Hi-Tech Lubricants Limited
Sector	Oil & Gas
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
19-11-2026	A	A2	Stable	Upgrade
04-05-2026	A-	A2	Stable	Reaffirmed
30-12-2024	A-	A2	Stable	Reaffirmed
18-01-2024	A-	A2	Stable	Downgrade
28-11-2022	A	A2	Stable	Maintained
03-12-2021	A	A2	Positive	Maintained
30-12-2020	A	A2	Stable	Maintained
21-04-2020	A	A2	Rating Watch - Negative	Maintained
12-09-2019	A	A2	Stable	Downgrade
22-02-2018	A	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
Mr. Hisham Iqbal	Senior Manager – Finance	January 19, 2026
Mr. Hamza Iqbal	Manager- Financials	January 19, 2026
Mr. Saeed Ullah Khan Niazi	Group CFO	August 07, 2026
Mr. Hamza Iqbal	Manager- Financials	October 28, 2026

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