

HI-TECH LUBRICANTS LIMITED

Analysts:

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RATING DETAILS

RATINGS CATEGORY	Preliminary Sukuk Rating
SHORT TERM SUKUK	A1 (plim)
RATING ACTION	Preliminary
RATING DATE	August 12, 2026

Shareholding (5% or More)

Directors and their spouse(s) – 53.77%

Associated Companies, undetakings and related parties – 22.64%

Local General Public – 16.80%

Other Information

Incorporated in 1997

Listed Public Limited Company

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

<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

Instrument Rating

<https://docs.vis.com.pk/Methodologies-2025/IRM-Apr-25.pdf>

Rating Scale

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

Rating Rationale

Hi-Tech Lubricants Limited plans to issue a secured, privately placed Short-Term Sukuk (STS) of PKR 1 billion (inclusive of a Green shoe option of PKR 400 million) for a tenor of upto six months from the date of drawdown. The proceeds of the Sukuk will be utilized to meet the Company's working capital requirements.

The Sukuk will carry a profit rate of 6-month KIBOR plus a spread of 1.30%. Sukuk will be redeemed in bullet at the expiry of tenor and profit payments will be paid at maturity. The instrument will be secured through a ranking charge over the Company's current assets with a margin of 25%.

The Issuer shall establish and maintain Finance Payment Account ("FPA") under lien of the Investment Agent whereby deposits equivalent to 1/4th of the total amount due at maturity (inclusive of Redemption Amount and Profit Payment) shall be made starting 49 working days before the Maturity Date, and every fortnight thereafter, such that the full amount due at maturity is available in the Finance Payment Account at least 7 working days before the Maturity Date.

Assigned ratings take in to account moderate business risk profile of the lubricant segment, supported by relatively higher margins, stable demand from automotive and industrial end-users, and the Company's market position in the premium lubricant segment, backed by nearly three decades of operating history. Further, as fuel marketing business now contributes major part of the revenues, assigned ratings also take into account the high business risk profile of the OMC sector, driven by a regulated pricing regime, intense competitive dynamics, exchange rate fluctuations, volatility in the margins and sensitivity to macroeconomic variables. Notwithstanding these challenges, the Company's diversified operating profile, with presence across both fuel marketing and lubricant segment provides a degree of earnings resilience.

Assigned ratings also incorporate improvement in the Company's financial profile, particularly during 9MFY26, with profitability margins supported by enhanced operational efficiency and upward price adjustment. The Company's capitalization profile and coverage profile considered adequate with the debt servicing coverage strengthening during 9MFY26. In addition, ratings reflect operational integration at the Group level, supported by HTL's wholly owned subsidiary, Hi-Tech Blending (Private) Limited. Going forward, the Company's ability to enhance market share through volume growth while sustaining profitability amid sector volatility, together with maintaining debt coverage metrics and further strengthening its liquidity and capitalization profiles, will remain important considerations for the ratings.

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 61 dealer-managed fuel stations, with 37 located in Punjab and 24 in Khyber Pakhtunkhwa (KPK). In addition, HTL operates HTL Express Centers, with eight centers currently co-located with fuel stations.

Proposed Sukuk

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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.

Demand conditions in the petroleum segment showed gradual improvement during FY25, signaling gradual stabilization in demand amid a complex macroeconomic environment. Total oil sales increased by 7% YoY to 16.32 million tons, driven primarily by higher consumption of motor spirit (MS) and high-speed diesel (HSD). MS volumes rose by 6%, reflecting increased automobile usage and comparatively lower retail prices, while HSD sales grew by 10%, supported by improved activity in the transport and agricultural sectors. In contrast, furnace oil (FO) sales declined by 23% YoY, consistent with the continued structural shift away from FO-based power generation, although temporary pre-buying ahead of the imposition of petroleum development levy (PDL) supported volumes toward the end of the fiscal year. The recovery trend extended into 4MFY26, with cumulative oil sales increasing by 4% YoY to 5.4 million tons, driven by growth in MS and HSD, while FO demand declined sharply. Overall oil sales in FY26 are expected to grow in the range of 7%–10%, supported by improving transportation demand, economic activity, and agricultural output; however, volatility in global oil prices, 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. During FY25, the Company achieved approximately 95% localization of lubricant production, compared with prior reliance on imported finished lubricants. 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. To support future expansion, investment in additional storage capacity is under evaluation, which would facilitate the acquisition of licenses for establishing more fuel stations and expansion in Sindh as well. Going forward, materialization of these expansion plans would support volume growth and profitability.

On the lubricant segment, the Company sources nearly all 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 9.4 million litres in FY25 (FY24: 7.6 million litres); though, capacity utilisation declined to 17.8% (FY24: 25.3%) due to the increase in installed capacity. Going forward, given that the local blending products now account for more than 90% of the products mix, margins are expected to improve gradually.

PROFITABILITY:

During FY25, the Company's revenue rose by approximately 38% year-on-year to PKR 33.0 billion (FY24: PKR 24.02 billion), driven primarily by volume growth and upward price adjustments. Petroleum products recorded stronger volumetric growth compared to the lubricant segment. The petroleum division continued to dominate the revenue mix, contributing around 66%, while lubricants accounted for roughly 33%. In 9MFY26, topline revenue stood at PKR 26.0 billion. Looking ahead, petroleum sales are expected to grow at moderate levels, whereas management aims to regain market share in lubricants through an improved pricing strategy following the transition to localized blending operations. This shift is anticipated to support a gradual recovery in volumes over the next two to three years.

Margins remained constrained by the inherently low-margin nature of OMC products. However, gross margins in the lubricant segment improved due to enhanced operational efficiency from localized blending during FY25, rising slightly to 6.17% (FY24: 6.02%). Net margins, however, declined to -0.96% in FY25 (FY24: 0.46%), largely reflecting the absence of dividend income from the wholly owned subsidiary. In 9MFY26, profitability margins showed improvement, supported by a higher share of locally blended lubricants and better pricing in the OMC segment. 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.

Financial Risk**CAPITAL STRUCTURE**

The Company continues to maintain an adequate capitalization profile, with gearing and leverage ratios recorded at 0.62x and 1.68x, respectively, as of March 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 has increased to PKR 3.34 billion (June 2025: PKR 2.86 billion) due to improved profitability. Going forward, strengthening the equity base alongside improvement in other capitalization indicators will remain critical for sustaining ratings.

DEBT COVERAGE & LIQUIDITY:

The Company's liquidity profile has remained constrained, as reflected in a current ratio consistently below 1x since FY23, standing at 0.99x as of March 2026 (June 2025: 0.78x; June 2024: 0.88x). Liquidity pressures primarily stem from financial support extended to its subsidiary, HTBL. Nonetheless, short-term debt coverage remains healthy, reported at 2.42x as of March 2026 (June 2025: 1.21x; June 2024: 1.58x).

Debt-servicing capacity has strengthened, with DSCR improving to 2.71x as of March 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 monetary easing. However, ratings remain sensitive to the volatility in margins and the consequential impact on DSCR. Looking ahead, improvement in the current ratio, alongside sustained debt coverage metrics, will remain critical for ratings stability.

Financial Summary

Balance Sheet (PKR Millions)	FY22A	FY23A	FY24A	FY25A	9MFY26M
Property, plant and equipment	2,590.34	2,589.50	2,771.81	2,656.77	2,617.41
Right-of-use Assets	0.00	605.12	591.49	449.03	446.79
Intangible Assets	6.66	3.98	1.20	2.71	1.75
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	0.00
Trade debts	106.22	159.24	1,019.80	1,232.49	1,998.47
Short-term Investments	226.80	222.58	222.72	240.35	234.00
Cash & Bank Balances	657.14	239.41	352.42	145.89	67.38
Other Assets	1,381.37	1,172.25	961.75	1,300.37	2,901.16
Total Assets	9,137.43	7,395.00	9,010.43	8,058.63	9,566.96
Creditors	2,262.46	532.41	1,939.87	1,635.65	3,454.50
Long-term Debt (incl. current portion)	644.13	659.38	662.31	513.63	551.54
Short-Term Borrowings	1,494.22	1,851.56	1,777.19	1,618.96	1,514.77
Total Debt	2,138.35	2,510.94	2,439.50	2,132.59	2,066.31
Other Liabilities	594.10	528.73	692.69	602.61	98.93
Total Liabilities	4,994.91	3,572.08	5,072.06	4,370.85	5,619.74
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	509.40
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	3,343.15

Income Statement (PKR Millions)	FY22A	FY23A	FY24A	FY25A	9MFY26M
Net Sales	17,739.04	15,531.69	24,016.48	33,042.91	25,959.50
Gross Profit	2,719.89	1,586.71	1,444.66	2,039.04	2,194.50
Operating Profit	1,210.72	293.44	706.44	262.48	726.51
Finance Costs	195.52	474.62	544.05	405.19	188.18
Profit Before Tax	1,015.20	-181.18	162.39	-142.71	538.33
Profit After Tax	737.92	-93.41	111.40	-318.78	259.43

Ratio Analysis	FY22A	FY23A	FY24A	FY25A	9MFY26M
Gross Margin (%)	15.33%	10.22%	6.02%	6.17%	8.45%
Operating Margin (%)	6.83%	1.89%	2.94%	0.79%	2.80%
Net Margin (%)	4.16%	-0.60%	0.46%	-0.96%	1.00%
Funds from Operation (FFO) (PKR Millions)	1,078.22	-502.89	-491.44	-245.48	605.27
FFO to Total Debt* (%)	50.42%	-20.03%	-20.15%	-11.51%	39.06%
FFO to Long Term Debt* (%)	167.39%	-76.27%	-74.20%	-47.79%	146.32%
Gearing (x)	0.62	0.66	0.62	0.75	0.62
Leverage (x)	1.45	0.93	1.29	1.53	1.68
Debt Servicing Coverage Ratio* (x)	3.37	-0.11	0.10	0.35	2.71
Current Ratio (x)	1.02	0.86	0.88	0.78	0.99
(Stock in trade + trade debts) / STD (x)	1.99	0.68	1.58	1.21	2.42
Return on Average Assets* (%)	10.02%	-1.13%	1.36%	-3.74%	3.93%
Return on Average Equity* (%)	22.40%	-2.57%	2.87%	-9.38%	11.15%
Cash Conversion Cycle (days)	6.64	18.52	12.35	6.23	-8.07

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	Hi-Tech Lubricants Limited		
Sector	Oil & Gas		
Type of Relationship	Solicited		
Purpose of Rating	Sukuk Ratings		
Rating History	Rating Type: Sukuk		
	Rating Date	Ratings	Rating Action
	8/12/2026	A1 (plim)	Preliminary
Instrument Structure	Hi-Tech Lubricants Limited plans to issue a secured, privately placed Short-Term Sukuk (STS) of PKR 1 billion (inclusive of a Green shoe option of PKR 400 million) for a tenor of upto six months from the date of drawdown. The proceeds of the Sukuk will be utilized to meet the Company's working capital requirements. The Sukuk will carry a profit rate of 6-month KIBOR plus a spread of 1.30%. Sukuk will be redeemed in bullet at the expiry of tenor and profit payments will be paid at maturity. The instrument will be secured through a ranking charge over the Company's current assets with a margin of 25%. The Issuer shall establish and maintain Finance Payment Account ("FPA") under lien of the Investment Agent whereby deposits equivalent to 1/4th of the total amount due at maturity (inclusive of Redemption Amount and Profit Payment) shall be made starting 49 working days before the Maturity Date, and every fortnight thereafter, such that the full amount due at maturity is available in the Finance Payment Account at least 7 working days before the Maturity Date.		
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	Janaury 19, 2026
	Mr. Hamza Iqbal	Manager – Financials	January 19, 2026