OIL INDUSTRIES PAKISTAN LIMITED

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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	Positive		Stable	
RATING ACTION	Maintained		Reaffirmed	
RATING DATE	Jaunuary 22, 2026		November 21, 2024	

Shareholding (5% or More)	Other Information
Mrs Adeeba Basit ~ 20.01%	Incorporated in 1976
Mr Muhammad Yousuf – 20%	Unlisted Public Limited Company
Mr Muhammad Asif Sheikh- 19.05%	Chief Executive: Mr. Muhammad Asif Sheikh
Mrs Shabana Rashid- 15%	External Auditor: BDO Ebrahim and Co Chartered Accountants
Mr Muhammad Waleed Asif- 12%	
Mr Muhammad Shaiq Basit Shaikh-5%	
Mr Danish Basit- 5%	

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

Rating Scale

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

Rating Rationale

The revision in the rating outlook reflects improving fundamentals and forward-looking initiatives. The Company's planned expansion projects, including the development of a new storage facility and the addition of fuel retail outlets, are expected to enhance distribution capacity and market penetration over the medium term, albeit with associated execution risk. The outlook is further supported by Company's capitalization plans to enhance financial flexibility. The outlook also incorporates a strengthening financial profile. Margins have benefited from operational efficiencies, disciplined cost management, and lower finance costs, despite declining market share in the fuel segment. The capitalization profile remains conservative and has improved following the settlement of short-term borrowings. Liquidity has strengthened due to improved internal cash generation, supported by inventory rationalization, while debt-servicing capacity has improved, as reflected in stronger coverage metrics.

However, assigned ratings continue to be constrained by elevated business risk profile of the OMC sector, driven by a regulated pricing regime, intense competitive dynamics, exchange rate fluctuations and heightened sensitivity to macroeconomic variables. Notwithstanding these challenges, the Company's diversified operating profile, with presence across both fuel marketing and lubricants, provides a degree of earnings resilience. In particular, the lubricants segment carries a moderate business risk profile, supported by relatively higher margins, stable demand from automotive and industrial end-users, and the Company's market position in transformer oil and retail engine oil, backed by over four decades of operating history. Going forward, Company's ability to enhance market share through volume growth and profitability amid sector volatility, while maintaining sound liquidity and capitalization indicators, will remain important for ratings.

Company Profile

Oil Industries Pakistan Limited ("OIPL" or "the Company"), founded on November 20, 1976, under the "TARGET" brand, transitioned to a Public Limited (Unlisted) entity on October 28, 2021. The Company is engaged in the manufacturing, blending, and sale of lubricating oils, as well as the procurement and distribution of petroleum products.

OIPL's registered office, located in Karachi, functions as its administrative headquarters. The manufacturing facility, situated in the Korangi Industrial Area, Karachi, supports production and blending operations. Additionally, a petroleum storage facility in District Sahiwal, Punjab, with a 5,000-metric-ton capacity, enables the storage and regional distribution of petroleum products. The Company also operates branch offices in Lahore and Multan to support distribution and broaden market access.

Management and Governance

OWNERSHIP/SPONSOR/CHAIRMAN/CEO PROFILE

Mr. Muhammad Asif Sheikh who serves as the CEO has more than 3 decades of entrepreneurial expertise, being one of the core partners since the inception of OIPL. Apart from the finance sector, his core areas of interests include human resources, marketing and research and development. During his tenure at OIPL, he has been instrumental in launching Transformer Oil in Pakistani Market, establish distribution networks across the country, and acquiring OMC License from OGRA to establish OMC for distribution of petroleum products under the Brand name "Target".

BOD's & COMMITTEE:

The Board of Directors comprises 5 members with no independent director and female member. Furthermore, it currently does not have any board committees. The inclusion of independent and female directors, the formation of board committees, and the establishment of an independent internal audit function may significantly strengthen its overall corporate governance.

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

OIPL's business risk profile compares favorably with peers due to its strong lubricant franchise, which is expected to continue providing margin stability, partially offsetting the higher risk associated with the growing OMC segment.

OPERATIONAL UPDATE

	FY24	FY25
Capacity in Litres	38,500,000	38,500,000
Production in Litres	10,510,847	6,989,710
Capacity Utilization	27%	18%

The manufacturing facility for lubricants is situated in the Korangi Industrial Area, Karachi. During FY25, production fell by 33.5% to 6.99 million litres (FY24: 10.51 million litres), primarily due to weaker market demand. The decline was driven by higher prices resulting from the imposition of a 5% FED on lubricant oils and a 2% advance income tax on non-filers, which negatively impacted demand. Consequently, the capacity utilization declined to 18% (FY24: 27%).

On the OMC side, petroleum products are marketed through 57 retail outlets located in Punjab and are supplied via the Company's storage facility in Sahiwal, which has the capacity to support up to 80 retail stations. In line with its expansion strategy, the Company is in the process of establishing 21 additional retail outlets within Punjab; the OMC license currently remains restricted to the province. Separately, a storage facility in Daulatpur is under construction, with an initial planned capacity of 5,000 metric tonnes. Once operational, the Company will be able to acquire license from OGRA for opening petrol stations in Sindh, thereby supporting market presence.

PROFITABILITY:

During FY25, the Company's revenue declined by 28.2% YoY to PKR 8.75b (FY24: PKR 12.18b), primarily reflecting lower revenues from both the lubricants and petroleum products segments. Gross revenue from the lubricants segment decreased to PKR 3.86b (FY24: PKR 5.38b), as demand weakened following price increases triggered by the imposition of a 5% Federal Excise Duty on lubricant oils and a 2% advance income tax on non-filers. Meanwhile, petroleum products revenue declined to PKR 5.7b (FY24: PKR 7.8b), driven by downward revisions in regulated fuel prices by OGRA and lower sales volumes, reflecting the Company's strategic suspension of fuel imports amid international market volatility. During FY25, petroleum products accounted for ~60% of gross revenue, while lubricants contributed ~40%.

Despite the contraction in revenue, the Company's profitability improved, with gross margins increasing to 9.0% (FY24: 7.25%). Margin expansion was supported by procurement efficiencies arising from sourcing petroleum products from local refineries along with a decline in raw material costs for lubricant manufacturing. The net margin also strengthened to 3.11% (FY24: 1.89%), supported by lower finance costs on the back of reduced borrowings and a relatively lower interest rate environment.

During 4MFY26, the Company reported revenue of PKR 3.97b. On an annualized basis, revenues indicate a recovery, reflecting improved demand conditions. During the period, gross and net margins remained largely stable at 8.72% and 3.63%, respectively. Going forward, augmentation in revenues along with maintenance of profitability margins will remain important for ratings.

Financial Risk

CAPITAL STRUCTURE

The company continued to maintain a conservative capitalization profile, with leverage and gearing improving to 0.36x and 0.01x respectively at end-Jun'25 (Jun'24: 0.71x and 0.23x). This improvement was supported by higher equity base arising from improved profitability and profit retention, along with the settlement of short-term debt obligations, supported by inventory rationalization. As at end-Oct'25, leverage and gearing have remained low and stable at 0.40x and 0.01x. Going forward, maintenance of low leverage structure will be important from the ratings perspective.

DEBT COVERAGE & LIQUIDITY:

As of end-June 2025, the Company's current ratio strengthened markedly to 3.99x (June 2024: 1.99x), primarily driven by improved internal cash generation and a significant reduction in current liabilities following inventory rationalization and the settlement of short-term borrowings. Cash conversation cycle also reflects improvment to 29 days as at Oct'25 (Jun'25: 53 days, Jun'24: 41 days). The Company's debt service coverage strengthened materially, with the DSCR improving to 6.78x in FY25 (FY24: 2.75x), supported by higher funds from operations and a marked reduction in finance costs following lower interest rates. The coverage profile improved further to 33.02x in 4MFY26, reflecting the continued decline in finance costs alongside a sustained modest upward trend in FFO. Going forward, maintenance of liquidity and coverage metrics will be important from the ratings perspective.

Financial Summary

Appendix I

Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	4MFY26M
Property, plant and equipment	1,774.75	1,732.56	1,674.06	1,653.09
Right-of-use Assets	41.40	78.44	0.00	49.67
Intangible Assets	2.73	2.46	2.21	2.21
Long-term Investments	0.00	0.00	0.00	0.00
Stock-in-trade	863.65	1,066.52	563.60	603.56
Trade debts	884.29	642.22	722.85	726.16
Short-term Investments	0.00	0.00	0.00	0.00
Cash & Bank Balances	32.63	34.48	272.11	534.51
Other Assets	116.13	65.05	138.60	97.13
Total Assets	3,715.58	3,621.73	3,373.43	3,666.32
Creditors	448.40	314.67	233.52	526.97
Long-term Debt (incl. current portion)	54.01	54.06	28.04	22.45
Short-Term Borrowings	588.70	359.43	0.00	0.00
Total Debt	642.71	413.49	28.04	22.45
Other Liabilities	491.89	530.80	477.05	337.87
Total Liabilities	1,583.00	1,258.96	738.61	887.29
Paid up Capital	1,000.00	1,000.00	1,000.00	1,000.00
Revenue Reserve	513.57	770.22	1,066.11	1,210.28
Other Equity (excl. Revaluation Surplus)	0.00	0.00	0.00	0.00
Sponsor Loan	0.00	0.00	0.00	0.00
Equity (excl. Revaluation Surplus)	1,513.57	1,770.22	2,066.11	2,210.28

Income Statement (PKR Millions)	FY23A	FY24A	FY25A	4MFY26M
Net Sales	9,949.63	12,182.15	8,749.05	3,968.29
Gross Profit	827.96	883.26	787.26	346.21
Operating Profit	470.06	518.99	488.69	202.61
Finance Costs	136.39	148.82	51.96	2.14
Profit Before Tax	333.67	370.17	436.73	200.47
Profit After Tax	233.57	230.19	272.09	144.17

Ratio Analysis	FY23A	FY24A	FY25A	4MFY26M
Gross Margin (%)	8.32%	7.25%	9.00%	8.72%
Operating Margin (%)	4.72%	4.26%	5.59%	5.11%
Net Margin (%)	2.35%	1.89%	3.11%	3.63%
Funds from Operation (FFO) (PKR Millions)	342.26	341.96	393.89	144.17
FFO to Total Debt* (%)	53.25%	82.70%	1404.74%	1926.29%
FFO to Long Term Debt* (%)	633.70%	632.56%	1404.74%	1926.29%
Gearing (x)	0.42	0.23	0.01	0.01
Leverage (x)	1.05	0.71	0.36	0.40
Debt Servicing Coverage Ratio* (x)	2.74	2.75	6.78	25.83
Current Ratio (x)	1.51	1.99	3.99	3.49
(Stock in trade + trade debts) / STD (x)	2.97	4.75		
Return on Average Assets* (%)	6.95%	6.27%	7.78%	12.29%
Return on Average Equity* (%)	16.84%	14.02%	14.18%	20.23%
Cash Conversion Cycle (days)	41.81	41.72	53.27	29.04

**Annualized, if required*

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	Oil Industries Pakistan Limited
Sector	Oil Marketing Companies
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
Rating History	see table below
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.
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Due Diligence Meetings Conducted	see table below

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
01/22/2026	A-	A2	Positive	Maintained
11/21/2024	A-	A2	Stable	Reaffirmed
08/31/2023	A-	A2	Stable	Initial

Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Nadeem Khan	Chief Financial Officer (CFO)	24/12/2025
Mr. Danish Basit Sheikh	Director Finance	24/12/2025